

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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Crescent City Connection Division
Department of Transportation and Development
State of Louisiana
New Orleans, Louisiana

January 28, 1999



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended October 31, 1999
With Supplemental Information Schedules**

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 and New Orleans offices of the Legislative Auditor.

January 29, 1999

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

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended October 31, 1999
With Supplemental Information Schedules

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statements		3
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types and Account Groups	A	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	B	7
Notes to the Financial Statements		8
	Schedule	Page No.
Supplemental Information Schedules:		
Special Revenue Funds:		
Combining Balance Sheet	1	21
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2	22
Debt Service Funds:		
Combining Balance Sheet	3	24
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	4	25

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
Contents, October 31, 1999

CONTENTS (CONT.)

Exhibit

**Other Report Required by Government Auditing Standards -
Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the General Purpose
Financial Statements**

A

Appendix

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

A



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January 22, 1999

Independent Auditor's Report on
the Financial Statements

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

We have audited the accompanying general purpose financial statements of the Crescent City Connection Division, a component unit of the State of Louisiana, as of and for the year ended October 31, 1998, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of management of the Crescent City Connection Division. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 the introduction to the notes to the financial statements, these financial statements do not include all of the activity of the Crescent City Connection Division. Activities relating to such items as movable property, compensated absences, and postemployment benefits are reported with the Department of Transportation and Development, State of Louisiana. These financial statements include only those activities as outlined in the introduction to the notes to the financial statements.

As described in note 1 to the financial statements, the Crescent City Connection Division adopts program budgets for all of its funds, except as noted. However, the Crescent City Connection Division did not prepare actual and budget comparisons at October 31, 1998, for the General Fund, and a comparison of revenues and expenditures to budget is not included in the accompanying financial statements. The budget of the General Fund is included with the budget of the Department of Transportation and Development, State of Louisiana.

LEGISLATIVE AUDITOR

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
Audit Report, October 31, 1998

In our opinion, except for the effects of the omissions described in the third and fourth paragraphs of this report, which result in an incomplete presentation, the general purpose financial statements present fairly, in all material respects, the financial position of the Crescent City Connection Division as of October 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 22, 1999, on our consideration of the Crescent City Connection Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Crescent City Connection Division. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects of the omissions described in the third and fourth paragraphs of this report, which result in an incomplete presentation, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DJL/WMH/CL:dl

10/29/98

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS**

Combined Balance Sheet, October 31, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL FUNDS	SPECIAL REVENUE FUNDS	DEBT SERVICES FUNDS	CAPITAL PROJECTS FUNDS
ASSETS AND OTHER DEBITS				
<i>Assets:</i>				
Cash and cash equivalents (note 2)		\$17,183,058	\$2,234,832	\$31,726,542
Investments (note 2)			3,821,821	
Receivables (note 4)		87,368	87,813	204,828
Due from other funds (note 10)	\$1,264,185	54,424		
Bridge construction (note 5)				
Ferry acquisitions (note 5)				
Bridge approaches and related structures (note 5)				
<i>Other Debits:</i>				
Amounts available for debt service funds				
Amounts in fee provided for retirement of general long-term debt (note 7)				
TOTAL ASSETS AND OTHER DEBITS	<u>\$1,264,185</u>	<u>\$17,215,241</u>	<u>\$6,353,766</u>	<u>\$32,931,370</u>
LIABILITIES, EQUITY, AND OTHER CREDITS				
<i>Liabilities:</i>				
Accounts payable				\$368,228
Due to Department of Transportation and Development	\$1,264,185			
Tag deposits		\$317,888		
Accrued interest			\$318,828	
Accrued principal			1,188,000	
Due to other funds (note 10)		1,824,165	54,424	
Deferred revenues		1,318,104		
Unexpended advances				53,800
General obligation bonds payable (note 7)				
Total Liabilities	<u>1,264,185</u>	<u>3,522,044</u>	<u>2,199,252</u>	<u>422,028</u>
<i>Fund Equity and Other Credits:</i>				
Investment in general fixed assets				
<i>Fund balances:</i>				
Unreserved		127,465		
Reserved (note 8)		11,454,428	3,228,724	11,588,374
Designated for projects (note 8)		3,538,424		48,462,462
Total Fund Equity	<u>6044</u>	<u>\$15,120,317</u>	<u>3,228,724</u>	<u>\$60,038,118</u>
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	<u>\$1,264,185</u>	<u>\$17,215,241</u>	<u>\$6,353,766</u>	<u>\$32,931,370</u>

The accompanying notes are an integral part of this statement.

