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, 2011
ISSUED JULY 25, 2012

LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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 $5.04. 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.lla.la.gov. When contacting the office, you may refer to Agency ID No. 7406 or Report ID No. 80110088 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.

EXECUTIVE SUMMARY

Our procedures at the Louisiana Transportation Authority (LTA) for the period July 1, 2010, through June 30, 2011, disclosed the following:

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

- As reported in our prior year report, the Integrated Electronic Toll Collection System (IETCS II), implemented by the Louisiana Department of Transportation and Development (DOTD), on behalf of the LTA, continues to function improperly. Problematic areas included erroneous violation notices, failure to identify all valid trailer toll violations, the auto-replenishment function, the violations invoicing module, the flagging and suspension of violators' vehicle registrations, and system documentation.

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 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, 2011, which collectively comprise the Authority's basic financial statements 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, 2011, 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 April 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, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an

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integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. However, the Authority's management did not include this information in the financial statements for fiscal year ended June 30, 2011.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JRH:JR:EFS:THC:dl

LTA 2011

Statement A

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2011

ASSETS	
Noncurrent assets	
Restricted assets:	
Cash (note 2)	$1,089,832
Investments (note 3)	11,008,424
Due from other entities (note 8)	610,102
Accounts receivable (note 4)	65,314
Capital assets, net of accumulated depreciation (note 5)	363,814,107
Unamortized bond issuance cost	3,130,114
Total assets	379,717,893
LIABILITIES	
Current liabilities:	
Accounts payable	5,890,753
Deferred revenue	400,198
Due to other entities (note 8)	427,305
Accrued interest on bonds payable	265,687
Other current liabilities	86,934
Total current liabilities	7,070,877
Noncurrent liabilities - bonds payable, net of unamortized discount (note 6)	170,692,314
Total liabilities	177,763,191
NET ASSETS	
Invested in capital assets, net of related debt	193,121,793
Restricted for capital projects	5,702,795
Unrestricted	3,130,114
Total net assets	$201,954,702

The accompanying notes are an integral part of this statement.

Statement B

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, 2011

OPERATING REVENUES	
Toll fees	$3,148,220
OPERATING EXPENSES	
Administrative expenses	13,103
Depreciation	2,658,765
Amortization of bond issuance costs	161,207
Total operating expenses	2,833,075
OPERATING INCOME	315,145
NONOPERATING REVENUES (Expenses)	
Interest expense	(2,368,083)
Other revenue - interest income	56,034
Total nonoperating revenues (expenses)	(2,312,049)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,996,904)
Capital contributions	49,209,668
Transfers from the Department of Transportation and Development	1,417,674
CHANGE IN NET ASSETS	48,630,438
NET ASSETS AT BEGINNING OF YEAR - AS RESTATED (note 9)	153,324,264
NET ASSETS AT END OF YEAR	$201,954,702

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$3,094,002
Cash payment to suppliers for goods and services	(13,103)
Net cash provided by operating activities	3,080,899
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	1,417,674
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on bonds	(645,000)
Interest paid on bond maturities	(1,042,102)
Acquisition/construction of capital assets	(11,544,187)
Net cash used by capital and related financing activities	(13,231,289)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investment securities	(7,075,633)
Proceeds from sale of investment securities	16,785,567
Interest and dividends earned on investment securities	55,848
Net cash provided by investing activities	9,765,782
NET INCREASE IN CASH	1,033,066
CASH AT BEGINNING OF YEAR	56,766
CASH AT END OF YEAR	$1,089,832

(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, 2011

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$315,145
Adjustment to reconcile operating revenues to net cash provided by operating activities:	
Depreciation expense	2,658,765
Amortization expense	161,207
(Increase) in accounts receivable	(15,441)
(Decrease) in due to other funds	(32,467)
(Decrease) in accounts payable	(79,433)
Increase in deferred revenues	73,123
Total adjustments	2,765,754
Net cash provided by operating activities	$3,080,899

Schedule of Noncash Investing, Capital, and Financing Activities:	
Capital contributions	$49,209,668
Capitalized net interest expense	5,146,175

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America 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 investments include amounts invested in money market funds and a repurchase agreement. 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.

2. CASH

As reflected on Statement A, the Authority has cash (book balances) totaling $1,089,832 at June 30, 2011. 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, 2011, the Authority has $1,078,684 in deposits (collected bank balances) secured by federal deposit insurance.

