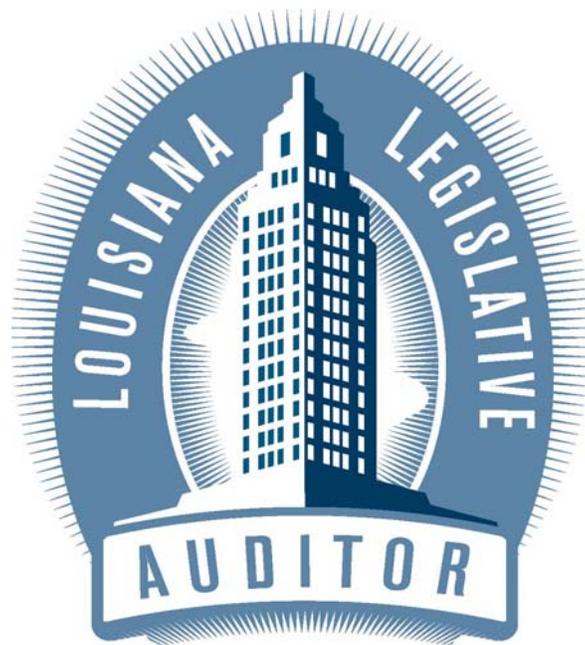


CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
ISSUED MARCH 30, 2011

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This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$18.45. 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. When contacting the office, you may refer to Agency ID No. 3483 or Report ID No. 80100088 for additional information.

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	Page
Independent Auditor's Report	3
Statement	
Special Purpose Financial Statements:	
Combined Balance Sheet (Legal Basis) - Governmental Fund Types.....	A.....5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis) - Governmental Fund Types.....	B.....7
Notes to the Financial Statements	9
Schedule	
Supplemental Information Schedules:	
Special Revenue Funds:	
Combining Balance Sheet (Legal Basis).....	1.....21
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis).....	2.....23
Debt Service Funds:	
Combining Balance Sheet (Legal Basis).....	3.....27
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis).....	4.....29
Exhibit	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Special Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A
Appendix	
Management's Corrective Action Plan and Response to the Finding and Recommendation.....	A



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 28, 2011

Independent Auditor's Report

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

We have audited the accompanying special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development (DOTD), as of and for the year ended June 30, 2010, as listed in the foregoing table of contents. These special purpose financial statements are the responsibility of the Crescent City Connection Division's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Crescent City Connection Division as of June 30, 2010, or changes in its financial position for the year then ended. Furthermore, the Crescent City Connection Division has not presented a management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the financial statements.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Crescent City Connection Division as of June 30, 2010, and the results of its operations for the year ended June 30, 2010, on the basis of accounting described in notes 1-A and 1-D.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2011, on our consideration of the Crescent City Connection Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

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

Combined Balance Sheet (Legal Basis), June 30, 2010

	GOVERNMENTAL FUND TYPES				TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	
ASSETS					
Cash (note 2)	\$4,700	\$136,643			\$141,343
Investments (note 3)	4	2,339,051	\$6,836,125	\$25,732,292	34,907,472
Due from DOTD	117,392	1,097,297			1,214,689
Due from Louisiana Transportation Authority		20,183			20,183
Due from state treasury (note 10)			5,441,447		5,441,447
Accrued interest receivable		20	20	201	241
Due from other funds (note 8)	5,441,447	2,406,177		367,592	8,215,216
TOTAL ASSETS	\$5,563,543	\$5,999,371	\$12,277,592	\$26,100,085	\$49,940,591
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$2,318,739			\$385,478	\$2,704,217
Tag deposits		\$1,853,695			1,853,695
Due to DOTD		109,091			109,091
Due to Louisiana Transportation Authority		595,693			595,693
Due to other funds (note 8)		367,592	\$5,441,447	2,406,177	8,215,216
Deferred revenue (note 1-K)		3,073,300			3,073,300
Total Liabilities	2,318,739	5,999,371	5,441,447	2,791,655	16,551,212
Fund Balances:					
Reserved for operations (note 6)	3,244,804				3,244,804
Reserved for debt service (note 6)			6,836,145		6,836,145
Reserved for projects (note 6)				23,308,430	23,308,430
Total Fund Balances	3,244,804	NONE	6,836,145	23,308,430	33,389,379
TOTAL LIABILITIES AND FUND BALANCES	\$5,563,543	\$5,999,371	\$12,277,592	\$26,100,085	\$49,940,591

The accompanying notes are an integral part of this statement.

