REGIONAL TRANSIT AUTHORITY

FINANCIAL STATEMENTS AS OF AND FOR THE
YEARS ENDED DECEMBER 31, 2012 AND 2011
AND INDEPENDENT AUDITORS' REPORT

REGIONAL TRANSIT AUTHORITY

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Silva Gurtner & Abney
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Regional Transit Authority
New Orleans, Louisiana

We have audited the accompanying statement of net position of the Regional Transit Authority (the RTA) as of and for the year ended December 31, 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended. These financial statements are the responsibility of the RTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Regional Transit Authority, as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

2011 Audit Opinion
The financial statements of the Regional Transit Authority as of December 31, 2011, were audited by other auditors whose report dated July 27, 2012, expressed an unmodified opinion on those financial statements.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing procedures generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013 on our consideration of the RTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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* in considering the RTA's internal control over financial reporting and compliance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the RTA's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the RTA. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the Unites States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Silva Gurtner & Abney, LLC

June 26, 2013

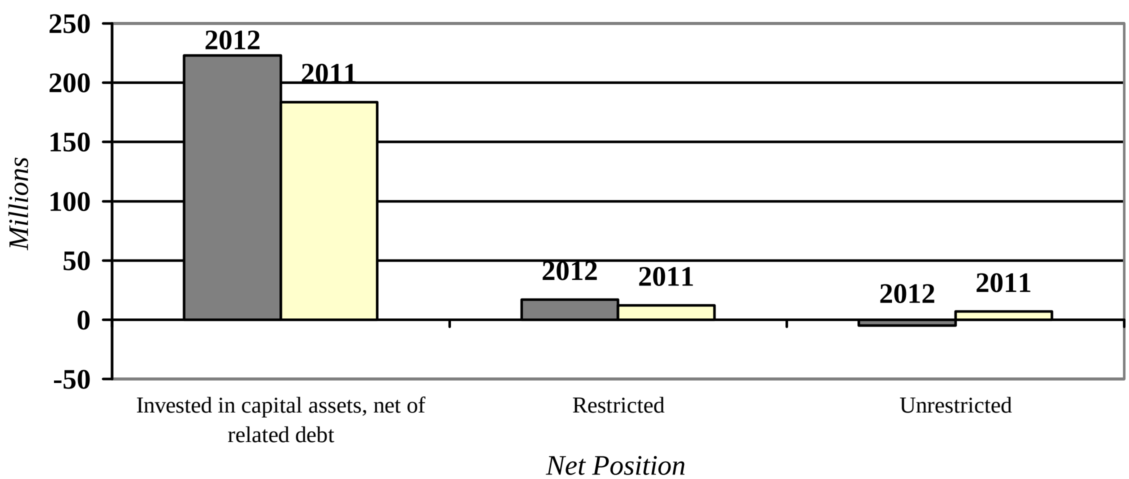
This section of the RTA's annual financial report presents a discussion and analysis of the RTA's financial performance during the fiscal years ended December 31, 2012 and 2011. Please read it in conjunction with the RTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

2012

During 2012, the RTA continued construction on the UPT Streetcar 1.6 miles of track and specialized turn-out tracks at the UPT and at Canal Street and eight state-of-the-art, solar-powered transit shelters that include video kiosks for schedule information. The project also includes relocation and replacement of underground utilities, road paving and striping, and landscaping. The RTA finished this $53 million project in January 2013. The RTA saw an approximate $800 thousand increase in passenger fares for the year ended December 31, 2012, from an increase in passenger revenue miles traveled. Effective August 1, 2012 the RTA took over responsibilities of risk management and self-insured retention for accident liability and general liability insurance policies that were previously the responsibility of Veolia from September 1, 2009 to July 31, 2012.

