



## Report Highlights

# Louisiana Transportation Authority

DARYL G. PURPERA,  
CPA, CFE

Audit Control # 80120133  
Financial Audit Services • November 2012

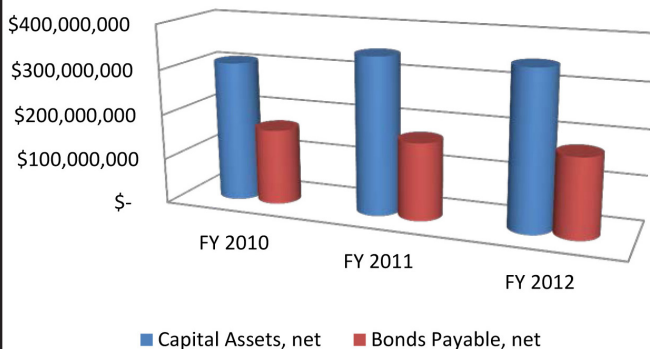
### Why We Conducted This Audit

We conducted a financial statement audit of the Louisiana Transportation Authority (Authority) for the year ended June 30, 2012, as required by the Authority's bond requirements and to provide accountability over public funds for the period July 1, 2011, through June 30, 2012.

### What We Found

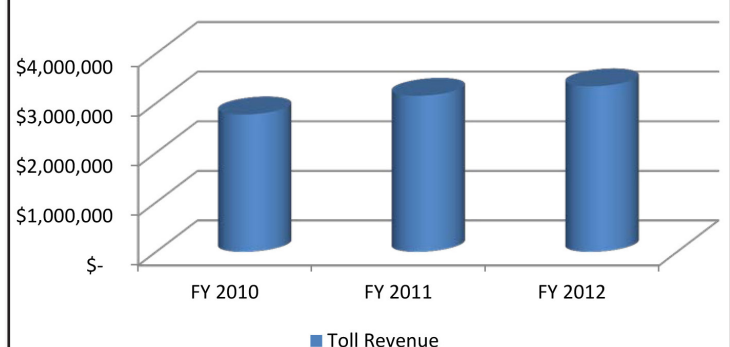
- We determined the Authority's financial statements are fairly stated.
- We identified weaknesses in controls over toll and violation collections. Those weaknesses include: (1) Geauxpass account holders who had insufficient balances were allowed free passage until funds were added to their accounts. (2) Approximately 300,000 prior year violation images remain unprocessed. (3) Violators have not received delinquency notices, which impairs the Authority's ability to collect violation fines and fees and places the Authority in noncompliance with state law. (4) Violations from out-of-state license plates remain unbilled through fiscal year 2012. (5) There is no function in place to request updated credit card information from Geauxpass account holders. Department of Transportation and Development management substantially concurred with the finding and provided corrective action plans, as described in Appendix A.
- Toll revenues have increased by 20% since fiscal year 2010. Capital asset amounts remain constant as the Authority's construction projects are near completion.

#### Capital Assets and Debt Obligations



Source: Authority's audit financial statements (FY 2010, FY 2011, and FY 2012)

#### Toll Revenue



Source: Authority's audit financial statements (FY 2010, FY 2011, and FY 2012)

The Authority's operations began with the construction of the LA 1 bridge. Beginning in fiscal year 2010, tolls were collected from vehicles crossing the LA 1 Bridge in Leesville.

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



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2012  
ISSUED NOVEMBER 28, 2012

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$5.54. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 7406 or Report ID No. 80120133 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

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## EXECUTIVE SUMMARY

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We conducted a financial statement audit of the Louisiana Transportation Authority (Authority) for the year ended June 30, 2012, as required by the Authority's bond requirements and to provide accountability over public funds for the period July 1, 2011, through June 30, 2012.

As part of our audit, we considered controls, compliance, and financial reporting for significant financial accounts, such as capital assets, bonds payable, toll revenue, capital contributions, etc. Our work disclosed the following:

- The Authority's financial statements, as adjusted, are fairly stated.
- We identified weaknesses in controls over toll and violation collections. Those weaknesses include: (1) Geauxpass account holders who had insufficient balances were allowed free passage until funds were added to their accounts. (2) Approximately 300,000 prior year violation images remain unprocessed. (3) Violators have not received delinquency notices, which impairs the Authority's ability to collect violation fines and fees and places the Authority in noncompliance with state law. (4) Violations from out-of-state license plates remain unbilled through fiscal year 2012. (5) There is no function in place to request updated credit card information from Geauxpass account holders.
- Toll revenues have increased by 20% since fiscal year 2010. Capital asset amounts remain constant as the Authority's construction projects are near completion.