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

**Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2010**

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
REVENUES					
Interest on investments	\$4	\$70	\$167	\$698	\$939
Toll revenue		20,452,489			20,452,489
Tag revenue		181,664			181,664
Scrip revenue - bridge and ferry		40,882			40,882
Ferry revenue		240,485			240,485
Highway Fund No. 2 (note 10)			5,441,447		5,441,447
Rental income and other income		133,841			133,841
Total revenues	<u>4</u>	<u>21,049,431</u>	<u>5,441,614</u>	<u>698</u>	<u>26,491,747</u>
EXPENDITURES					
Operational expenditures	18,802,470				18,802,470
Capital outlay expenditures (note 4)				1,640,595	1,640,595
Interest expense (note 10)			336,631		336,631
Bonds redeemed (note 10)			2,045,000		2,045,000
Bank charges		189,136		160	189,296
Total expenditures	<u>18,802,470</u>	<u>189,136</u>	<u>2,381,631</u>	<u>1,640,755</u>	<u>23,013,992</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(18,802,466)</u>	<u>20,860,295</u>	<u>3,059,983</u>	<u>(1,640,057)</u>	<u>3,477,755</u>
OTHER FINANCING SOURCES (Uses)					
Transfers in from DOTD	117,392	900,061			1,017,453
Operating transfers in (note 9)	25,309,900	2,443,666	7,621,298	26,952,571	62,327,435
Operating transfers out (note 9)	(5,194,516)	(24,204,022)	(10,636,160)	(22,292,737)	(62,327,435)
Total financing sources (uses)	<u>20,232,776</u>	<u>(20,860,295)</u>	<u>(3,014,862)</u>	<u>4,659,834</u>	<u>1,017,453</u>
NET CHANGES IN FUND BALANCES	1,430,310	NONE	45,121	3,019,777	4,495,208
FUND BALANCES AT BEGINNING OF YEAR, Restated (note 11)	<u>1,814,494</u>	<u>NONE</u>	<u>6,791,024</u>	<u>20,288,653</u>	<u>28,894,171</u>
FUND BALANCES AT END OF YEAR	<u>\$3,244,804</u>	<u>NONE</u>	<u>\$6,836,145</u>	<u>\$23,308,430</u>	<u>\$33,389,379</u>

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The Crescent City Connection Division (the division) is a body politic and corporate of the State of Louisiana, incorporated under the authority of Act No. 7 of 1952, with power to acquire by purchase, lease, or otherwise, and to construct, improve, maintain, repair, and operate bridges and ferries across the Mississippi River in the City of New Orleans. Pursuant to the terms of the Reorganization Act of 1976, as amended, the Louisiana Department of Transportation and Development (DOTD), on July 1, 1977, assumed control of the operations of the then Mississippi River Bridge Authority. All of the functions of the authority's General Fund, including maintaining accounting records, issuance of all checks for payroll, operations, routine maintenance expenses and contractual obligations were transferred to DOTD on that date. In July 1988, the payment of the operating expenses of the then Mississippi River Bridge Authority again became the responsibility of the authority. However, except for collecting and depositing toll revenues, the accounting records are maintained by DOTD. In April 1992, the division issued \$30,860,000 of bonds under a Second Supplemental Agreement to the 1954 Indenture and Deed of Trust to construct additional Mississippi River crossings and to make additions or improvements to the bridge and its approaches. In November 2002, the division issued \$19,900,000 of bonds under an Amended and Restated Indenture and Deed of Trust to provide funds to refund all of the 1992 Bonds and to pay the costs of issuance. The division, domiciled in New Orleans, employed 193 people as of June 30, 2010.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

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

- Debt service funds for the purpose of refunding all 1992 Bonds and paying the cost of issuance, administered by the Trustee, Bank of New York (formerly JP Morgan Chase & Co.), in accordance with the Amended and Restated Indenture and Deed of Trust dated as of November 1, 1954, as subsequently amended June 23, 1989; April 1, 1992; and November 1, 2002

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

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

B. REPORTING ENTITY

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

C. FUND ACCOUNTING

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

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

1. The General Fund is used for the purpose of accounting for the operating expenses of the bridge and ferries and the administrative expenses of the division. Transfers from special revenue funds provide the funds for these expenses.
2. Special revenue funds are used to account for the proceeds of specific revenue sources which by law are designated to finance particular functions or activities of the division.
3. Debt service funds account for the accumulation of resources for, and transactions relating to the payment of long-term debt, principal, interest, and related costs.
4. The Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