ACCOUNT GROUPS		TOTAL
GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	PROGRAMMED CON. F.
		\$17,924,800
		3,021,821
		349,380
		1,218,818
\$58,428,113		\$6,424,173
508,800		360,880
121,850,411		131,835,451
	\$3,238,734	3,238,734
	<u>33,245,376</u>	<u>33,245,376</u>
<u>\$160,731,810</u>	<u>\$36,674,000</u>	<u>\$200,181,140</u>
		\$88,228
		1,284,180
		907,655
		578,628
		1,188,000
		1,018,618
		1,218,124
		33,900
	<u>\$28,878,008</u>	<u>28,878,008</u>
MC-81	<u>28,878,008</u>	<u>33,188,336</u>
\$186,791,548		168,120,840
		127,400
		28,906,400
		68,178,240
<u>186,791,548</u>	<u>MC-91</u>	<u>205,438,740</u>
<u>\$186,791,548</u>	<u>\$28,878,000</u>	<u>\$200,181,140</u>

**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
For the Year Ended October 31, 1999**

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	TOTAL NON-FINANCIAL FUNDS
REVENUES					
Investment income		\$603,409	\$208,489	\$1,899,499	\$2,711,397
Total revenues		19,760,094			19,760,094
Corp. revenue / bridge and ferry		178,447			178,447
Rentals income		260,000			260,000
Highways Fund No. 2		1,000,000			1,000,000
Interest income and other income		\$1,483			\$1,483
Unusual grants		141,000			141,000
Total revenues	10,997	20,341,024	208,489	1,899,499	22,446,009
EXPENDITURES					
Operational expenditures	10,000,000	1,000		5,897,499	15,898,500
Capitalized expenditures					1,000,000
Debt service - interest			1,899,499		1,899,499
Debt service - principal			1,140,000		1,140,000
Transfer to persons			1,000		1,000
Grant changes		81,715	1,788	10,875	94,378
Total expenditures	10,000,000	81,715	2,042,287	5,908,374	18,032,376
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	10,997	20,259,309	206,202	1,441,125	2,707,633
OTHER FINANCING SOURCES (Uses)					
Operating transfers to	15,000,000	13,882,171	1,894,837	17,894,919	47,671,927
Operating transfers and		147,000,000	281,000	173,000,000	321,081,000
Total financing sources (uses)	15,000,000	147,882,171	1,895,837	173,894,919	327,673,027
EXCESS (Deficiency) OF REVENUES AND OTHER FINANCIAL SOURCES OVER EXPENDITURES AND OTHER USES	10,997	167,841,680	207,999	1,442,244	170,502,620
FUND BALANCES AT BEGINNING OF YEAR	10,997	17,409,837	2,209,737	51,049,499	74,680,070
FUND BALANCES AT END OF YEAR	10,997	174,251,517	2,207,737	52,491,743	197,061,994

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statements
As of and for the Year Ended October 31, 1998

INTRODUCTION

The Crescent City Connection Division (the division), formerly known as the Mississippi River Bridge Authority, is a body politic and corporate of the State of Louisiana, incorporated under the authority of Act No. 7 of 1862, 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 1970, 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 \$30,800,000 of bonds under a Second Supplemental Agreement to the 1964 Indenture and Deed of Trust to construct additional Mississippi River crossings and to make additions or improvements to the bridge and its approaches. The division, domiciled in New Orleans, employed 233 people as of October 31, 1998.

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. These financial statements reflect only the following activities:

- Debt service funds for the approaches to Mississippi River Bridge No. 2, administered by the Trustee, Bank One, Louisiana, N.A., formerly the First National Bank of Commerce in New Orleans, in accordance with the Indenture and Deed of Trust dated as of November 1, 1954, as subsequently amended June 23, 1989, and April 1, 1992.
- Collection of all tolls, Highway Fund No. 2 moneys and miscellaneous income.
- Direct and allocated operating expenses incurred.
- Changes in General Long-Term Debt Account Group as it relates to payments on bonds issued to finance the approaches to Mississippi River Bridge No. 2.
- Changes in General Fixed Assets Account Group as it relates to the majority of the approaches to Bridge No. 2 (a portion of the cost of the approaches is paid directly by DOTD which is subsidized by a Federal Transit Administration grant), ferries, and capital projects of the division.

