

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED NOVEMBER 21, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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November 1, 2007

Independent Auditor's Report
on the Financial Statements

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

New Orleans, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development, as of and for the year ended June 30, 2007, as listed in the foregoing table of contents. These special purpose financial statements are the responsibility of the Crescent City Connection Division's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

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

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

Crescent City Connection Division as of June 30, 2007, or changes in financial position for the year then ended.

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, 2007, and the results of its operations for the year ended June 30, 2007, on the basis of accounting described in note 1-A.

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 Crescent City Connection Division incurred damage to infrastructure and lost toll revenues as a result of hurricanes Katrina and Rita. However, the long-term effects of these events directly on the Crescent City Connection Division cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2007, 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 the Crescent City Connection Division, the Department of Transportation and Development, and its trustee bank and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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

Combined Balance Sheet (Legal Basis), June 30, 2007

	GOVERNMENTAL FUND TYPES				TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	
ASSETS					
Cash and cash equivalents (note 2)	\$4,700	\$237,482			\$242,182
Investments (note 3)		3,450,731	\$5,741,196	\$34,282,160	43,474,087
Accrued interest receivable (note 4)		11,292	21,698	130,169	163,159
Due from state treasury			5,573,030		5,573,030
Due from other funds (note 10)	5,573,030	1,163,796		162,590	6,899,416
TOTAL ASSETS	\$5,577,730	\$4,863,301	\$11,335,924	\$34,574,919	\$56,351,874
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$2,469,281			\$354,640	\$2,823,921
Tag deposits		\$1,988,555			1,988,555
Due to other funds (note 10)		189,716	\$5,573,030	1,136,670	6,899,416
Deferred revenue (note 1-L)		2,685,030			2,685,030
Total Liabilities	2,469,281	4,863,301	5,573,030	1,491,310	14,396,922
Fund Balances:					
Reserved for operations (note 8)	3,108,449				3,108,449
Reserved for projects (note 8)				33,083,609	33,083,609
Reserved for debt service (note 8)			5,762,894		5,762,894
Total Fund Balances	3,108,449	NONE	5,762,894	33,083,609	41,954,952
TOTAL LIABILITIES AND FUND BALANCES	\$5,577,730	\$4,863,301	\$11,335,924	\$34,574,919	\$56,351,874

The accompanying notes are an integral part of this statement.

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

**Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2007**

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
REVENUES					
Interest on investments		\$132,843	\$254,452	\$1,750,942	\$2,138,237
Toll revenue		21,372,386			21,372,386
Tag revenue		458,810			458,810
Scrip revenue - bridge and ferry		70,145			70,145
Ferry revenue		238,617			238,617
Highway Fund No. 2			5,573,030		5,573,030
Other income	\$530,517	144,760	1		675,278
Federal grants	840,000				840,000
Total revenues	<u>1,370,517</u>	<u>22,417,561</u>	<u>5,827,483</u>	<u>1,750,942</u>	<u>31,366,503</u>
EXPENDITURES					
Operational expenditures	22,787,903				22,787,903
Capital outlay expenditures				7,223,310	7,223,310
Interest expense			551,244		551,244
Bonds redeemed			1,855,000		1,855,000
Bank charges	335	194,279			194,614
Total expenditures	<u>22,788,238</u>	<u>194,279</u>	<u>2,406,244</u>	<u>7,223,310</u>	<u>32,612,071</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	<u>(21,417,721)</u>	<u>22,223,282</u>	<u>3,421,239</u>	<u>(5,472,368)</u>	<u>(1,245,568)</u>
OTHER FINANCING SOURCES (Uses)					
Operating transfers in (note 11)	26,576,180	1,152,856	9,210,017	26,131,916	63,070,969
Operating transfers out (note 11)	(5,901,748)	(23,376,138)	(11,653,262)	(22,139,821)	(63,070,969)
Total financing sources (uses)	<u>20,674,432</u>	<u>(22,223,282)</u>	<u>(2,443,245)</u>	<u>3,992,095</u>	<u>NONE</u>
NET CHANGES IN FUND BALANCES					
	(743,289)	NONE	977,994	(1,480,273)	(1,245,568)
FUND BALANCES AT BEGINNING OF YEAR, Restated (note 14)					
	<u>3,851,738</u>	<u>NONE</u>	<u>4,784,900</u>	<u>34,563,882</u>	<u>43,200,520</u>
FUND BALANCES AT END OF YEAR					
	<u>\$3,108,449</u>	<u>NONE</u>	<u>\$5,762,894</u>	<u>\$33,083,609</u>	<u>\$41,954,952</u>

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The Crescent City Connection Division (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, issuing 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 200 people as of June 30, 2007.