D. BASIS OF ACCOUNTING

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

Revenues

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

Expenditures

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

Other Financing Sources (Uses)

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

E. BUDGET PRACTICES

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

F. CASH AND INVESTMENTS

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

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

G. FIXED ASSETS AND LONG-TERM OBLIGATIONS

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

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

H. COMPENSATED ABSENCES

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

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

I. FUND EQUITY - RESERVES

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

J. FEDERAL FUNDS

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

K. DEFERRED REVENUE

Deferred revenue represents prepaid tolls at the end of the fiscal year that will be used in the subsequent accounting period. Prepaid tolls at June 30, 2010, are \$3,073,300.

L. TOTAL COLUMNS ON STATEMENTS

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

2. CASH

At June 30, 2010, the division has cash (book balances) totaling \$141,343 as follows:

Demand deposits with financial institutions	\$136,643
Cash on hand - toll collector change fund	<u>4,700</u>
Total	<u><u>\$141,343</u></u>

Under state law, demand deposits with financial institutions must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2010, the division has \$97,240 in deposits (collected bank balances) secured by federal deposit insurance and pledged securities held at the Federal Reserve Bank in the name of the division.

3. INVESTMENTS

At June 30, 2010, investments of the division in the U. S. Treasury Plus Money Market Fund (money market fund) total \$34,907,472, which is shown on Statement A. The division used quoted market values to determine the fair value of the investments. The money market mutual fund consists of shares in investments in direct obligations of the U.S. Department of the Treasury including Treasury bills, bonds, and other obligations issued or guaranteed by the U. S. Treasury, and repurchase agreements backed by such obligations. The division’s investments in the money market fund were rated AAAM by Standard & Poor’s and Aaa by Moody’s Investors Service.

4. INFRASTRUCTURE

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

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

Infrastructure at June 30, 2010, is as follows:

	Year Ended June 30, 2010			Balance June 30, 2010
	Balance June 30, 2009 (Restated)	Additions	Retirements	
Infrastructure	\$325,354,868	\$1,640,595		\$326,995,463
Less - right-of-way	10,865,967			10,865,967
Adjusted infrastructure	314,488,901	1,640,595	NONE	316,129,496
Less - accumulated depreciation	141,117,085	6,570,675		147,687,760
Total Infrastructure	\$173,371,816	(\$4,930,080)	NONE	\$168,441,736

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

5. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the fiscal year ended June 30, 2010:

	Bonded Indebtedness Payable at June 30, 2009	Additions	Retirements	Bonded Indebtedness Payable at June 30, 2010
	Bridge Revenue Refunding Bonds - Series 2002	\$8,780,000	NONE	\$2,045,000

The bonds mature November 1, 2012, and accrue interest at rates of 2.00% to 5.00%. The bonds were issued for the purpose of refunding all of the 1992 Bonds and paying the cost of issuance. Maturities of long-term debt including interest payments of \$460,303 are as follows:

Fiscal Year Ending June 30:	
2011	\$2,445,506
2012	2,372,922
2013	<u>2,376,875</u>
Total	<u>\$7,195,303</u>

The division has accumulated a balance of \$6,836,145 dedicated to the payment of bonds.

6. RESERVED FUND BALANCES

As shown on Statement A, the division has reserved fund balances of \$33,389,379 at June 30, 2010, which are restricted by enabling legislation. These balances are reserved as follows:

Reserve for Operations - Monies are reserved in the General Fund (Bridge and Ferry) for operations of the division. The amount of the reserve at June 30, 2010, is \$3,244,804.

Reserve for Debt Service - Monies are reserved in the debt service funds in accordance with the Third Supplemental Bond Indenture dated November 1, 2002. The amount of the reserve at June 30, 2010, is \$6,836,145.

Reserve for Projects - Monies are reserved in the Capital Projects Fund for ongoing projects. The amount of the reserve at June 30, 2010, is \$23,308,430.