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

- Capital projects funds financed by Federal Transit Administration (FTA) grants.

L. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Except for the omissions of those activities described in the introductory section, the accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. This division is considered a component unit of the State of Louisiana because the state has financial accountability over the division in that the governor appoints the secretary of the Department of Transportation and Development and can impose his will on the division. The accompanying general purpose financial statements present information only as to the transactions of the Crescent City Connection Division, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

The division uses funds and account groups 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. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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 general fixed assets, and the servicing of general long-term debt. Governmental funds of the division include:

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)**

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 strip revenue are recorded when received. Prepaid tolls used in conjunction with a toll tag are recorded when measurable and available. Federal and state 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 as current assets.

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 general long-term debt, which are not recognized until due.

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

Notes to the Financial Statements (Continued)

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 with 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, a Statement of Revenues, Expenditures, and Changes in Fund Balances - Actual and Budget is not included in these financial statements.

**F. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

Cash includes cash on hand, petty cash, cash with paying agent, and cash on deposit in Bank One, Louisiana, N.A., formerly the First National Bank of Commerce. Cash equivalents include amounts in money market accounts. 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 Second Supplemental Indenture dated April 1, 1992, authorizes the division to invest in direct United States obligations, United States government agency obligations, the principal and interest of which are fully guaranteed by the government of the United States, direct and general obligations of the State of Louisiana, 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, as amended whose shares are registered under the Federal Securities Act of 1933, and shares of an investment company organized under the Investment Company Act of 1940, as amended. Investments include United States government securities and are stated at fair value.

**G. FIXED ASSETS AND GENERAL
LONG-TERM OBLIGATIONS**

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term obligations account group, not in the governmental funds. The account groups are not funds. They are concerned only with the measurement of financial position, not with measurement of results of operations.

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)**

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 cost of current leave privileges are included in the operational expenditures on Statement B. The cost of leave privileges not requiring current resources are included in the notes of the annual fiscal report of CCOTD.

**I. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

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

**J. FUND EQUITY - RESERVES AND
DESIGNATED FUND BALANCES**

Reserves represent those portions of fund equity not appropriate for expenditure and are legally segregated for a specific future use. Designated fund balances are those portions of fund equity set aside by the division for specific future use.

K. FEDERAL FUNDS

The Crescent City Connection Division follows the same guidelines as CCOTD concerning general and specific compliance with federal laws and regulations. The FTA grants require 80% federal funding with 20 % local funding for the capital assistance portion and up to 50% federal funding for the operating assistance portion. For the capital assistance portion of the grants, the project expenditures are paid by CCOTD, which then receives the 80% reimbursement from the FTA and the 20% portion from the division. Therefore, no federal grant income is recorded by the division for capital assistance. For the operating assistance portion of the grant, the operating expenditures are paid by the division, and the reimbursement from the FTA is received by CCOTD and transferred to the division's operating account. Therefore, federal grant income is recorded by the division in the Special Revenue Operating and Maintenance Fund for the operating assistance received.

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

Notes to the Financial Statements (Continued)

L. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures, initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. TOTAL COLUMNS ON STATEMENTS

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

N. CASH AND CASH EQUIVALENTS

At October 31, 1998, the division has cash and cash equivalents (book balances) totaling \$77,194,802 as follows:

Cash (cash on hand, petty cash, and demand accounts)	\$254,803
Money market accounts	<u>76,939,999</u>
Total	<u>\$77,194,802</u>

These deposits are insured at full value. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At October 31, 1998, the division has \$77,004,379 in deposits (collected bank balances). These deposits are secured from risk by \$108,600 of federal deposit insurance and \$24,630 in pledged securities held by the fiscal agent in the name of the division (GASB Risk Category 1). In addition, \$76,008,840 of pledged securities are held by the pledging financial institution's trust department or agent but not in the division's name (GASB Risk Category 3).

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

3. INVESTMENTS

At October 31, 1998, investments of the division total \$3,021,021, which consist of United States government securities. A summary of the division's investments follows:

	<u>Fair Value</u>
Government Securities:	
Federal National Mortgage Association	\$1,537,585
United States Treasury obligations	998,080
Federal Home Loan Mortgage	<u>485,356</u>
Total government securities	<u>\$3,021,021</u>

These investments are stated at fair value as required by GASB Statement 31. The division used quoted market values to determine fair value of the investments.