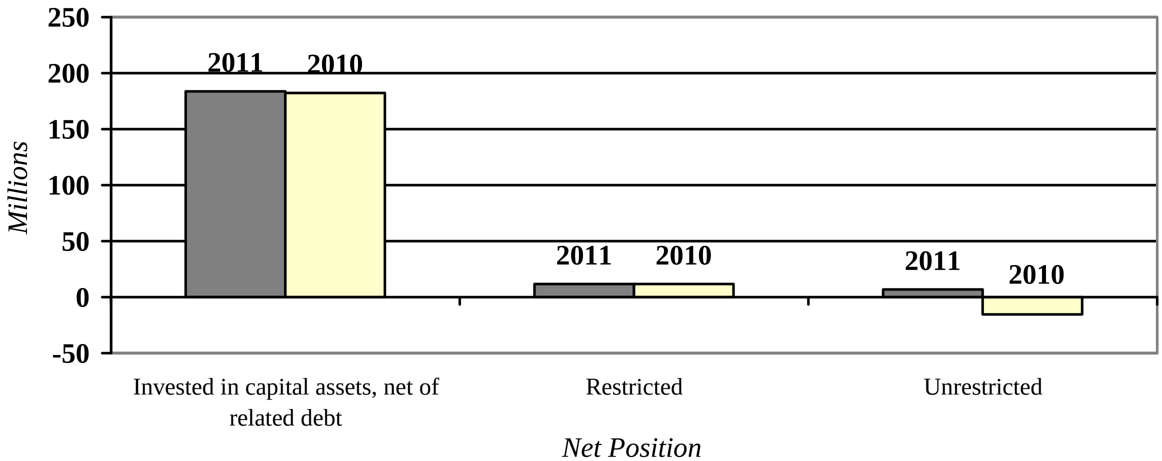
Comparison of Net Position Fiscal Years 2012 and 2011



2011

During 2011, the RTA continued the recovery process from Hurricane Katrina and the resulting flooding, which occurred during 2005. The renovation of the Eastern New Orleans Maintenance Facility was substantially completed in 2011. The RTA received $37.9 million less capital contributions from the Federal Transit Administration (FTA) and the Federal Emergency Management Agency (FEMA) as compared to 2010 funding to assist in the construction of capital projects as result of the substantial completion of major FEMA funded projects in the prior year. On May 17, 2011, the RTA began construction of the $50 million TIGER I grant funded UPT Streetcar Expansion Project which was scheduled for completion in December 2012 and completed in January 2013. The RTA initiated a marketing campaign, modified transpasses, installed ticket vending machines, improved scheduling, and increased revenue service, which in addition to continued population growth has increased fare revenue by $1.3 million.

Comparison of Net Position Fiscal Years 2011 and 2010



OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and other supplementary information.

The financial statements provide both long-term and short-term information about the RTA's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The RTA's financial statements are prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Position.

Net Position, the difference between the RTA's assets and deferred outflow of resources, and liabilities and deferred inflow of resources, is one way to measure the RTA's financial health or position. The increase in RTA's net position during 2012 is an indicator of its financial health and is largely attributed to funds received from the Federal Transit Administration (FTA), the Federal Emergency Management Agency (FEMA), and the State of Louisiana totaling $117.8 million and the receipt of $59.7 million in tax revenues, which were offset by a loss from operations of $88.4 million and non-operating expenses of $6.2 million.

FINANCIAL ANALYSIS OF THE RTA

2012 Net Position

The RTA's total net position at December 31, 2012 increased to approximately $235.1 million, a 16.2% increase from December 31, 2011 (see Table A-1). Total assets increased 2.9% to $459.7 million, and total liabilities decreased 8.2% to $223.0 million. Restricted assets and capital assets increased from the December 31, 2011 values to $92.8 million and $307.2 million, respectively.