7. LITIGATION AND CLAIMS

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

8. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at June 30, 2010, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$5,441,447	
Special Revenue Funds:		
Toll Tag Deposits		\$367,592
Toll Collection Fund	2,406,177	
Debt Service Funds		5,441,447
Capital Projects Fund	<u>367,592</u>	<u>2,406,177</u>
Total	<u><u>\$8,215,216</u></u>	<u><u>\$8,215,216</u></u>

9. OPERATING TRANSFERS IN/OUT

The bond indenture specifies the specific manner in which revenues are to be deposited and distributed to the various funds. Under the 2002 revision of the bond indenture, all revenues pledged for the payment of the bonds, including revenues from the Highway Fund No. 2, are deposited into the Debt Service Fund and then distributed to the General Fund after all debt service requirements have been met. All revenues derived from tolls imposed on the bridges and

ferries are deposited into the Toll Collection Fund and then distributed to the General Fund. Monies in the General Fund can be used to operate and maintain the bridges and ferries, for authorized projects, and for any lawful purpose of the division.

The distributions of these revenues are shown as operating transfers. The following is a summary of the operating transfers in and out for the year ended June 30, 2010.

	Transfers In	Transfers Out
General Fund	\$25,309,900	\$5,194,516
Special Revenue Funds:		
Toll Tag Deposits	19,380	34,985
Toll Collection Fund	2,424,286	24,169,037
Debt Service Funds:		
Reserve Fund		139
Sinking Fund	2,214,734	
Interest Fund	212,048	
Debt Service Fund	5,194,516	10,636,021
Capital Projects Fund	26,952,571	22,292,737
Total	\$62,327,435	\$62,327,435

10. PLEDGED REVENUES

The Mississippi River Bridge Authority (the Authority) issued its bridge revenue refunding bonds in 2002 for the Crescent City Connection Project in the amount of \$19,900,000 to refund all or a portion of the outstanding 1992 bonds and fund the costs of issuance. The bonds are payable from and secured by a pledge of Highway Fund No. 2 monies (comprised of the annual vehicular license taxes collected in six parishes), income earned from investments, and any other monies accruing to the Authority. The Authority has obligated the Highway Fund No. 2 monies to cover the principal and interest requirements until the bonds are fully paid in 2012. The Authority earned \$5,441,447 of Highway Fund No. 2 revenue plus interest earned as of June 30, 2010, and paid principal and interest of \$2,045,000 and \$336,631, respectively, on the bonds. The outstanding bond principal and interest is \$6,735,000 and \$460,303, respectively.

11. RESTATEMENT OF BEGINNING FUND BALANCE

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

Capital Projects Fund:	
Fund balance at June 30, 2009	\$20,119,080
Adjustment	<u>169,573</u>
Fund balance at July 1, 2009	<u><u>\$20,288,653</u></u>

12. COOPERATIVE ENDEAVORS

R.S. 33:9022 defines cooperative endeavor as any form of economic development assistance between and among the state, its local government subdivisions, political corporations, public benefit corporations, the U.S. government or its agencies, or any public or private association, corporation, or individual. The term “cooperative endeavor” includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The division has entered into three cooperative agreements. Two of the agreements are with the Jefferson Parish Council and one is with the City of Gretna. The agreements are to improve access to the bridges and are funded with the district’s toll collections (self-generated revenues). The estimated amount outstanding as of June 30, 2010, for these agreements is \$2,775,399, which is not reflected in the accompanying financial statements.

13. ELIMINATION ENTRIES

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

14. FULL ACCRUAL REVENUES/RECEIVABLES

The division has \$734,038 in outstanding receivables for toll violations at June 30, 2010, which are not reported in the accompanying fund financial statements prepared on a legal basis of accounting. This information was requested by OSRAP for the state’s government-wide financial statements prepared on a full accrual basis of accounting.

SPECIAL REVENUE FUNDS

TOLL TAG DEPOSIT FUND

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

TOLL COLLECTION FUND

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

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

Combining Balance Sheet (Legal Basis), June 30, 2010

	TOLL TAG DEPOSIT FUND	TOLL COLLECTION FUND	TOTAL
ASSETS			
Cash	\$136,643		\$136,643
Investments	115,923	\$2,223,128	2,339,051
Due from DOTD	1,097,297		1,097,297
Due from Louisiana Transportation Authority	20,183		20,183
Accrued interest receivables	2	18	20
Due from other funds	2,406,177		2,406,177
	<u>\$3,776,225</u>	<u>\$2,223,146</u>	<u>\$5,999,371</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Tag deposits	(\$1,860)	\$1,855,555	\$1,853,695
Due to DOTD	109,091		109,091
Due to Louisiana Transportation Authority	595,693		595,693
Due to other funds		367,592	367,592
Deferred revenue	3,073,300		3,073,300
Total Liabilities	<u>3,776,224</u>	<u>2,223,147</u>	<u>5,999,371</u>
Fund balance	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
	<u>\$3,776,224</u>	<u>\$2,223,147</u>	<u>\$5,999,371</u>
TOTAL LIABILITIES AND FUND BALANCES			