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



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

November 26, 2012

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Louisiana Transportation Authority (Authority), a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

JRH:RR:EFS:THC:ch

LTA 2012

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

**Statement of Net Assets  
June 30, 2012**

**ASSETS**

Noncurrent assets

Restricted assets:

Cash (note 2)	\$326,160
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Investments (note 3)	5,588,487
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Due from other entities (note 8)	1,342,990
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Accounts receivable, net allowance for doubtful accounts (note 4)	76,264
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Capital assets, net of accumulated depreciation (note 5)	346,522,351
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Unamortized bond issuance cost	2,968,906
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Total assets	<u>356,825,158</u>
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**LIABILITIES**

Current liabilities:

Deferred revenue	394,907
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Due to other entities (note 8)	563,452
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Accrued interest on bonds payable	277,198
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Total current liabilities	<u>1,235,557</u>
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Noncurrent liabilities - bonds payable,  
net of unamortized discount (note 6)

174,593,423
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Total liabilities	<u>175,828,980</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	171,928,928
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Restricted for debt service	6,098,344
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Unrestricted	<u>2,968,906</u>
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Total net assets	<u><u>\$180,996,178</u></u>
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The accompanying notes are an integral part of this statement.

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

**Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
For the Year Ended June 30, 2012**

**OPERATING REVENUES**

Toll fees	\$3,338,379
Other	10,000
Total operating revenues	<u>3,348,379</u>

**OPERATING EXPENSES**

Administrative expenses	12,300
Depreciation (note 5)	8,882,628
Amortization of bond issuance costs	161,208
Total operating expenses	<u>9,056,136</u>

<b>OPERATING LOSS</b>	<u>(5,707,757)</u>
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**NONOPERATING REVENUES (Expense)**

Interest expense	(7,646,875)
Other revenue - interest income	179,972
Other expense	(2)
Total nonoperating revenues (expenses)	<u>(7,466,905)</u>

<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	(13,174,662)
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Capital contributions	8,141,810
Transfers from the Department of Transportation and Development	<u>830,236</u>

<b>CHANGE IN NET ASSETS</b>	(4,202,616)
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<b>NET ASSETS AT BEGINNING OF YEAR - AS RESTATED (note 9)</b>	<u>185,198,794</u>
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<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$180,996,178</u></u>
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The accompanying notes are an integral part of this statement.

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

**Statement of Cash Flows  
For the Year Ended June 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$2,725,397
Other operating cash receipts	10,000
Net cash provided by operating activities	<u>2,735,397</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Transfers in	<u>830,236</u>
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**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Principal paid on bonds	(595,000)
Interest paid on bond maturities	(3,344,227)
Acquisition/construction of capital assets	(5,989,987)
Net cash used by capital and related financing activities	<u>(9,929,214)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investment securities	(6,676,578)
Proceeds from sale of investment securities	12,096,515
Interest and dividends earned on investment securities	179,972
Net cash provided by investing activities	<u>5,599,909</u>

**NET DECREASE IN CASH** (763,672)

**CASH AT BEGINNING OF YEAR** 1,089,832

**CASH AT END OF YEAR** \$326,160

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA TRANSPORTATION AUTHORITY  
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT  
STATE OF LOUISIANA  
Statement of Cash Flows  
For the Year Ended June 30, 2012**

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	<u>(\$5,707,757)</u>
Adjustment to reconcile operating revenues to net cash provided by operating activities:	
Depreciation expense	8,882,628
Amortization expense	161,208
Administrative expense	12,300
(Increase) in accounts receivable	(10,950)
(Increase) in due from	(732,888)
Increase in due to	136,147
(Decrease) in deferred revenues	<u>(5,291)</u>
Total adjustments	<u>8,443,154</u>
Net cash provided by operating activities	<u><u>\$2,735,397</u></u>

**Schedule of Noncash Investing, Capital, and Financing Activities:**

Capital contributions	\$8,141,810
Capitalized net interest expense	204,969

(Concluded)

The accompanying notes are an integral part of this statement.