These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered unsecured and unregistered for which the securities are not in the name of the division and are held by the fiscal agent and/or their trust department. They are classified in Category 3 in applying the credit risk of GASB Codification Section 190.104.

4. RECEIVABLES

The division has receivables of \$245,380 at October 31, 1998. This amount represents investment income from investments before October 31, 1998, which was not received by the division until after October 31, 1998.

5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

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

Notes to the Financial Statements (Continued)

	Balance October 31, 1987	Additions	Deletions	Balance October 31, 1988
Bridge No. 1 construction	\$56,428,173			\$56,428,173
Ferry installations	368,686			368,686
Bridge approaches and related structures (including Bridge No. 2)	121,878,005	\$9,867,426		121,833,481
Total	<u>\$180,714,864</u>	<u>\$9,867,426</u>	<u>NONE</u>	<u>\$190,721,010</u>

In 1982, bonds were issued to construct approaches, ramps, lighting, landscaping, and related structures connecting the bridges to expressways and highways developed since the original design. These costs are shown as bridge approaches and related structures.

Changes in furniture, fixtures, automobiles and operating equipment are not reflected in these statements because they are included within DOTD's annual report.

6. RETIREMENT SYSTEM

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

All full-time division employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 26 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 442-13, Baton Rouge, Louisiana 70804-4213, or by calling (225) 622-6938 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the division is required to contribute at an actuarially determined rate as required by Louisiana Revised Statute 11:902. The contribution rate for the fiscal year ended October 31, 1988, was 12.4% of annual covered payroll, 13.0% for the fiscal year ended October 31, 1987, and 13.4% for the fiscal year ended October 31, 1986. The division's contributions to the system for the years ending

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

October 31, 1988, 1997, and 1998, were \$908,187, \$810,778, and \$880,771, respectively, equal to the required contributions for each year.

7. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended October 31, 1998:

	Borrowed Indebtedness Payable at November 1, 1997		Additions	Retirements	Borrowed Indebtedness Payable at October 31, 1998
Bridge Revenue Bonds - Series 1992	<u>\$27,725,828</u>	<u>NONE</u>		<u>\$1,428,000</u>	<u>\$29,153,828</u>

The bonds mature November 1, 2012, and accrue interest at rates of 5.25% to 8.75%. The bonds were issued to complete the approaches to Bridges No. 1 and No. 2. Maturities of long-term debt including interest payments of \$15,157,226 are as follows:

1999	\$2,903,553
2000	2,979,595
2001	2,980,288
2002	2,979,595
2003	2,982,480
Thereafter	<u>26,828,975</u>
Total	<u>\$41,733,236</u>

The division has accumulated a balance of \$3,728,724 dedicated to payment of bonds. Another \$23,348,276 is to be provided from future years' revenues dedicated to the payment of the bonds.

8. RESERVED AND DESIGNATED FUND BALANCES

As shown on Statement A, the division has reserved fund balances of \$26,300,486 and designated fund balances of \$40,178,340 at October 31, 1998. These balances are reserved or designated as follows:

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

Reserve for Operations - Monies are reserved in the Operating and Maintenance Special Revenue Fund for operations of the division. The amount of the reserve at October 31, 1998, is \$11,454,498.

Reserve for Debt Service - Monies are reserved in the debt service funds in accordance with the Second Supplemental Bond Indenture dated April 1, 1992. The amount of the reserve is \$3,228,724 at October 31, 1998.

Reserve for Construction - Monies are reserved in the Capital Projects Fund for incomplete projects. The amount of the reserve is \$11,685,274 at October 31, 1998.

Designated Fund Balances - The designated fund balance of the Revenue Fund in the Special Revenue Fund is \$2,325,404, which is designated for future capital projects. The remaining fund balance in the Capital Projects Fund for \$48,842,842 has also been designated for future capital projects.

8. LITIGATION AND CLAIMS

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by state General Fund appropriation and are not reflected in the accompanying general 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.

On January 30, 1997, a judgment was rendered against the division in a case for \$1,637,263 plus interest and attorney fees. A motion for a new trial has been made and is pending in the Fourth Circuit Court of Appeals. No provision for this liability has been made in these financial statements. The liability for this judgment is the responsibility of the Office of Risk Management under the state's self-insurance program.