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

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2010**

	TOLL TAG DEPOSIT FUND	TOLL COLLECTION FUND	TOTAL
REVENUES			
Interest on investments	\$5	\$65	\$70
Toll revenue	20,452,489		20,452,489
Tag revenue	181,664		181,664
Scrip revenue - bridge and ferry	40,882		40,882
Ferry revenue	240,485		240,485
Rental income and other income	13,236	120,605	133,841
Total revenues	<u>20,928,761</u>	<u>120,670</u>	<u>21,049,431</u>
EXPENDITURES - bank charges	<u>189,136</u>	NONE	<u>189,136</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,739,625</u>	<u>120,670</u>	<u>20,860,295</u>
OTHER FINANCING SOURCES (Uses)			
Transfers in from DOTD	900,061		900,061
Operating transfers in	2,424,286	19,380	2,443,666
Operating transfers out	(24,169,037)	(34,985)	(24,204,022)
Total financing sources (uses)	<u>(20,844,690)</u>	<u>(15,605)</u>	<u>(20,860,295)</u>
NET CHANGES IN FUND BALANCES	(105,065)	105,065	NONE
FUND BALANCES AT BEGINNING OF YEAR	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
FUND BALANCES AT END OF YEAR	<u>(\$105,065)</u>	<u>\$105,065</u>	<u>NONE</u>

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DEBT SERVICE FUNDS

RESERVE FUND

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

SINKING FUND

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

INTEREST FUND

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

DEBT SERVICE FUND

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

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

Combining Balance Sheet (Legal Basis), June 30, 2010

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
ASSETS					
Investments	\$2,069,468	\$4,410,093	\$356,563	\$1	\$6,836,125
Due from state treasury				5,441,447	5,441,447
Accrued interest receivables	17		3		20
	<u>17</u>	<u></u>	<u>3</u>	<u></u>	<u>20</u>
TOTAL ASSETS	<u><u>\$2,069,485</u></u>	<u><u>\$4,410,093</u></u>	<u><u>\$356,566</u></u>	<u><u>\$5,441,448</u></u>	<u><u>\$12,277,592</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities - due to other funds				\$5,441,447	\$5,441,447
Fund balance - reserved for debt service	\$2,069,485	\$4,410,093	\$356,566	1	6,836,145
	<u>\$2,069,485</u>	<u>\$4,410,093</u>	<u>\$356,566</u>	<u>1</u>	<u>6,836,145</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$2,069,485</u></u>	<u><u>\$4,410,093</u></u>	<u><u>\$356,566</u></u>	<u><u>\$5,441,448</u></u>	<u><u>\$12,277,592</u></u>

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

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2010**

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
REVENUES					
Interest on investments	\$61	\$93	\$13		\$167
Highway Fund No. 2				\$5,441,447	5,441,447
Total revenues	<u>61</u>	<u>93</u>	<u>13</u>	<u>5,441,447</u>	<u>5,441,614</u>
EXPENDITURES					
Interest expense			336,631		336,631
Bonds redeemed		2,045,000			2,045,000
Total expenditures	<u>NONE</u>	<u>2,045,000</u>	<u>336,631</u>	<u>NONE</u>	<u>2,381,631</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	<u>61</u>	<u>(2,044,907)</u>	<u>(336,618)</u>	<u>5,441,447</u>	<u>3,059,983</u>
OTHER FINANCING SOURCES (Uses)					
Operating transfers in		2,214,734	212,048	5,194,516	7,621,298
Operating transfers out	(139)			(10,636,021)	(10,636,160)
Total financing sources (uses)	<u>(139)</u>	<u>2,214,734</u>	<u>212,048</u>	<u>(5,441,505)</u>	<u>(3,014,862)</u>
NET CHANGES IN FUND BALANCES					
	(78)	169,827	(124,570)	(58)	45,121
FUND BALANCES AT BEGINNING OF YEAR					
	<u>2,069,563</u>	<u>4,240,266</u>	<u>481,136</u>	<u>59</u>	<u>6,791,024</u>
FUND BALANCES AT END OF YEAR					
	<u>\$2,069,485</u>	<u>\$4,410,093</u>	<u>\$356,566</u>	<u>\$1</u>	<u>\$6,836,145</u>

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 28, 2011

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

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

We have audited the special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development (DOTD), as of and for the year ended June 30, 2010, and have issued our report thereon dated February 28, 2011. Our report was modified to include an adverse opinion on the presentation of the financial statements in accordance with generally accepted accounting principles (unqualified opinion on legal basis presentation). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies to be material weaknesses.