# NOTES TO THE FINANCIAL STATEMENTS

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## INTRODUCTION

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. BASIS OF PRESENTATION

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

### B. REPORTING ENTITY

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



**C. FUND ACCOUNTING**

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

**D. BASIS OF ACCOUNTING**

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

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

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

**E. BUDGET PRACTICES**

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

**F. CASH AND INVESTMENTS**

Cash includes amounts on deposit with the fiscal agent bank and an imprest account. Investments include amounts invested in money market funds and a repurchase agreement. The Authority considers all highly-liquid investments and deposits with a maturity of three months or less when purchased to be cash equivalents. Under state law, the Authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Master Indenture of Trust dated April 1, 2005, authorizes the trustee, as directed by the Authority, to invest in direct U.S. Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or by U.S. government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book-entry only securities previously

referenced with a financial institution rated not less than “A” by a rating agency and with collateral held by a third party; certificates of deposit; mutual or trust fund institutions registered by the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies; and investment grade commercial paper of domestic U.S. corporations.

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

#### **G. CAPITAL ASSETS**

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

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

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

#### **I. NONCURRENT LIABILITIES**

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

#### **J. NET ASSETS**

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

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

- Restricted net assets consist of net assets subject to external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consist of all other net assets that are not included in the other categories previously mentioned.

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

## **K. USE OF ESTIMATES**

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

## **2. CASH**

As reflected on Statement A, the Authority has cash (book balances) totaling \$326,160 at June 30, 2012. Under state law, demand deposits with financial institutions must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledge securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2012, the Authority has \$271,856 in deposits (collected bank balances) secured by federal deposit insurance.

## **3. INVESTMENTS**

At June 30, 2012, the Authority has investments stated at cost, which approximates market, totaling \$5,588,487, which are composed of money market mutual funds totaling \$1,588,487 (28.42% of the total) that consist of shares in investments in direct obligations of the U.S. Department of the Treasury including Treasury bills, bonds, notes and other obligations issued or guaranteed by the U.S. Treasury, and a repurchase agreement totaling \$4,000,000 (71.58% of the total) backed by such obligations. The Authority's investments in the U.S. Treasury Plus Money Market Funds were rated AAAm by Standard and Poor's and Aaa-mf by Moody's Investors Service. The fund will only invest in securities that have the remaining maturities of 397 days or less. These funds are reflected as restricted assets in the Statement of Net Assets. At June 30, 2012, the repurchase agreement is collateralized by Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) mortgage-backed securities, with a fair market value of \$4,193,548. The maturity of the investments held at June 30, 2012, is greater than 10 years.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority limits its credit risk with the repurchase agreement by requiring the market value of the securities underlying repurchase agreements to equal at least 100%-105% of

the value of the repurchased securities at all times, depending on the type of underlying security. The Authority further limits its credit risk by limiting collateral for repurchase agreements, to securities explicitly guaranteed by the U.S. government (U.S. Treasury, Government National Mortgage Association) and implicitly guaranteed by the U.S. government for government-sponsored entities (Fannie Mae, Freddie Mac, and Federal Home Loan Bank).

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Authority limits concentration of credit risk by investing in repurchase agreements of financial institutions rated not less than "A" by a rating agency and by requiring collateral of 100%-105% held by a third party.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has no policies to limit its interest rate risk. Because the investment underlying the repurchase agreement is mortgage-backed securities, prepayment options cause them to be highly sensitive to changes in interest rates.

#### **4. ACCOUNTS RECEIVABLE, RESTRICTED**

The Authority has accounts receivable at June 30, 2012, of \$76,264. These amounts represent income from investments and tolls (net of the allowance for doubtful accounts), \$15,000 and \$61,264, respectively, earned before the year-end, but not received by the Authority until after the applicable year-end. Allowance for doubtful accounts is estimated to be 90% of all invoiced violations 0 to 180 days old. Violation receivables older than 180 days are deemed uncollectible. The estimated collectible percentage is based on collections of prior year violations and the Authority's ability to collect aged accounts receivable.