9. DUE FROM/O TO OTHER FUNDS

Individual fund balances due from/to other funds at October 31, 1998, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$1,264,185	
Special Revenue Funds	54,434	\$1,264,185
Debt Service Funds		54,434
	<u>-----</u>	<u>-----</u>
Total	<u>\$1,318,619</u>	<u>\$1,318,619</u>

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

11. OPERATING TRANSFERS IN/OUT

The bond indenture specifies the specific manner in which revenues are to be deposited and distributed to the various funds. All revenues, except interest earnings and grants identified in other funds, are to be deposited into the revenue fund. These revenues are then distributed to the various other funds in accordance with the provisions of the bond indenture. 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 October 31, 1999:

	<u>Transfers In</u>	<u>Transfer Out</u>
General Fund	\$13,555,393	
Special Revenue Funds:		
Revenue Fund	250,569	\$29,574,791
Operating and Maintenance Fund	13,543,393	13,545,393
Toll Tag Deposit Fund	168,220	140,525
Debt Service Funds:		
Reserve Fund		290,655
Sinking Fund	1,013,816	
Interest Fund	1,621,215	54,434
Capital Projects Fund	<u>27,288,815</u>	<u>13,685,802</u>
Total	<u>\$57,488,210</u>	<u>\$30,488,210</u>

12. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the division's operations as early as fiscal year 1999.

The division has completed an inventory of computer systems and other equipment necessary to conducting the division's operations. The division has identified the toll collection system as requiring Year 2000 remediation. The system and software have been assessed and have been determined to be partially noncompliant. The system and software related to the toll tag collections are Year 2000 compliant. However, the system and software related to the operations of the toll collectors and the treadle count are not compliant. The division is in the process of drafting specifications on new hardware and software for the toll collection system. These specifications are expected to be completed in January 1999 with request for proposals in February. The division expects to spend approximately \$2.5 million on this system.

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determined until the Year 2000 and thereafter. Management cannot assure that the division is or will be Year 2000 ready, that the division's remediation efforts will be successful in whole or in part, or that parties with whom the division does business will be Year 2000 ready.

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

**SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended October 31, 1998**

SPECIAL REVENUE FUNDS

REVENUE FUND

The Revenue Fund accounts for all revenues collected by the division except for investment income identified in other funds and grants.

OPERATING AND MAINTENANCE FUND

The Operating and Maintenance Fund is used to account for funds dedicated to the operating and maintenance of the bridges and ferries. Amounts appropriated by the legislature each year are transferred into this fund from the Revenue Fund. The cost of operations and maintenance are transferred out to the General Fund.

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.

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

Combining Balance Sheet, October 31, 1998

	REVENUE FUNDS	OPERATING AND MAINTENANCE FUNDS	TOLL TAG DEPOSIT FUNDS	TOTAL
ASSETS				
Cash and cash equivalents	\$3,684,680	\$10,887,690	\$3,041,730	\$17,614,100
Receivables	12,626	51,977	4,048	64,651
Due from other funds	34,000			34,000
TOTAL ASSETS	<u>\$3,731,306</u>	<u>\$10,939,667</u>	<u>\$3,045,778</u>	<u>\$17,716,751</u>
LIABILITIES AND FUND-EQUITY				
Liabilities:				
Tag deposits (due to other funds)		\$1,284,180	\$847,665	\$2,131,845
Deferred revenues	\$1,218,180			1,218,180
Total Liabilities	<u>\$1,218,180</u>	<u>\$1,284,180</u>	<u>\$847,665</u>	<u>\$3,350,025</u>
Fund Equity - fund balances:				
Reserve for operations		11,484,488		11,484,488
Unexpended				
Designated for projects	2,000,484			2,000,484
Unexpended			137,433	137,433
Total Fund Equity	<u>\$2,000,484</u>	<u>\$11,484,488</u>	<u>\$137,433</u>	<u>\$13,622,405</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$3,218,664</u>	<u>\$12,768,668</u>	<u>\$985,098</u>	<u>\$16,972,430</u>