3. INVESTMENTS

At June 30, 2011, the Authority has investments stated at cost, which approximates market, totaling $11,008,424, which are composed of money market mutual funds totaling $7,008,424 (63.70% 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 (36.30% 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, 2011, the repurchase agreement is collateralized by Government National Mortgage Association (Ginnie Mae) and Federal National Mortgage Association (Fannie Mae) mortgage-backed securities, with a fair market value of $4,195,016. The maturity of the investments held at June 30, 2011, 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, 2011, of $65,314. These amounts represent income from investments and tolls, $15,000 and $50,314, respectively, earned before the year-end, but not received by the Authority until after the applicable year-end.

5. CAPITAL ASSETS

During previous fiscal years, DOTD/LTA's practice was to reclassify construction expenditures from construction-in-progress to a depreciable asset only when the entire project was closed out. In fiscal year 2011, DOTD implemented LaGov, an enterprise-wide resource program (ERP), which enabled LTA to identify discrete portions of the construction as completed and placed into operation before fiscal year 2011. The effect of the system conversion is reported as restatements of the beginning capital asset balances. The majority of LTA's capital assets remain as construction-in-progress for fiscal year 2011.

Following is a schedule of capital assets for the year ended June 30, 2011:

	Balance June 30, 2010	Prior Period Adjustments	Restated Balance June 30, 2010	Additions	Balance June 30, 2011
Capital assets not depreciated:					
Construction-in-progress	$310,242,714	($107,702,567)	$202,540,147	$60,240,915	$262,781,062
Total capital assets not depreciated	$310,242,714	($107,702,567)	$202,540,147	$60,240,915	$262,781,062
Other capital assets:					
Buildings		$889,750	$889,750		$889,750
Less accumulated depreciation		(22,244)	(22,244)	($22,244)	(44,488)
Total buildings	NONE	867,506	867,506	(22,244)	845,262
Infrastructure		105,460,824	105,460,824		105,460,824
Less accumulated depreciation		(2,636,520)	(2,636,520)	(2,636,521)	(5,273,041)
Total infrastructure	NONE	102,824,304	102,824,304	(2,636,521)	100,187,783
Total other capital assets	NONE	$103,691,810	$103,691,810	($2,658,765)	$101,033,045
Capital asset summary:					
Capital assets not depreciated	$310,242,714	($107,702,567)	$202,540,147	$60,240,915	$262,781,062
Other capital assets, book value	NONE	106,350,574	106,350,574	NONE	106,350,574
Total cost of capital assets	310,242,714	(1,351,993)	308,890,721	60,240,915	369,131,636
Less accumulated depreciation	NONE	(2,658,764)	(2,658,764)	(2,658,765)	(5,317,529)
Capital assets, net	$310,242,714	($4,010,757)	$306,231,957	$57,582,150	$363,814,107

6. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds payable	$195,800,000		$645,000	$195,155,000	
Accreted interest on TIFIA bond	2,503,663	$3,082,326		5,585,989	
Unamortized bond discount	(31,235,128)		(1,186,453)	(30,048,675)	
Total	$167,068,535	$3,082,326	($541,453)	$170,692,314	NONE

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.

Details of all debt outstanding at June 30, 2011, follow:

	Date of Issue	Original Issue	Outstanding June 30, 2010 (As Adjusted)	Issued/Added (Redeemed)	Outstanding June 30, 2011	Maturities	Interest Rates	Future Interest Payments, June 30, 2011
Series 2005A Senior Lien Toll Revenue Bonds	June 9, 2005	$78,350,000	$78,350,000	($645,000)	$77,705,000	2014-2031	3.5% - 4.5%	$47,100,150
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	68,503,663	3,082,326	71,585,989	2041	4.45%	79,322,000
Total		$195,800,000	198,303,663	$2,437,326	200,740,989			$126,422,150
Bond discount			(31,235,128)		(30,048,675)			
Bonds payable, net			$167,068,535		$170,692,314			

The annual requirements to amortize all bonds outstanding at June 30, 2011, are as follows:

	Principal	Interest	Total
2012		$3,353,150	$3,353,150
2013		3,353,150	3,353,150
2014	$1,605,000	6,791,033	8,396,033
2015	225,000	6,757,979	6,982,979
2016-2020	10,915,000	33,096,643	44,011,643
2021-2025	36,965,000	28,300,809	65,265,809
2026-2030	66,670,000	23,408,260	90,078,260
2031-2035	42,418,000	14,721,190	57,139,190
2036-2041	48,254,535	6,639,936	54,894,471
Total	$207,052,535	$126,422,150	$333,474,685

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 will create 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 $3,148,220.