Table A-1
Regional Transit Authority's Net Position
(in thousands of dollars)

	2012	2011	Increase (Decrease)
Current assets	$ 59,403	$ 86,240	(31.1)%
Restricted net position	92,841	89,582	3.6%
Capital assets	307,180	270,626	13.5%
Total assets	**459,424**	**446,448**	**2.9%**
Deferred outflow of resources	**306**	**340**	**(10.0)%**
Total assets and deferred outflow of resources	**$ 459,730**	**$ 446,788**	**2.9%**
Current liabilities	$ 33,274	$ 30,157	10.3%
Long-term liabilities	189,762	212,932	(10.9)%
Total liabilities	**223,036**	**243,089**	**(8.2)%**
Deferred inflow of resources	**1,603**	**1,402**	**14.3%**
Net position:			
Invested in capital assets, net of related debt	222,924	183,752	21.3%
Restricted	17,022	11,609	46.6%
Unrestricted (deficit)	(4,855)	6,936	(170.1)%
Total net position	**235,091**	**202,297**	**16.2%**
Total liabilities, deferred inflow of resources, and net position	**$ 459,730**	**$ 446,788**	**2.9%**

2011 Net Position

The RTA's total net position at December 31, 2011 increased to approximately $202.3 million, an 11.9% increase from December 31, 2010 (see Table A-2). Total assets decreased 4.7% to $446.4 million, and total liabilities decreased 15.8% to $243.1 million. Restricted net position and capital assets at December 31, 2011 were $89.6 million and $270.6 million, respectively.

Table A-2
Regional Transit Authority's Net Position
(in thousands of dollars)

	2011	2010	Increase (Decrease)
Current assets	$ 86,240	$ 106,479	(19.0)%
Restricted net position	89,582	91,289	(1.9)%
Capital assets	270,625	270,914	(0.1) %
Total assets	**446,447**	**468,682**	**(4.7)%**
Deferred outflow of resources	**340**	**578**	**(41.2)**
Total assets and deferred outflow of resources	**$ 446,788**	**$ 469,022**	**(4.7)%**
Current liabilities	$ 30,157	$ 76,918	(60.8)%
Long-term liabilities	212,932	211,629	0.6%
Total liabilities	**243,089**	**288,547**	**(15.8)%**
Deferred inflow of resources	**1,402**	**1,771**	**(20.8)%**
Net position:			
Invested in capital assets, net of related debt	183,752	184,391	(0.3)%
Restricted	11,609	9,808	18.4%
Unrestricted	6,936	(15,257)	145.5%
Total net position	**202,297**	**178,942**	13.1%
Total liabilities, deferred inflow of resources, and net position	**$ 446,788**	**$ 469,260**	**(4.8)%**

2012 Changes in Net Position

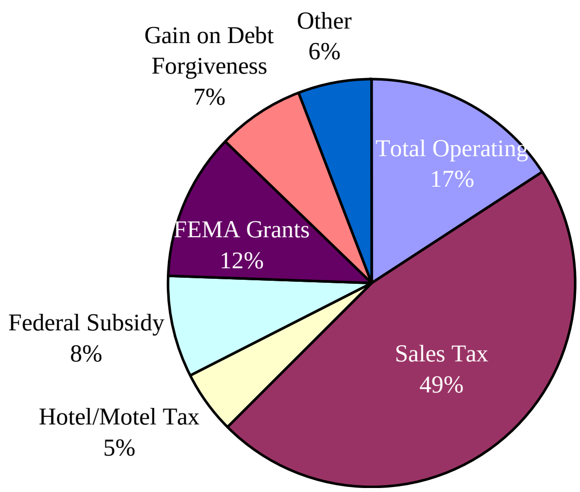
The change in net position for the year ended December 31, 2012 was approximately $32.8 million, or 40.4% more than the year ended December 31, 2011. The RTA's total operating revenues increased by 7.6% to approximately $18.4 million, and total operating expenses decreased by 6.6% to approximately $106.8 million. The changes in net position are detailed in Table A-3, and operating expenses are detailed in Table A-4.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. When there are significant unspent related bond proceeds, the portion of the debt attributable to the unspent proceeds are not included in the calculation of this item. Rather, that portion of the debt should be included in the net position component restricted for construction as an offset to the related bond proceeds outstanding.