**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
For the Year Ended October 31, 2008**

	REVENUE FUNDS	OPERATING AND MAINTENANCE FUNDS	TOLLS, TAGS DEPOSIT FUNDS	TOTAL
REVENUES				
Investment income	\$114,000	\$504,000	\$44,104	\$662,104
TOL Revenue	10,990,004			10,990,004
State Revenue - Bridge and Tolls	170,447			170,447
State Revenue	500,048			500,048
Highway Fund No. 2	1,000,001			1,000,001
Rental Income and other Income	58,708		10,000	68,708
Grants		4,95,000		4,95,000
Total Revenues	<u>12,233,200</u>	<u>999,000</u>	<u>54,104</u>	<u>13,286,304</u>
EXPENDITURES				
Operational expenses	1,000			1,000
Bank charges	10,881	1,087	730	12,698
Total expenditures	<u>11,881</u>	<u>1,087</u>	<u>730</u>	<u>13,698</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>12,221,319</u>	<u>997,913</u>	<u>53,374</u>	<u>13,272,606</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	200,000	11,653,382	608,338	12,061,720
Operating transfers out	(20,004,724)	(11,500,000)	(148,190)	(21,652,914)
Total financing sources (uses)	<u>(19,804,724)</u>	<u>153,382</u>	<u>460,148</u>	<u>(19,191,194)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>(7,583,405)</u>	<u>1,151,295</u>	<u>10,522</u>	<u>(6,421,588)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>6,604,000</u>	<u>10,390,911</u>	<u>308,338</u>	<u>17,303,249</u>
FUND BALANCES AT END OF YEAR	<u>(8,999,405)</u>	<u>\$11,542,586</u>	<u>\$121,860</u>	<u>\$10,910,367</u>

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

**SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended October 31, 1998**

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 General 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.

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

Combining Balance Sheet, October 31, 1999

	RESERVE FUND	SHARED FUND	IMPACT FUND	TOTAL
ASSETS				
Cash and cash equivalents		\$1,111,628	\$881,304	\$2,074,802
Investments	\$2,897,807			2,897,807
Receivables	88,188	3,089	3,738	94,995
TOTAL ASSETS	<u>\$3,073,893</u>	<u>\$1,114,717</u>	<u>\$885,042</u>	<u>\$5,073,652</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accrued interest			\$918,888	\$918,888
Accrued principal		\$1,180,000		1,180,000
Due to other funds			\$4,414	4,414
Total liabilities	<u>None</u>	<u>\$1,180,000</u>	<u>\$923,302</u>	<u>2,103,302</u>
Fund Equity - fund balance - reserved for debt service	\$1,873,591	154,717	None	2,028,308
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,873,591</u>	<u>\$1,334,717</u>	<u>\$923,302</u>	<u>\$4,131,610</u>

**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
For the Year Ended October 31, 1999**

	REVENUE FUNDS	EXPENSE FUNDS	NET RESULT FUNDS	TOTAL
REVENUES				
Investment income	800,400	500,000	300,400	800,400
EXPENDITURES				
Debt service				
Interest	24,100		1,801,210	1,825,310
Principal	5,500	1,180,000		1,185,500
Premium on bonds	5,500			5,500
Bond charges	100	500	500	1,100
Total expenditures	35,200	1,180,500	1,801,210	2,016,910
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	765,200	(1,180,500)	(1,500,810)	(1,031,110)
OTHER FINANCING SOURCES (uses)				
Operating transfers in		1,031,010	1,031,010	1,031,010
Operating transfers out	(100,000)		(100,000)	(100,000)
Total other financing sources (uses)	(100,000)	1,031,010	931,010	(100,000)
EXCESS (deficiency) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	665,200	(149,490)	881,010	(100,000)
FUND BALANCES AT BEGINNING OF YEAR	1,001,500	264,714	9,900	1,276,114
FUND BALANCES AT END OF YEAR	\$1,676,700	\$105,224	9,900	\$1,791,824

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal controls 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 reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PRES., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-0007

800 NORTH FRENCH STREET
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BATON ROUGE, LOUISIANA 70802
TELEPHONE: (504) 386-6000
FACSIMILE: (504) 386-6000

January 22, 1999

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of the
General 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 general purpose financial statements of the Crescent City Connection Division as of and for the year ended October 31, 1998, and have issued our report thereon dated January 22, 1999. The opinion on the general purpose financial statements was qualified because certain financial information was omitted. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Crescent City Connection Division's general purpose 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 these 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crescent City Connection Division's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted the following matter involving the internal control over financial reporting and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Crescent City Connection Division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

LEGISLATIVE AUDITOR

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
Compliance and Internal Control Report
January 22, 1999
Page 2

Failure to Reconcile Treadle Count Data

During September and October 1998, the Crescent City Connection Division did not timely reconcile approximately \$1,700,000 of toll revenue to the treadle count, and the division did not have an adequate disaster recovery or contingency plan for alternative procedures when its computer system failed. Good internal controls require that the division reconcile tolls collected to the treadle count and also require that a contingency plan be in place that allows for continued operations and the safeguard of assets when computer malfunctions occur.