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 funds 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 1992 Bonds and paying the cost of issuance

The fixed 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.

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 Office of 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 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. FIXED ASSETS AND LONG-TERM OBLIGATIONS

Fixed assets of governmental funds, including public domain and infrastructure assets, are recorded as expenditures at the time purchased or constructed, and the related assets are 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.

I. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

J. FUND EQUITY - RESERVES

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

K. FEDERAL FUNDS

The 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 \$840,000 federal funding for operation and maintenance expenditures in the General Fund. The capital project expenditures are paid by DOTD, which then receives 80% reimbursement directly from the FTA and is reimbursed the remaining 20% by the division. The operating and maintenance expenditures are paid by DOTD, which then receives reimbursement from the FTA or the division. FTA income and the corresponding expenditures that were funded for operations and maintenance are recorded and reported by the division in the General Fund. FTA income and the corresponding expenditures that were funded for capital outlay are recorded and reported by DOTD and are not recorded or reported by the division.

L. DEFERRED REVENUE

Deferred revenue represents prepaid tolls at the end of the fiscal year that will be used in the subsequent accounting period. Prepaid tolls at June 30, 2007, are \$2,685,030.

M. TOTAL COLUMNS ON STATEMENTS

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

2. CASH

At June 30, 2007, the division has cash (book balances) totaling \$242,182, as follows:

Demand deposits with financial institutions	\$237,482
Cash on hand - toll collector change fund	<u>4,700</u>
Total	<u><u>\$242,182</u></u>

Under state law, demand deposits with financial institutions must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2007, the division has \$111,988 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, 2007, investments of the division in the U.S. Treasury Plus Money Market Fund (money market fund) total \$43,474,087, which is shown on Statement A. The division used quoted market values to determine the fair value of the investments. The money market mutual 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 AAA by Standard & Poor's and Aaa by Moody's Investors Service.

4. ACCRUED INTEREST RECEIVABLE

The division has accrued interest receivables of \$163,159 at June 30, 2007. This amount represents income from investments earned before June 30, 2007, which was not received by the division until after June 30, 2007.

5. 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.

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

Infrastructure at June 30, 2007, is as follows:

	Balance June 30, 2006	Prior Period Adjustments	Adjusted Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Infrastructure	\$300,580,117		\$300,580,117	\$7,223,310		\$307,803,427
Less - right-of-way	10,865,967		10,865,967			10,865,967
Adjusted infrastructure	289,714,150		289,714,150	7,223,310		296,937,460
Less - accumulated depreciation	122,136,173		122,136,173	6,091,589		128,227,762
Total infrastructure	<u>\$167,577,977</u>	<u>NONE</u>	<u>\$167,577,977</u>	<u>\$1,131,721</u>	<u>NONE</u>	<u>\$168,709,698</u>

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

6. PENSION PLAN

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

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

CRESCENT CITY CONNECTION DIVISION

Members are required by state statute to contribute 7.5% (8.0% for employees hired after July 1, 2006) of gross salary, and the division is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the year ended June 30, 2007, was 19.1% of annual covered payroll; 19.1% for the fiscal year ended June 30, 2006; and 17.8% for the fiscal year ended June 30, 2005. The division's contributions to the System including employee contributions for fiscal year ending June 30, 2007; for fiscal year ending June 30, 2006; and for fiscal year ending June 30, 2005, were \$1,688,417; \$1,692,465; and \$1,741,592, respectively, equal to the required contribution for each year.

7. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the fiscal year ended June 30, 2007:

	Bonded Indebtedness Payable at June 30, 2006		Additions	Retirements	Bonded Indebtedness Payable at June 30, 2007	
Bridge Revenue Refunding Bonds - Series 2002	<u>\$14,495,000</u>		<u>NONE</u>	<u>\$1,855,000</u>	<u>\$12,640,000</u>	

The bonds mature November 1, 2012, and accrue interest at rates of 2.00% to 5.00%. The bonds were issued for the purpose of refunding all 1992 Bonds and paying the cost of issuance. Maturities of long-term debt including interest payments of \$1,724,191 are as follows:

Fiscal Year Ending June 30:	
2008	\$2,399,556
2009	2,387,700
2010	2,381,631
2011	2,445,506
2012	2,372,922
2013	<u>2,376,875</u>
Total	<u>\$14,364,190</u>

The division has accumulated a balance of \$5,762,894 dedicated to the payment of bonds. Another \$6,877,106 is to be provided from future years' revenues dedicated to the payment of the bonds.

8. RESERVED FUND BALANCES

As shown on Statement A, the division has reserved fund balances of \$41,954,952 at June 30, 2007, which are restricted by enabling legislation. These balances are reserved as follows:

Reserve for Operations - Monies are reserved in the General Fund (Bridge and Ferry) for operations of the division. The amount of the reserve at June 30, 2007, is \$3,108,449.

Reserve for Debt Service - Monies are reserved in the debt service funds in accordance with the Third Supplemental Bond Indenture dated November 1, 2002. The amount of the reserve at June 30, 2007, is \$5,762,894.

Reserve for Projects - Monies are reserved in the Capital Projects Fund for ongoing projects. The amount of the reserve at June 30, 2007, is \$33,083,609.

9. LITIGATION AND CLAIMS

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

10. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at June 30, 2007, are as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$5,573,030	
Special Revenue Funds:		
Toll Tag Deposits		\$162,590
Toll Collection Fund	1,163,796	27,126
Debt Service Funds		5,573,030
Capital Projects Fund	162,590	1,136,670
Total	\$6,899,416	\$6,899,416

11. OPERATING TRANSFERS IN/OUT

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

CRESCENT CITY CONNECTION 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, 2007:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$26,576,180	\$5,901,748
Special Revenue Funds:		
Toll Tag Deposits		134,125
Toll Collection Fund	1,152,856	23,242,013
Debt Service Funds:		
Reserve Fund		121,147
Sinking Fund	2,493,395	
Interest Fund	759,982	
Debt Service Fund	5,956,640	11,532,115
Capital Projects Fund	<u>26,131,916</u>	<u>22,139,821</u>
 Total	 <u>\$63,070,969</u>	 <u>\$63,070,969</u>

12. 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 five cooperative agreements. Three of those agreements are with the Jefferson Parish Council; one is with the Port of New Orleans; and one is with the City of Gretna. Most of the agreements are to improve access to the bridges and are funded with the district’s toll collections (self-generated revenues). The agreement with the Port of New Orleans is to allow the division the use of the port’s radio system. The estimated amount outstanding as of June 30, 2007, for these agreements is \$3,286,307, which is not reflected on the accompanying financial statements.

13. 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.

14. RESTATEMENT OF BEGINNING FUND BALANCE

The beginning fund balances as reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Special Revenue Fund - Toll Tag Deposit account and the Capital Projects Fund have been restated to reflect the correction of prior year errors. The effect of the restatement is as follows:

Special Revenue Fund - Toll Tag Deposits:	
Fund balance at June 30, 2006	\$17,525
Adjustment	<u>(17,525)</u>
Fund balance at July 1, 2006	<u>NONE</u>
Capital Projects Fund:	
Fund balance at June 30, 2006	\$34,546,357
Adjustment	<u>17,525</u>
Fund balance at July 1, 2006	<u>\$34,563,882</u>

15. FULL ACCRUAL REVENUES/RECEIVABLES

The division had \$3,829,399 in outstanding receivables for toll violations at June 30, 2007, which are not required to be reported in the accompanying fund financial statements prepared on a legal basis of accounting. This information was requested by OSRAP for the state's government-wide financial statements prepared on a full accrual basis of accounting.