#### **5. CAPITAL ASSETS**

The capital assets are included on the Statement of Net Assets and are capitalized at cost. Depreciation of all exhaustible capital assets used by the entity is charged as an expense against operations. Depreciation is computed by the straight-line method over the useful lives of the assets. In fiscal year 2011, DOTD implemented LaGov, an enterprise-wide resource program (ERP). The continued effect of the system conversion is reported as restatements of the beginning capital asset balances.

Following is a schedule of capital assets for the year ended June 30, 2012.

	Balance June 30, 2011	Prior Period Adjustments	Restated Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not depreciated:						
Construction-in-progress	\$262,781,061	(\$81,333,977)	\$181,447,084	\$222,837	(\$172,195,693)	\$9,474,228
Total capital assets not depreciated	<u>\$262,781,061</u>	<u>(\$81,333,977)</u>	<u>\$181,447,084</u>	<u>\$222,837</u>	<u>(\$172,195,693)</u>	<u>\$9,474,228</u>
Other capital assets:						
Buildings	\$889,750		\$889,750			\$889,750
Less accumulated depreciation	(44,487)		(44,487)	(\$22,244)		(66,731)
Total buildings	<u>845,263</u>	<u>NONE</u>	<u>845,263</u>	<u>(22,244)</u>	<u>NONE</u>	<u>823,019</u>
Infrastructure	105,460,824	\$68,634,900	174,095,724	180,319,636		354,415,360
Less accumulated depreciation	(5,273,041)	(4,056,831)	(9,329,872)	(8,860,384)		(18,190,256)
Total infrastructure	<u>100,187,783</u>	<u>64,578,069</u>	<u>164,765,852</u>	<u>171,459,252</u>	<u>NONE</u>	<u>336,225,104</u>
Total other capital assets	<u>\$101,033,046</u>	<u>\$64,578,069</u>	<u>\$165,611,115</u>	<u>\$171,437,008</u>	<u>NONE</u>	<u>\$337,048,123</u>
Capital asset summary:						
Capital assets not depreciated	\$262,781,061	(\$81,333,977)	\$181,447,084	\$222,837	(\$172,195,693)	\$9,474,228
Other capital assets, book value	106,350,574	68,634,900	174,985,474	180,319,636		355,305,110
Total cost of capital assets	<u>369,131,635</u>	<u>(12,699,077)</u>	<u>356,432,558</u>	<u>180,542,473</u>	<u>(172,195,693)</u>	<u>364,779,338</u>
Less accumulated depreciation	<u>(5,317,528)</u>	<u>(4,056,831)</u>	<u>(9,374,359)</u>	<u>(8,882,628)</u>		<u>(18,256,987)</u>
Capital assets, net	<u>\$363,814,107</u>	<u>(\$16,755,908)</u>	<u>\$347,058,199</u>	<u>\$171,659,845</u>	<u>(\$172,195,693)</u>	<u>\$346,522,351</u>

## 6. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2012.

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds payable	\$195,155,000		\$595,000	\$194,560,000	
Accreted interest on TIFIA bond	5,585,989	\$3,225,477		8,811,466	
Unamortized bond discount	<u>(30,048,675)</u>		<u>(1,270,632)</u>	<u>(28,778,043)</u>	
Total	<u>\$170,692,314</u>	<u>\$3,225,477</u>	<u>(\$675,632)</u>	<u>\$174,593,423</u>	<u>NONE</u>

On June 9, 2005, the Authority issued Series 2005A Senior Lien Toll Revenue Bonds, Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds, and Series 2005 Subordinate Lien Toll Revenue Bond Anticipation Notes (BANS), in accordance with the Master Indenture of Trust, as supplemented by a First Supplemental Indenture of Trust and a Second Supplemental Indenture of Trust all dated as of April 1, 2005. The Series 2005A Senior Lien Toll Revenue

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

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

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

As of fiscal year end June 30, 2012, Fitch rated the Series 2005A Senior Lien Toll Revenue Bonds and Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds as BBB. Moodys and Standard & Poors rated the bonds Aa3 and AA-/Stable, respectively. The rating on the TIFIA was downgraded during the fiscal year by Fitch from B- to CCC.