Lack of Adequate Toll Collection System

The Integrated Electronic Toll Collection System (IETCS II) implemented by DOTD for its Crescent City Connection Division (the division) has not functioned properly since being placed into service on December 1, 2008. The IETCS II is used for electronic toll collection for vehicles crossing the Crescent City Connection Bridge over the Mississippi River in New Orleans. The division oversees toll collections for the bridge. IETCS II was designed and developed by Electronic Transaction Consultants (ETC) Corporation. ETC ceased working on the project on January 15, 2010, and is currently in litigation with DOTD.

During the audit period, major IETCS II problems included, but are not limited to, the following:

- The IETCS II's Image Capture Review Subsystem for the division was not working as intended, so employees were unable to view images of all potential toll violators and identify and bill for actual violations. From May 1, 2010, to October 6, 2010, the division was unable to view any of its violation images.
- The IETCS II's Customer Service Center's (CSC) auto-replenishment function for the division was not working as designed; therefore, CSC managers had to manually review and verify these auto-replenishments for their customers' toll accounts.
- There was a lack of system documentation that has resulted in a lack of understanding of how the system works and greater cost to develop alternate procedures.
- A communications breakdown between the IETCS II Violation Processing System and the Office of Motor Vehicles mainframe computer had prevented the suspension of violators' vehicle registrations.
- A memo from Gulf Engineers and Consultant on September 2, 2009, noted that major problems with high-priority issues were being encountered on a weekly or even daily basis.

Some of the possible causes for the problems include (1) lack of an understanding by the vendor of the business processes/rules of the division; (2) inadequate communication between ETC and the division; and (3) lack of specific detailed system requirements in the initial planning phase.

After all of these difficulties, DOTD may still have to replace the entire system pending the outcome of the department's current litigation with ETC.

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

Management of DOTD should (1) take the necessary action to keep the current system operating and develop alternate procedures to limit lost revenue and resolve system failures; (2) perform an assessment regarding whether the continual usage of this system is in the best interest of the state; (3) evaluate its project implementation policies and procedures to avoid similar problems in the future; and (4) continue to pursue the resolution of current litigation. 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 Crescent City Connection Division's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

OTHER REPORTS

On September 22, 2010, a Compliance Audit report titled *Crescent City Connection Division* was issued by the Louisiana Legislative Auditor. The report presents the results of procedures performed on the division's records, which included related Louisiana Transportation Authority operations that involved lack of adequate toll collection system, contracts in possible violation of state law, use of administrative building for non-division projects, the division's resources used for LA1 operations, and the division's personnel used for LA1 toll operations. The report, including recommendations for improvement and management's responses, can be found at the Louisiana Legislative Auditor's Web site at www.la.la.gov.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

MH:JR:EFS:THC:dl

CCCD 2010

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



BOBBY JINDAL
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P.O. Box 94245
Baton Rouge, Louisiana 70804-9245
www.dotd.la.gov



SHERRI H. LEBAS, P.E.
SECRETARY

February 28, 2011

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

RE: CCCD Audit Report
Management Response to Audit Finding

Dear Mr. Purpera:

Thank you for the opportunity to respond to your audit. The most critical issue that we are dealing with is the electronic toll system. Although we are taking significant action through litigation and planning to correct this situation, neither of these courses will be resolved in the short term.

Response to Finding: Lack of Adequate Toll Collection System:

We agree with the finding. In addition to litigation, DOTD Management has tasked its CCCD Retainer Contract Consultant to perform an in-depth evaluation and analysis of the electronic toll system to identify its shortcoming and make recommendations for correction or replacement.

Sincerely,

Sherri H. LeBas, P.E.
Secretary

dm/rad/SHL

C: David Miller
Rhett Desselle
Michael Bridges
Cheryl Duvieilh
John Lyon
Office