Passenger fare revenues increased by 4.4% to $16.2 million. The increase in revenue primarily resulted from an addition of revenue producing capital assets, improved scheduling, new equipment, and population growth resulting in an increase in passenger ridership.

Non-operating revenues decreased by 18.1% to $88.2 million, primarily due to the Federal Emergency Management Agency (FEMA) partially forgiving the Special Community Disaster Loan in the amount of $38 million that was included in the non-operating revenues for the year ended December 31, 2011. For the year ended December 31, 2012, FEMA partially forgave $8.2 of the Special Community Disaster Loan. The RTA also received $13.4 million from FEMA in 2012, a 1,006% increase from 2011.

Diagram D-1
2012 Revenue Sources



Operating expenses decreased by 6.6% to $106.8 million. The decrease was mainly attributable to a decrease in labor and fringe benefits, which decreased by approximately $5 million.

Capital contributions increased by 153.7% to $33 million. In 2012, the RTA made major bus equipment purchases and continued construction on the UPT/Loyola street car line and restoration of the St. Charles street car line cross-ties. These significant expenditures did not occur in 2011.

Depreciation and amortization decreased by 1.5% to $20.3 million. Although the RTA made significant capital additions in 2012, most of the additions were included in construction-in-progress and have not begun depreciating. The RTA also purchased 18 new buses late in 2012, thus the depreciation effect for 2012 was minimal.

Table A-3
Regional Transit Authority's Changes in Net Position
(in thousands of dollars)

	2012	2011	Increase (Decrease)
Operating Revenues:			
Passenger fares	$ 16,207	$ 15,521	4.4%
Other	2,179	1,563	39.4%
Total operating revenues	**18,386**	**17,084**	**7.6%**
Operating Expenses:			
Operating expenses	86,551	93,860	(7.8)%
Depreciation	20,281	20,582	(1.5)%
Total operating expenses	**106,832**	**114,442**	**(6.6)%**
Operating loss	(88,453)	(97,358)	(9.1)%
Non-operating revenues-net	88,228	107,699	(18.1%)
Capital contributions	33,012	13,014	153.7%
Change in net position	**32,787**	**23,593**	**40.4**
Total net position, beginning of the year	**204,330**	**180,737**	**13.1%**
Total net position, end of the year	**$ 237,117**	**$ 204,330**	**16.0%**

Table A-4
Regional Transit Authority's Operating Expenses
(in thousands of dollars)

	2012	2011	Increase (Decrease)
Labor and fringe benefits	$ 14,872	$ 19,969	(25.5)%
Depreciation	20,281	20,582	(1.5)%
Contract services	64,786	62,959	2.9%
Insurance and self-insured costs	65	4,564	(98.6)%
Materials, fuel, and supplies	5,034	4,876	3.2%
Utilities	1,054	1,076	(2.0)%
Taxes, other than payroll	301	280	7.5%
Rent	-	(4)	100.0%
Miscellaneous	439	142	209.2%
Total operating expenses	**$ 106,832**	**$ 114,444**	**(6.6)%**

2011 Changes in Net Position

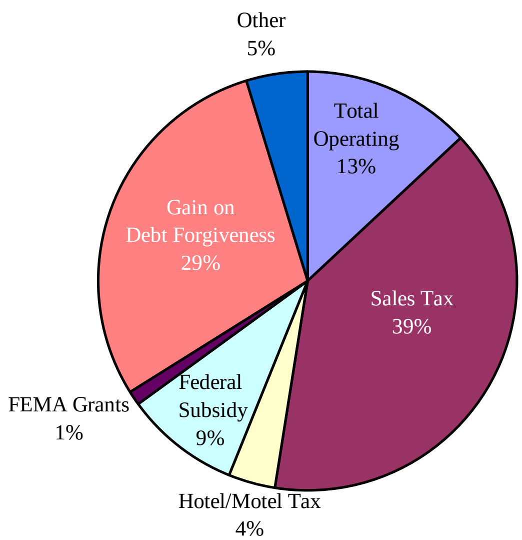
The change in net position for the year ended December 31, 2011 was approximately $23.6 million, or 28.4% less than the year ended December 31, 2010. The RTA's total operating revenues increased by 10.5% to approximately $17.1 million, and total operating expenses increased by 7.6% to approximately $114.4 million. The changes in net position are detailed in Table A-3, and operating expenses are detailed in Table A-4.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. When there are significant unspent related bond proceeds, the portion of the debt attributable to the unspent proceeds are included in the calculation of this item. Instead, that portion of the debt should be included in the net position component restricted for construction as an offset to the related bond proceeds outstanding.