Details of all debt outstanding at June 30, 2012, are as follows:

	Date of Issue	Original Issue	Outstanding June 30, 2011 (As Adjusted)	Issued/Added (Redeemed)	Outstanding June 30, 2012	Maturities	Interest Rates	Future Interest Payments, June 30, 2012
Series 2005A Senior Lien Toll Revenue Bonds	June 9, 2005	\$78,350,000	\$77,705,000	(\$595,000)	\$77,110,000	2014-2031	3.5% - 4.5%	\$43,949,891
Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds	June 9, 2005	51,450,000	51,450,000		51,450,000	2025-2029	5.17% - 5.34%	
Series 2005 TIFIA Bonds	August 26, 2009	66,000,000	71,585,989	3,225,477	74,811,466	2041	4.45%	79,322,003
Total		<u>\$195,800,000</u>	<u>200,740,989</u>	<u>\$2,630,477</u>	<u>203,371,466</u>			<u>\$123,271,894</u>
Bond discount			<u>(30,048,675)</u>		<u>(28,778,043)</u>			
Bonds payable, net			<u>\$170,692,314</u>		<u>\$174,593,423</u>			

The annual requirements to amortize all bonds outstanding at June 30, 2012, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		\$3,326,378	\$3,326,378
2014	\$1,605,000	6,764,261	8,369,261
2015	225,000	6,731,207	6,956,207
2016	575,000	6,720,316	7,295,316
2017	940,000	6,681,224	7,621,224
2018-2022	19,985,000	31,700,616	51,685,616
2023-2027	49,870,000	25,490,322	75,360,322
2028-2032	64,540,000	21,388,526	85,928,526
2033-2037	35,774,000	11,450,275	47,224,275
2038-2041	32,943,535	3,018,769	35,962,304
Total	<u>\$206,457,535</u>	<u>\$123,271,894</u>	<u>\$329,729,429</u>

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

## **7. PLEDGED REVENUES**

The Authority issued toll revenue bonds of \$195,800,000 in 2005 to finance a highway project in the lower portion of Lafourche Parish. The project created elevated highways that run parallel to Highway 1 with a bridge over Bayou Lafourche. The bonds are secured by a pledge of toll revenues on the southbound lane of the new highway from Leeville to Port Fourchon and are payable through 2041. The Authority has committed the toll revenues to cover the principal and interest requirements until the bonds are fully paid and discharged. Toll revenues reported on Statement B were \$3,338,379.

## **8. DUE FROM/TO OTHER ENTITIES**

The following is a summary of due from/to other entities at June 30, 2012:

## Due from:

Crescent City Connection Division (CCCD) -	
LA 1 prepaid tolls collected by CCCD	\$578,457
DOTD - LA 1 tolls in GeauxPass account	764,533
Total due from other entities	<u>\$1,342,990</u>

## Due to:

DOTD - Tag sales collected on behalf of DOTD	<u>\$563,452</u>
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**9. RESTATEMENT OF BEGINNING NET ASSETS**

The beginning net assets, as reflected on Statement B, has been restated to reflect the correction of a prior year error.

Net Assets at June 30, 2011	\$201,954,702
Prior year adjustments:	
Adjustment and reclassification of infrastructure and construction-in-progress	(12,699,077)
Infrastructure accumulated depreciation	(4,056,831)
Net Assets at June 30, 2011, restated	<u>\$185,198,794</u>

**10. COOPERATIVE ENDEAVORS**

Louisiana Revised Statute 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the U.S. government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

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

DOTD's obligations under the agreement are as follows: (1) align funding agreements with the Federal Highway Administration (FHWA) for advance construction; (2) guarantee the payment of costs overruns of Phase I; and (3) pay future operating and maintenance expenses from available DOTD funding subject to appropriation. The guarantee of funding from DOTD is to ensure that the owners of the Series 2005 bonds will be granted a gross revenue pledge on any tolls generated by Phase I. At June 30, 2012, the Authority did not have a liability to DOTD based on the cooperative endeavor agreement.



DED's obligations under the agreement are limited to \$18,000,000 per fiscal year, given that the Louisiana Legislature appropriates funds to cover this amount, to supplement the Debt Service Reserve for the Senior Lien Bond Debt if insufficient funds are on deposit to make payment obligations. The Authority must reimburse all amounts paid under this agreement before any additional bonds can be issued. At June 30, 2012, there are no outstanding liabilities with DED based on the cooperative endeavor agreement.