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**

**SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 2007**

SPECIAL REVENUE FUNDS

TOLL TAG DEPOSIT FUND

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

TOLL COLLECTION FUND

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

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

Combining Balance Sheet (Legal Basis), June 30, 2007

	TOLL COLLECTION FUND	TOLL TAG DEPOSIT FUND	TOTAL
ASSETS			
Cash and cash equivalents	\$237,482		\$237,482
Investments	1,307,685	\$2,143,046	3,450,731
Accrued interest receivable	3,193	8,099	11,292
Due from other funds	1,163,796		1,163,796
	<u>1,163,796</u>		<u>1,163,796</u>
TOTAL ASSETS	<u>\$2,712,156</u>	<u>\$2,151,145</u>	<u>\$4,863,301</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Tag deposits		\$1,988,555	\$1,988,555
Due to other funds	\$27,126	162,590	189,716
Deferred revenue	2,685,030		2,685,030
Total Liabilities	<u>2,712,156</u>	<u>2,151,145</u>	<u>4,863,301</u>
Fund balance - reserved for projects	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,712,156</u>	<u>\$2,151,145</u>	<u>\$4,863,301</u>

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

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2007**

	TOLL COLLECTION FUND	TOLL TAG DEPOSIT FUND	TOTAL
REVENUES			
Interest on investments	\$33,183	\$99,660	\$132,843
Toll revenue	21,372,386		21,372,386
Tag revenue	458,810		458,810
Scrip revenue - bridge and ferry	70,145		70,145
Ferry revenue	238,617		238,617
Rental and other income	110,295	34,465	144,760
Total revenues	<u>22,283,436</u>	<u>134,125</u>	<u>22,417,561</u>
EXPENDITURES - bank charges	194,279	NONE	194,279
EXCESS OF REVENUES OVER EXPENDITURES	<u>22,089,157</u>	<u>134,125</u>	<u>22,223,282</u>
OTHER FINANCING SOURCES (Uses)			
Operating transfers in	1,152,856		1,152,856
Operating transfers out	(23,242,013)	(134,125)	(23,376,138)
Total financing sources (uses)	<u>(22,089,157)</u>	<u>(134,125)</u>	<u>(22,223,282)</u>
NET CHANGES IN FUND BALANCES	NONE	NONE	NONE
FUND BALANCES AT BEGINNING OF YEAR, Restated (note 14)	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
FUND BALANCES AT END OF YEAR	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**

**SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 2007**

DEBT SERVICE FUNDS

RESERVE FUND

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

SINKING FUND

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

INTEREST FUND

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

DEBT SERVICE FUND

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

PROCEEDS FUND

The Proceeds Fund was established to account for the 2002 Bonds and any monies transferred to or deposited in the Proceeds Fund by the trustee from any other source. The fund remains to account for residual funds on deposit and the interest earned on these funds.

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

Combining Balance Sheet (Legal Basis), June 30, 2007

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
ASSETS					
Investments	\$2,069,425	\$2,669,224	\$1,002,545	\$2	\$5,741,196
Accrued interest receivable	7,842	10,067	3,789		21,698
Due from state treasury				5,573,030	5,573,030
TOTAL ASSETS	<u>\$2,077,267</u>	<u>\$2,679,291</u>	<u>\$1,006,334</u>	<u>\$5,573,032</u>	<u>\$11,335,924</u>
LIABILITIES AND FUND BALANCES					
Liabilities - due to other funds	NONE	NONE	NONE	\$5,573,030	\$5,573,030
Fund balance - reserved for debt service	<u>\$2,077,267</u>	<u>\$2,679,291</u>	<u>\$1,006,334</u>	<u>2</u>	<u>5,762,894</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,077,267</u>	<u>\$2,679,291</u>	<u>\$1,006,334</u>	<u>\$5,573,032</u>	<u>\$11,335,924</u>

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

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2007**

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
REVENUES					
Interest on investments	\$99,300	\$110,203	\$42,503	\$2,446	\$254,452
Highway Fund No. 2				5,573,030	5,573,030
Rental income and other income				1	1
Total revenues	<u>99,300</u>	<u>110,203</u>	<u>42,503</u>	<u>5,575,477</u>	<u>5,827,483</u>
EXPENDITURES					
Interest expense			551,244		551,244
Bonds redeemed		1,855,000			1,855,000
Total expenditures	<u>NONE</u>	<u>1,855,000</u>	<u>551,244</u>	<u>NONE</u>	<u>2,406,244</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	<u>99,300</u>	<u>(1,744,797)</u>	<u>(508,741)</u>	<u>5,575,477</u>	<u>3,421,239</u>
OTHER FINANCING SOURCES (Uses)					
Operating transfers in		2,493,395	759,982	5,956,640	9,210,017
Operating transfers out	(121,147)			(11,532,115)	(11,653,262)
Total financing sources (uses)	<u>(121,147)</u>	<u>2,493,395</u>	<u>759,982</u>	<u>(5,575,475)</u>	<u>(2,443,245)</u>
NET CHANGES IN FUND BALANCES					
	<u>(21,847)</u>	<u>748,598</u>	<u>251,241</u>	<u>2</u>	<u>977,994</u>
FUND BALANCES AT BEGINNING OF YEAR					
	<u>2,099,114</u>	<u>1,930,693</u>	<u>755,093</u>	<u>NONE</u>	<u>4,784,900</u>
FUND BALANCES AT END OF YEAR					
	<u>\$2,077,267</u>	<u>\$2,679,291</u>	<u>\$1,006,334</u>	<u>\$2</u>	<u>\$5,762,894</u>