Operating revenues increased by 10.5% to $17.1 million. The increase in revenue primarily resulted from an increase in fare revenue, improved scheduling, marketing campaign, new transit pass, new equipment and population growth resulting in an increase in passenger ridership.

Operating expenses increased by 7.6% to $114.4 million. The increase was mainly attributable to an increase in depreciation, which increased by approximately $3.1 million, due to new equipment purchased and facility renovation in 2010, and the increase in material and supplies by $1 million due to an increase in fuel prices and consumption.

Diagram D-2
2011 Revenue Sources



Non-operating revenues increased by 48.4% to $107.7 million, primarily due to the Federal Emergency Management Agency (FEMA) partially forgiving the Special Community Disaster Loan in the amount of $38.1 million.

Capital contributions decreased by 74.4% to $13 million. In 2010, the RTA made major bus equipment purchases and completed restoration of the red streetcar and the A.P. Randolph facility. These significant expenditures did not occur in 2011.

Depreciation and amortization increased by 18.3% to $20.6 million due to a full year of depreciation on the new buses, renovation of the streetcars, the new GFI fare boxes, and renovation of the new administrative building, as well as other capital projects that were purchased during 2010.

Table A-5
Regional Transit Authority's Changes in Net Position
(in thousands of dollars)

	2011	2010	Increase (Decrease)
Operating Revenues:			
Passenger fares	$ 15,521	$ 14,186	9.4%
Other	1,563	1,281	22.0%
Total operating revenues	**17,084**	**15,467**	**10.5%**
Operating Expenses:			
Operating expenses	93,860	88,934	5.5%
Depreciation	20,582	17,400	18.3%
Total operating expenses	**114,442**	**106,334**	**7.6%**
Operating loss	(97,358)	(90,866)	(7.1)%
Non-operating revenues-net	107,699	72,574	48.4 %
Capital contributions	13,014	50,903	(74.4)%
Change in net position	**23,593**	**32,611**	**(28.4)%**
Total net position, beginning of the year	**180,737**	**148,126**	**22.0%**
Total net position, end of the year	**$ 204,330**	**$ 180,737**	**13.1%**

Table A-6
Regional Transit Authority's Operating Expenses
(in thousands of dollars)

	2011	2010	Increase (Decrease)
Labor and fringe benefits	$ 19,969	$ 21,607	(7.6)%
Depreciation	20,582	17,400	18.3%
Contract services	62,959	62,143	1.3%
Insurance and self-insured costs	4,564	(242)	1,986%
Materials, fuel, and supplies	4,876	3,818	27.7%
Utilities	1,076	1,241	(13.3)%
Taxes, other than payroll	280	283	(1.1)%
Rent	(4)	23	(117.4)%
Miscellaneous	142	60	136.7%
Total operating expenses	**$ 114,444**	**$ 106,333**	**7.6%**

2012 Capital Assets

As of December 31, 2012, the RTA had invested approximately $527.8 million in capital assets. Net of accumulated depreciation, the RTA's capital assets at December 31, 2012 totaled approximately $307.2 million. Capital additions for the year ended December 31, 2012, included approximately $12.9 million in bus additions, $512 thousand in communication equipment, $289 thousand in bus shelters, and $40.7 million in construction in progress related to the UPT Streetcar line, St. Charles Streetcar cross-tie renovations, French Quarter line renovations. Capital disposals for the year ended December 31, 2012 consisted primarily of $6.9 million of various vehicles sold at auction.