OTHER REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

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Exhibit A

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



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

November 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*

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

We have audited the basic financial statements of the Louisiana Transportation Authority (Authority), a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012. 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 Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of 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 in the following paragraph, 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 deficiencies to be material weaknesses.

### **Weaknesses in Controls Over Toll and Violation Collection**

The Authority continues to have weaknesses in its controls over collecting LA 1 Bridge tolls and violations as follows:

- Since inception (August 2009) until May 2012, the electronic toll collection system did not charge a toll or issue a violation against a user's Geauxpass account if it had an insufficient balance. Geauxpass account holders who had insufficient funds in their accounts were allowed repeated free passage until new funds were added to the account.
- Approximately 300,000 violation images from prior years remain unprocessed and unbilled because of system and personnel constraints. The risk of not collecting these violations increases the longer they remain unbilled.
- The Authority has failed to send notices of delinquency for approximately 39,700 LA 1 toll violations as required by Louisiana Revised Statute 47:820.5.4(G). After issuing a violation notice, state law requires the Authority's violation clerk to notify violators by first class mail after 30, 45, and 60 days of their delinquency in paying. However, no first, second, or third notices of delinquency have ever been mailed out for LA 1 violations. State law also allows the Authority to charge late fees ranging from \$5 to \$20 depending upon the length of time the violator fails to respond to the first violation notice. In addition, state law requires that the third notice of delinquency should generate a notification to the Louisiana Office of Motor Vehicles to prevent renewal of the violator's driver's license or registration of the vehicle until the matter has been resolved. Failure to issue delinquency notices impairs the Authority's ability to collect violation fines and fees and places the Authority in noncompliance with state law.
- Violations of vehicles with out-of-state license plates remain unbilled through fiscal year 2012 because there is no process in place to identify the registration details of these vehicles. Toll revenues may be permanently lost if the vehicle owners are not properly identified and notices sent in a timely manner.

- Management does not have a function in place to request updated credit card information or to notify Geauxpass account holders of a card rejection. The lack of such a function leads to an excessive amount of rejections and violations from customers who assumed that payment was made. Personnel and system resources are required to process these violations and there is potential loss of revenues if the violations are not billed in a timely manner.

Good business practices require that controls related to collection of tolls and violations enable the Authority to maximize revenue collections.

Management should ensure the following: (1) Geauxpass accounts are modified to ensure that all toll transactions are properly charged against a valid Geauxpass account or a violation notice generated if funds were insufficient. (2) All outstanding violation images are processed promptly and violators billed timely. (3) Procedures are implemented to ensure that violation notices are mailed properly and proceed through the entire violation process timely and in accordance with state law. (4) A process is developed to identify the registration details of out-of-state vehicles and timely bill those violators. (5) An automatic or manual procedure to request updated credit card information and/or inform customers when the credit card transaction has been rejected. Management substantially concurred with the finding and provided a corrective action plan (see Appendix A).

## **Compliance and Other Matters**

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

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

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

JRH:RR:EFS:THC:ch

LTA 2012

## APPENDIX A

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



BOBBY JINDAL  
GOVERNOR

STATE OF LOUISIANA  
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

P.O. Box 94245  
Baton Rouge, Louisiana 70804-9245

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(225) 379-1270

November 26, 2012



SHERRI H. LEBAS, P.E.  
SECRETARY

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

RE: Louisiana Transportation Authority (LTA)  
Single Audit Finding  
Weakness in Controls Over Toll and Violation Collection  
Legislative Auditor Letter dated November 14, 2012

Dear Mr. Purpera:

The Department is in receipt of your single audit finding titled "Weakness in Controls Over Toll and Violation Collection". I appreciate the opportunity to respond to the finding and also to have my response letter included as an attachment in the final report.

The DOTD's tolling system which serves toll facilities on La. 1 in Fourchon and the Crescent City Connection (CCC) in New Orleans is now functional and specifically able to access violator information. Since the late 2011 settlement of the lawsuit with the previous system integrator, DOTD staff and consultants have made great strides to ensure the toll collection software is fully functional and meets industry standards. Many of the improvements and fixes have been in the part of the system that creates the violation notices, specifically working with the state's Office of Motor Vehicles to ensure the accuracy of the registered owner of the vehicles is up to date.