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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November 1, 2007

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

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

We have audited the special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 1, 2007. Our report was modified to include 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 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 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 on the following page, 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 misstatements 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.

Inadequate Preparation of the Annual Financial Report

The Crescent City Connection Division (division) did not submit an accurate Annual Financial Report (AFR) for the fiscal year ended June 30, 2007, to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP). Louisiana Revised Statute 39:79 authorizes the commissioner of administration to establish the format of each agency's AFR and requires a signed affidavit that the AFR presents fairly the financial position of the agency. Good internal control over financial reporting should include (1) adequate procedures to record, process, and transmit financial data needed to prepare an accurate and complete AFR; (2) adequate training and supervision of staff; and (3) a review of the AFR so that any preparation errors can be detected and corrected before submitting the AFR to OSRAP.

The division's 2007 AFR submitted to OSRAP was incomplete and included numerous errors requiring adjustment as follows:

- Accounts receivable were understated by \$3,829,399 for toll violations and unpaid tolls on Schedule 14 of the AFR.
- The outstanding liability for cooperative endeavors was understated by \$460,310 on Schedule 16 of the AFR. In addition, the original agreement totals and inception to date expenditures for two of the five contracts on the schedule were overstated by \$42,404.
- Tag income was understated and the tag deposit liability was overstated by \$27,126.
- Beginning fund balance did not reconcile to the prior year ending fund balance; however, the appropriate note disclosure in the AFR packet reflected no fund balance adjustments. This resulted in a footnote adjustment of \$17,525.
- Cash and investment note disclosures were inaccurately prepared. The division failed to report the deposits in bank accounts per bank and the credit quality rating of the mutual fund investments. In addition, the division incorrectly reported that the mutual fund investments were exposed to custodial credit risk and interest rate risk.
- FEMA revenues and the related operating expenditures were understated by \$1,648.

Management of the division has not established adequate internal controls over financial reporting to include detailed, written procedures for the compilation of AFR amounts, adequate lines of communication for the exchange of data between its New Orleans and Baton Rouge offices, and has not adequately trained its accounting staff in OSRAP and Governmental Accounting Standards Board reporting requirements. In addition, management has not developed an adequate review process to ensure that the division's AFR is accurately presented.

Failure to establish adequate internal controls over financial reporting could result in undetected errors and/or fraud and an incomplete or inaccurate AFR which could cause misstatements in the state's Comprehensive Annual Financial Report.

Management of the division should establish a formal written compilation process to ensure that (1) all personnel are adequately trained; (2) adequate supporting documentation for the division's AFR is maintained and periodically reconciled to the accounting system; (3) adequate communication methods are established between division offices; and (4) the division's AFR is adequately reviewed before submitting to OSRAP. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

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 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 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 do not consider the significant deficiency above to be a material weakness.

Compliance and Other Matters

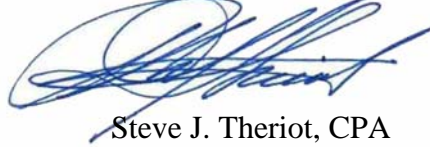
As part of obtaining reasonable assurance about whether the Crescent City Connection Division's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could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

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

CRESCENT CITY CONNECTION DIVISION

This report is intended solely for the information and use of management of the Crescent City Connection Division, Department of Transportation and Development, and its trustee bank, others within the entity, and the Louisiana State 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

LCW:BQD:THC:sr

CCCD07

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



KATHLEEN BABINEAUX BLANCO
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

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JOHNNY B. BRADBERRY
SECRETARY

October 31, 2007

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

RE: Crescent City Connection Division
Inadequate Preparation of the Annual Financial Report

Dear Mr. Theriot:

The Department is in receipt of your audit finding for the Crescent City Connection Division (Division) titled Inadequate Preparation of the Annual Financial Report (AFR). This letter is a joint response between the Crescent City Connection Division (Division) and Louisiana Department of Transportation and Development (Department). The finding states that the Division did not submit an accurate AFR for the fiscal year ending June 30, 2007 to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP). The finding also states inadequate internal controls over financial reporting were used. We have responded to each of the seven items individually below. Specific errors that have been identified as a result of the finding, have been or are currently being addressed.