8. DUE FROM/TO OTHER ENTITIES

The following is a summary of due from/to other entities at June 30, 2011:

Due from:	
Crescent City Connection Division (CCCD) -	
LA 1 prepaid tolls collected by CCCD	$87,804
DOTD - LA 1 tolls in GeauxPass account	522,298
Total due from other entities	$610,102

Due to:	
CCCD - Tolls from accounts of LA 1 customers who used the CCCD bridge	$4,304
DOTD - Tag sales, administrative fees, and late charges collected on behalf of DOTD	423,001
Total due to other entities	$427,305

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, 2010	$157,335,022
Prior year adjustments:	
Depreciation expense	(2,658,765)
Interest expense, net	(1,351,993)
Net Assets at June 30, 2010, Restated	$153,324,264

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, 2011, 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, 2011, there are no outstanding liabilities with DED based on the cooperative endeavor agreement.

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 26, 2012

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

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, 2011, and have issued our report thereon dated April 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 below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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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.

Lack of Adequate Toll Collection System

As reported in our prior year report, the Integrated Electronic Toll Collection System (IETCS II), implemented by DOTD on behalf of the Authority, continues to function improperly. The IETCS II, which began operating on August 3, 2009, is used to collect tolls from vehicles crossing the Louisiana 1 (LA1) Bridge in Leeville and is managed by the Crescent City Connection Division (CCCD). IETCS II was designed and developed by Electronic Transaction Consultants (ETC) Corporation who, as of June 30, 2011, is responsible for completing, repairing, updating, and maintaining the IETCS II pursuant to a settlement agreement between ETC and DOTD.

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

- The IETCS II frequently produces erroneous violation notices to drivers who have properly paid tolls.

- The IETCS II's LA1 VPS (Violation Processing Subsystem) fails to properly identify all valid trailer toll violations.

- The IETCS II violations invoicing module does not function properly. During the intermittent down times, violation invoices backlog. When the invoicing system is back up, the backlogged invoices have to be manually reviewed which requires additional man hours. Because of timing problems created by these backlogs, invoices that are not mailed within 90 days of a violation have to be dismissed pursuant to Louisiana Revised Statute 47:820.5.4.

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

- Communication issues between the IETCS II VPS and the Office of Motor Vehicles mainframe computer have prevented the flagging and suspension of violators' vehicle registrations.

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

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

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

Management of DOTD should continue to take the necessary actions to keep the current system operating and develop alternate procedures to limit lost revenue and resolve system failures; evaluate its project implementation policies and procedures to avoid similar problems in the future; and ensure all agreed-upon implementation, repair, update, and improvement tasks outlined in the ETC settlement agreement are completed in a timely manner. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, DOTD 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:JR:EFS:THC:dl

LTA 2011

APPENDIX A

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

BOBBY JINDAL
GOVERNOR

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SHERRI H. LEBAS, P.E.
SECRETARY

October 26, 2011

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

RE: Louisiana Transportation Authority
Single Audit Finding FY 11
Lack of Adequate Toll Collection System

Dear Mr. Pupera:

The Louisiana Transportation Authority (LTA) was created by statute within the Department of Transportation and Development (Department) and as such is dependent on the Department to provide support services. Furthermore, the cooperative endeavor agreement dated May 31, 2005 between the LTA and the Department assigns the responsibility and cost for the operation of the LA 1 Toll Road to the Department. To that end, the Management Response letter will be from the Department.

Response to Finding: Lack of Adequate Toll Collection System

The Department concurs with the finding.

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

In December of 2010, the Department retained the services of HNTB, a world leader in toll road consulting, to assist with the evaluation of the electronic tolling system and to make recommendations for improvement. Those recommendations were presented to the Department and the LTA at their meeting in May of 2011. The recommendations included the installation of cash/credit card equipment at the entrance to the toll facility and the elimination of the kiosks that are located in the stores and the customer service center. These were found to be the source of much confusion to the customer. The Department is pursuing this recommendation and should be able to install the cash / credit toll collection equipment by the middle of 2012. Another recommendation was to enter into reciprocity agreements with neighboring states so that violation notices could be issued to out of state users. The Department is actively pursuing agreements with Texas and Mississippi.

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

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

Sincerely,

Sherri H. LeBas

Sherri H. LeBas, P.E.
Secretary

c: Mr. Rhett Desselle
Mr. Michael Bridges
Mrs. Cheryl Duvieilh
Mr. John Lyon
Mrs. Beverly Hodges