DOTD negotiated a reciprocity contract with Texas and is working to establish an agreement with Mississippi to ensure that out of state violators are pursued through each state's collection services. This has been an issue with tolling systems across the country. Additionally, at La. 1, a cash and charge machine which allows for in-lane payment of toll fees was installed this summer and has already produced an increase in toll collections.

NOTE: Louisiana Legislative Auditor (LLA) Statements and Findings are italicized and preceded by "LLA".

LLA: *The Louisiana Transportation Authority (Authority) continues to have weaknesses in its controls over collecting LA 1 Bridge tolls and violations as follows:*

LLA: *Since inception (August 2009) until May 2012, the electronic toll collection system did not charge a toll or issue a violation against a user's Geauxpass account if it had an*



*insufficient balance. Geauxpass account holders who had insufficient funds in their accounts were allowed repeated free passage until new funds were added to the account.*

DOTD RESPONSE: We concur with the finding. This system problem was corrected on May 2, 2012. The statute, La.R.S.47:820.5.4, requires that an account be "valid" in order to charge against it. Per the statute, the toll tag must have a minimum of \$0.50 in the account to be a "valid account" for LA1. Prior to May 2, 2012, a system enforced business rule existed that would NOT allow a toll account to be driven negative; the result being accounts with LESS than \$2.50 and \$0.50 would not incur a toll as the account met the minimum requirement, but did not have a sufficient balance to pay the toll. Since May 2, 2012, each and every toll tag (GeauxPass) equipped vehicle that passes over the bridge having a GeauxPass account balance less than the full amount of the incurred toll is treated as a violator. A violation notice is sent to the registered owner of the vehicle.

LLA: *Approximately 300,000 violation images from prior years remain unprocessed and unbilled because of system and personnel constraints. The risk of not collecting these violations increases the longer they remain unbilled.*

DOTD RESPONSE: We concur with the finding. There are approximately 300,000 images from LA1 that must be reviewed. DOTD is exploring contracting out the review of these images, along with the images for CCCD.

LLA: *The Authority has failed to send notices of delinquency for approximately 39,700 LA 1 toll violations as required by Louisiana Revised Statute 47:820.5.4(G). After issuing a violation notice, state law requires the Authority's violation clerk to notify violators by first class mail after 30, 45, and 60 days of their delinquency in paying. However, no first, second, or third notices of delinquency have ever been mailed out for LA 1 violations. State law also allows the Authority to charge late fees ranging from \$5 to \$20 depending upon the length of time the violator fails to respond to the first violation notice. In addition, state law requires that the third notice of delinquency should generate a notification to the Louisiana Office of Motor Vehicles to prevent renewal of the violator's driver's license or registration of the vehicle until the matter has been resolved. Failure to issue delinquency notices impairs the Authority's ability to collect violation fines and fees and places the Authority in noncompliance with state law.*

DOTD RESPONSE: We partially concur with the finding. La.R.S. 47:820.5.4 is the controlling statute for LA1 tolls. DOTD disagrees that Civil Code Article 3494 applies or that collection of the tolls is endangered. During FY12, violation notices were sent out. As of June 30, 2012, there was only ONE FY12 unbilled violation at LA1 for a known, Louisiana licensed violator. This was a success. In previous years, there were many unbilled violations. FY12 is the first year that LA1 had only ONE unbilled violation, i.e., violations by Louisiana plates that are in the system pending mailing out notices to collect money owed. It does not include violations for out-of-state plates or the 300,000 in the administrative backlog. Because we mailed out those notices, we should be able

to begin sending second notices for LA1 in November, 2012. However, it is true that no First, Second, or Third Notices of Delinquency have ever been mailed out for LA1 violations.

*LLA: Violations of vehicles with out-of-state license plates remain unbilled through fiscal year 2012 because there is no process in place to identify the registration details of these vehicles. Toll revenues may be permanently lost if the vehicle owners are not properly identified and notices sent in a timely manner.*

DOTD RESPONSE: We concur with the finding. This is not a system issue, but a legal issue that has been addressed with Texas and is being addressed with Mississippi this month. Texas and Mississippi are the two out of state plates that DOTD sees most often in toll violations. During FY12, DOTD entered into a cooperative agreement with the North Texas Tollway Authority to exchange violator license plate numbers. ETC, the electronic toll vendor, has modified the CCCD/LA1 back-office system to reciprocally exchange Texas and Louisiana vehicle owner information for toll violators whose license plates were captured at the tolling point on a regular basis and in a seamless process so DOTD Customer Service representatives may begin to routinely issue toll violations to Texas violators. We currently don't know how many Texas plates are in the administrative backlog. The first Texas license plate toll violation invoice for failure to pay the proper toll at LA1 is to be mailed out this month. DOTD is identifying a path with other States to access their license plate data bases.