2011 Capital Assets

As of December 31, 2011, the RTA had invested approximately $478.3 million in capital assets. Net of accumulated depreciation, the RTA's capital assets at December 31, 2011 totaled approximately $270.6 million.

2012 Debt Administration

During August 2006, RTA entered into a long-term agreement with FEMA under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005 for Hurricane Katrina. RTA made drawdowns totaling $47.2 million in February 2008, and no drawdowns in 2011. Previously on November 21, 2011, approximately $38.1 million of the CDL was forgiven by FEMA leaving a balance of roughly $9.1 million. On July 31, 2012, approximately $8 million of the CDL was forgiven by FEMA leaving a balance of approximately $897 thousand.

2011 Debt Administration

The RTA continues to make its regularly scheduled payments on its 1998A Series Sales Tax Refunding Bonds and its 1991 Series Sales Tax Revenue Bonds. During 2011, $2.4 million in principal payments were made.

The RTA has a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to borrow up to $65.8 million to finance the local match portion of the Canal Street Streetcar and Desire Street Streetcar projects, approximately $61.3 million was borrowed as of December 31, 2011. During 2011, $2.0 million of loan repayments were made on the LCDA Revenue Bonds.

In July 2006, the RTA and the State of Louisiana entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to $35.9 million from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005, and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2007, to assist in payment of debt service requirements from 2007 through 2008 due to disruption of tax bases and revenue streams caused by Hurricane Katrina and Rita. Draw downs on the loan totaled $35.9 million through December 31, 2011, which is the maximum amount allowed within the agreement.

During August 2006, RTA entered into a long-term agreement with FEMA under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005 for Hurricane Katrina. RTA made draw downs totaling $47.2 million in February 2008, and no draw downs in 2011. On November 21, 2011, approximately $38.1 million of the CDL was forgiven by FEMA leaving a balance of roughly $9.1 million. Interest expense accrued as of 2011 is approximately $1.0 million.

In October 2010, the RTA issued $75.0 million in Sales Tax Revenue Bonds, Series 2010. The bonds will be repaid over 20 years commencing June 1, 2011.

ECONOMIC FACTORS

Seven years after Hurricane Katrina, five years after the onset of the recession, and three years after the Deepwater Horizon oil spill there continues to be a gradual increase in the population in New Orleans. In fact, a study has indicated that approximately half of New Orleans's 72 neighborhoods have recovered 90 percent of the pre-Katrina populations and 10 of these 72 neighborhoods have higher populations than they did in June 2005. In conclusion, despite adverse economic conditions and changes in demographics, there has been increased ridership, multiple major economic projects, and streetcar expansion and restoration programs.

The City of New Orleans has made steady progress rebuilding its infrastructure and studies suggest that New Orleans and the surrounding parishes continue to benefit from an economic migration resulting from the global financial crisis. From October 2007 to October 2012, the New Orleans metro experienced a 0.6% increase in jobs while the nation lost 3.0% percent of all jobs.

The RTA continues to benefit from state and local tax revenues. The City of New Orleans sales tax collections for only the first six months of 2012 are at $84.7 million, 15% higher than the first six months of 2010 and 6% higher than the same months in 2005. The increase in city collections directly translates into increased tax revenues for the RTA.

CONTACTING THE RTA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the RTA's finances and to do demonstrate the RTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Justin T Augustine, III, Vice President, Veolia Transportation Services, Inc in service to the Regional Transit Authority at (504) 827-8302.