- ***Accounts receivable were understated by \$3,829,399 for toll violations and unpaid tolls on Schedule 14 of the AFR.***

The Department and Division concur with this finding, however, it is important to note that the \$3.8 million has not been lost or misplaced. It simply was not properly reported in the AFR. The necessary paperwork from the Division was not received at the Department prior to the August 31 deadline and therefore was not available for inclusion in the AFR.

The Division started many years ago addressing the issue of uncollectible toll violations on the Crescent City Bridge. Specifically, in 2002 the "photo-monitoring system" was put in place and in 2004 a plan was developed to secure bids for a new, more enhanced system. In 2006, after over two years of design, procurement and installation, a state of the art Integrated Electronic Toll Collection System (IETCS) was put in place for the back office processes of invoicing, follow-up, aging and collection. While the system was implemented in fiscal year 2006-2007, additional programming followed in fiscal year 2007-2008 and is still ongoing. The accounts receivable finding of \$3,829,399 represents outstanding invoices issued since this new system was implemented in August 2006. The revenue generated from this advanced "photo-monitoring system" consists of tolls, delinquency fees and

administrative processing costs. Legislation (R.S. 47:820.5.2) enacted in 1998, and amended in 2003, 2006, & 2007, gave the Division full tolling power that never before existed. The Division companioned this new authority with an accurate mechanism to identify violators. Besides the ability to assess tolls, delinquency fees and administrative processing costs, the Division has the authority to “flag” vehicle registrations thus restricting renewal of license plates and registration when vehicles are resold.

The action plan to correct this finding is to update the Schedule 14 with the proper accounts receivable information and forward to the appropriate parties at LLA no later than November 5, 2007. This task will be accomplished by Josalind Thomas, Accountant 3 (225-379-1912), who works for the Department in Financial Services and is assigned to the Division. Going forward, the Department’s compilation procedure for the AFR will include a specific request of this data from the Division in the July timeframe with weekly follow-up and/or questions for any significant variance over previous reporting period.

- ***The outstanding liability for cooperative endeavors was understated by \$460,310 on Schedule 16 of the AFR. In addition, the original agreement totals and inception to date expenditures for two of the five contracts on the schedule were overstated by \$42,404.***

The Department and Division concur with this finding point. When notified of this discrepancy by LLA, the Division reviewed the amounts received per audit with those figures received initially from outside counsel. The amounts reported on those two cited agreements were found to have incorrectly included an amendment amount twice in the calculations from outside legal counsel. The figures of LLA Auditors were found to be correct. This schedule was immediately corrected and forwarded to the appropriate parties by Ms. Thomas.

- ***[Toll] Tag Income was understated and the tag deposit liability overstated by \$27,126.***

The Department and Division concur with this finding point. This amount was incorrectly reported as unearned toll tag income for February 2007 but should have been reported as toll tag revenue. Both accounts have been corrected for this incident by Ms. Thomas. Management has reinforced the importance of close second reviews to both Ms. Thomas and her supervisor, Ms. Francis. The correction plan going forward is a closer review of subordinate work performed by higher level staff. In addition, the toll tag revenue report will be carefully reviewed to ensure that the amounts reported by the Division balance with figures in the financial system.

- ***Beginning fund balance did not reconcile to the prior year fund ending balance; however the appropriate note disclosure in the AFR packet reflected no fund balance adjustments. This resulted in a footnote adjustment of \$17,525.***

The Department and Division concur with this finding point. In previous years, the balance of the Special Revenue Fund was transferred to the Construction Fund. There is no requirement for this transfer in the trust indenture and thus it was not done in 2006 and prior years. After the 2006 AFR audit, the \$17,525 was transferred to clear the Special Revenue Fund balance. Instead of showing this as an adjustment to the beginning fund balance in the 2007 AFR, the beginning fund balance was reported as zero and no note to explain this was originally included in the AFR. A note disclosure has been provided and forwarded to the appropriate parties by the Accountant 3, Ms. Thomas.