*LLA: Management does not have a function in place to request updated credit card information, or to notify Geauxpass account holders of a card rejection. The lack of such a function leads to an excessive amount of rejections and violations from customers who assumed that payment was made. Personnel and system resources are required to process these violations and there is potential loss of revenues if the violations are not billed in a timely manner.*

DOTD RESPONSE: We concur with the finding. GeauxPass Account holders who pass through ANY toll lane at CCCD have always been notified via a series of red/yellow/green lights, that there is a problem with the toll tag account and that the customer should call the tag office. However, such a system was NOT in place at LA1 until the ATPM went live on June 20, 2012. The customer notification light system is only in the ATPM lane and NOT in the tag only lane. Customers who cross the LA1 bridge when the amount in their accounts drop below the amount of the toll, are violators and they receive a violation notice. Note that the customer notification light is not intended to be used as an account management tool; it is intended to communicate a predefined range of funds in an account. The burden to maintain an account in good standing is the responsibility of the GeauxPass holder. The attached auto-replenishment agreement, warns the customer, "You are responsible for updating all credit card information when needed." As originally scoped and currently set up, the system DOES NOT notify customers by mail that their credit card is about to expire. We have explored the addition of this functionality to the current system. ETC can provide DOTD with an enhancement which will generate four types of letters: a low balance



letter, negative balance letter, credit card expiration letter, and a failed auto-replenishment letter. The notices can be mailed and/or emailed. DOTD may add this service as a system enhancement for about \$60,000-\$80,000. Additionally, there will be an additional cost to process and mail the letters.

#### Corrective Action Plan

As evidenced by our Management Responses contained herein, we believe that corrective action plans are in place to address controls related to collection of tolls and violations.

Specifically, our action plans will insure that:

- *Geauxpass accounts are modified to ensure that all toll transactions are properly charged against a valid Geauxpass account, or a violation notice generated if funds were insufficient.*
- *All outstanding violation images are processed promptly and violators billed timely.*
- *Procedures are implemented to ensure that violation notices are mailed properly and proceed through the entire violation process timely and in accordance with state law.*
- *A process is developed to identify the registration details of out-of-state vehicles and timely bill those violators.*
- *An automatic or manual procedure to request updated credit card information and/or inform customers when the credit card transaction has been rejected.*

Thank you for the opportunity to respond to this report 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, P.E.

Secretary

C:

Mr. Ricky Rodriguez, CPA, LLA

Mr. Rhett Desselle, DOTD Asst. Secretary

Mr. Michael Bridges, P.E., DOTD Undersecretary

Mr. David Tippet, CCCD Administrator

Ms. Beverly Hodges, DOTD Financial Service Administrator

Mr. John Lyon, DOTD External Audit Director



BOBBY JINDAL  
GOVERNOR

STATE OF LOUISIANA  
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P.O. Box 6297  
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Front Desk: 504-376-8100  
Fax: 504-376-8189



SHERRI H. LEBAS, P.E.  
SECRETARY

### Auto Replenish Application

By signing below, I have authorize **GeauxPass** to maintain my credit or debit card account on file and periodically charge the card for the amounts set by me to keep my account in good standing. I am aware that the charges will show up on my credit or debit card statement as **GeauxPass**. I have selected \$ \_\_\_\_\_ (min. \$10.00) for my replenish threshold and \$ \_\_\_\_\_ as the amount to be added to the account.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Account Number

\_\_\_\_\_  
Customer Name (print)

\_\_\_\_\_  
Customer Signature

If you have any questions, please call toll free (866) 662-8987 or visit  
[customerservice@geauxpass.com](mailto:customerservice@geauxpass.com)

\*\*\*\*\*Please Note\*\*\*\*\*

You are responsible for updating all credit card information when needed

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A DRUG-FREE WORKPLACE

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