The treadle is a mechanism used to count axles of vehicles that pass through the bridge toll booths. Reconciling treadle counts to the revenue collected by toll collectors assured management that all transactions have been recorded and monies were deposited. An adequate disaster recovery plan would include (1) a written plan that allows personnel to easily execute their roles in the event that an emergency occurs, (2) backup procedures for all levels of data processing, and (3) an adequate offsite facility to store copies of the recovery plan, data and system backups, critical documentation, and procedure manuals.

The division's Toll Collection System hardware and software crashed on September 17, 1998. While restoring the data in September, the computer system was shut down because of Hurricane Georges. Because of the age of the system, the division was unable to restart the system for 4 days after the hurricane. When these situations occurred, the treadle count data, which are maintained on personal computers, were not transferred to the division's host computer system so that the treadle count reconciliation could be done. The data from the system were not recovered until 6 weeks after the failures; therefore, a timely reconciliation could not be done. Failure to perform a timely reconciliation of treadle count and failure to have an adequate disaster recovery plan increases the risk that assets could be lost or misused without timely detection.

The Crescent City Connection Division should timely reconcile the tolls collected to the treadle count to assure that no errors or fraud has occurred. Also, the Crescent City Connection Division should take action to establish a reliable contingency or disaster recovery plan that will allow for continued operations of critical data processing services in the event of an unexpected interruption. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial

LEGISLATIVE AUDITOR

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

Compliance and Internal Control Report

January 22, 1998

Page 3

reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described previously is not a material weakness.

This report is intended for the information and use of the division and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyles, CPA, CFE
Legislative Auditor

DUL-WMB-RCL-d

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Appendix A

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



STATE OF LOUISIANA
 DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
CRESCENT CITY CONNECTION DIVISION
 Post Office Box 6290, New Orleans, Louisiana 70174-6297



BY J. MARK FOSTER, JR.
 SECRETARY

MARK MCWALSH
 SECRETARY

January 21, 1999

Dr. Daniel G. Kyle, CPA, CFE
 Legislative Auditor
 State of Louisiana
 Post Office Box 94397
 Baton Rouge, Louisiana 70804-0397

Re: Response to Finding
Failure to Reconcile Treadle Count Data

Dear Dr. Kyle:

The following is our response to the finding reported in our audit report for the year November 1, 1997 through October 31, 1998:

1. We concur with the finding. The Crescent City Connection Division (CCCD) did not timely reconcile toll revenues to the treadle count during September and October 1998 because of a computer system failure.
2. The Toll Collection System hardware and software crashed on September 17, 1998. While restoring the data in September, the computer system was shut down due to Hurricane Georges. We restarted the system on Wednesday, September 30, 1998, following the lifting of the evacuation order of Monday, September 28, 1998. This was the earliest possible time since most of our personnel evacuated the area and only returned Tuesday, September 29, 1998, following the hurricane.
3. We restarted the system Wednesday, September 30, 1998, and experienced an unprecedented amount of hardware failures ranging from hard drives, power supplies, monitors and communication connections. Our maintenance contractor immediately began work and assisted in the repairs to the hardware. We did however, experience some slowness in making the repairs. This slowness of response, due to the turmoil caused by the hurricane and the mandatory evacuation, complicated these repairs.

Dr. Daniel G. Kyle, CPA, CFE

January 21, 1999

Page 2

4. The division did enact its written recovery and contingency plans. The lack of ability to upload information from the late computers, however, prevents us from recovering trouble counts. There is no feasible way to backup up counts from the troubles and no feasible way known to recover information any faster than we did with the system that we currently have. We are aware that the system is in need of replacement and in fact are soliciting proposals for a new system at this time. However, before the extension of tolls on June 24, 1998, expending \$2,500,000 for a new system was not prudent, when tolls were to expire, June 30, 1999. Mr. Alan J. LeVasseur, Executive Director, is responsible for the replacement of our current system. The anticipated completion date is December 31, 1999.
5. The tolls collected are recorded on the day that the deposit is prepared.
6. The division took the only responsible and feasible action following the hurricane to restore the system as soon as possible, given the abilities of the existing system.

If you require any additional information, please do not hesitate to contact

me.

Sincerely,



Alan J. LeVasseur

Executive Director