- ***Cash and investment note disclosures were inaccurately prepared. The Division failed to report the deposits in bank accounts per bank and the credit quality rating of the mutual fund investments. In addition, the Division incorrectly reported that the mutual fund investments were exposed to custodial credit risk and interest rate risk.***

The Department and Division concur with this finding point. When pointed out by the LLA, corrections were immediately made by Ms. Thomas, Accountant 3. The schedules in the AFR for deposits per bank, the credit quality rating for the mutual funds and the incorrectly listed exposure risk of investment in mutual funds have been corrected and forwarded to the appropriate parties at the LLA. Procedural steps have been reinstated to provide for proper preparation of these disclosures, as well as, management emphasizing the internal procedure of two levels of review on the compilation of any AFR documents.

- ***FEMA revenues and the related operating expenditures were understated by \$1,648.***

The Department and Division concur with this finding point. Ms. Thomas consulted with the Department's Budget Section upon receipt of these funds who indicated \$528,868 was the approved Project Worksheet (PW) amount of reimbursement for the Division. This is the amount that was reported in the AFR, however, the actual amount received via interagency transfer for the Division totaled \$530,516. The additional \$1,648 was discovered to be for reimbursement for administrative costs and was not listed on the original PW. This error correction will be completed and will be forwarded to the appropriate parties no later than November 5, 2007 by Ms. Thomas. The correction plan going forward is closer review of subordinate work performed by higher level staff. Management has reinforced the importance of close second reviews to both Ms. Thomas and her supervisor, Ms. Francis, involved in these tasks.

- ***Management of the Division has not established adequate internal controls over financial reporting to include detailed written procedures for the compilation of the AFR amounts, adequate lines of communication for the exchange of data between its New Orleans and Baton Rouge offices, and has not adequately trained its accounting staff in OSRAP and governmental Accounting Standards Board reporting requirements. In addition, management has not developed an adequate review process to ensure that the Division's AFR is accurately presented.***

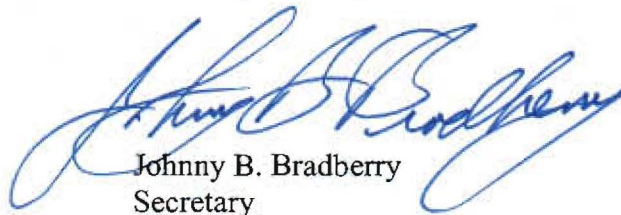
The Department and Division concur with this finding. We are taking steps to put in place new review procedures and controls. As for the training, the Department would take full advantage of any opportunities and require staff to take necessary training as it becomes available. Inquiries to date of availability of regular training by regulatory state agencies has not yielded availability of standard structured training on these matters of requirements of the Governmental Accounting Standards Board and OSRAP. We will extend our efforts to provide training to our staff in this current fiscal year to address all of these finding points, as well as, any future questions concerning the ever evolving complexity of the Division and their operations as they move forward.

In the meantime, as a part of DOTD's Quality and Continuous Improvement Program, we have set up sessions on November 7-8, 2007, between staff from the DOTD Financial Services Section and staff from the Crescent City Connection Division, to look at the processes as they are today (the "as-is") and to look at areas for improvement going forward (the "to-be"). Our review will include: internal controls, communication, current and future changes to systems, reporting and audit recommendations. Our goal is to ensure the efficient and effective management of our resources along with the proper reporting of such.

While we concur with these findings, we must note that in the past, minor errors have occurred from time to time and were corrected by the Department or handled as exit comments. It is our understanding that SAS 112 now requires the reporting of all errors. We believe that this reporting requirement contributed to the number of findings in this report more so than a significant down turn in the level of quality in our financial reports. Notwithstanding, we have already begun the process of reviewing and improving the Financial Services Section's processes and programmatic controls. We are committed to delivering improved quality and productivity in this arena.

If you need any additional information, please contact Patty O. Parsons, Financial Services Administrator at 379-1615 or PattyParsons@dotd.la.gov.

With Highest Regards,



Johnny B. Bradberry
Secretary

c: Michael Bridges
Kirt A. Clement
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