REGIONAL TRANSIT AUTHORITY
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash	$ 21,140,828	$ 41,040,977
Investments, unrestricted	3,843,192	7,895,135
Accounts receivable, net	31,581,008	36,192,424
Due from Veolia Management Services, Inc.	632,004	7,004
Inventories	-	484,110
Prepaid expenses and other assets	2,206,319	620,116
Total current assets	59,403,351	86,239,766
RESTRICTED ASSETS, CASH, AND INVESTMENTS		
1991 series bond trustee accounts	7,127,750	1,718,818
1998 series bond trustee accounts	8,753,234	8,753,100
2000 and 2000A series bond trustee accounts	10,218	7,164
2010 series bond trustee accounts	75,534,487	77,688,770
Self-insurance	1,415,000	1,414,194
Total restricted assets	92,840,689	89,582,046
PROPERTY, BUILDINGS, AND EQUIPMENT, net	307,179,869	270,624,593
TOTAL ASSETS	459,423,909	446,446,405
DEFERRED OUTFLOW OF RESOURCES		
Deferred charges - prepaid bond insurance	305,610	339,539
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 459,729,519**	**$ 446,785,944**

(continued)

	2012	2011
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable, accrued expenses, and deferred credits	$ 17,822,155	$ 10,286,531
Current portion of legal and small claims	1,467,873	503,947
Current portion of amounts due to TMSEL	15,184	6,799,559
Due to Veolia Management Services, Inc.	4,986,645	5,139,604
Total current liabilities (payable from current assets)	24,291,857	22,729,641
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Current portion of accrued bond interest	960,942	315,321
Current portion of bonds payable	8,021,433	7,110,544
Total current liabilities (payable from restricted assets)	8,982,375	7,425,865
LONG-TERM LIABILITIES		
Accrued bond interest less current portion	20,934,821	20,196,733
Legal and small claims less current portion	9,296,207	13,853,926
Bonds payable less current portion	124,347,608	132,754,055
Debt service assistance fund loan	34,159,996	35,867,738
Community disaster loan	896,756	9,134,556
Accrued community disaster loan interest	126,996	1,125,219
Total long-term liabilities	189,762,384	212,932,227
TOTAL LIABILITIES	223,036,616	243,087,733
DEFERRED INFLOW OF RESOURCES		
Deferred FEMA Revenue	1,602,735	1,401,703
NET POSITION		
Invested in capital assets, net of related debt	222,923,603	183,751,783
Restricted	17,021,603	11,609,054
Unrestricted	(4,855,038)	6,935,671
Total net position	235,090,168	202,296,508
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	**$ 459,729,519**	**$ 446,785,944**

(concluded)

See independent auditors' report and accompanying notes to the financial statements.

REGIONAL TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Passenger fares	$ 16,206,650	$ 15,521,210
Other	2,179,204	1,563,031
Total operating revenues	18,385,854	17,084,241
OPERATING EXPENSES		
Labor and fringe benefits	14,871,730	19,968,989
Depreciation	20,281,475	20,582,016
Contract services	64,785,933	62,958,695
Insurance and self-insured costs	65,267	4,563,765
Materials, fuel, and supplies	5,033,777	4,875,956
Utilities	1,054,301	1,075,736
Taxes, other than payroll	300,863	279,645
Rent	-	(3,946)
Miscellaneous	439,310	141,587
Total operating expenses	106,832,656	114,442,443
LOSS FROM OPERATIONS	(88,446,802)	(97,358,202)
NONOPERATING REVENUES (EXPENSES)		
Tax revenues		
Sales tax	54,297,401	50,960,100
Hotel/motel tax	5,389,104	4,656,210
Government operating grants		
Federal subsidy	9,641,039	11,540,217
Federal Emergency Management Agency	13,416,160	1,204,248
State Department of Transportation	1,990,077	1,772,945
Planning and technical study grants	1,864,533	1,895,554
Loss on disposal of assets	(510,436)	(912,981)
Gain on forgiveness of debt	8,237,800	38,074,468
Investment income	2,767,381	2,309,483
Loss on sale of investments, net	(1,369,852)	-
Interest expense, net	(7,495,077)	(3,801,616)
Total nonoperating revenues	88,228,130	107,698,628
NET (LOSS) INCOME BEFORE CAPITAL REVENUES	(218,672)	10,340,426
CAPITAL CONTRIBUTIONS	33,012,332	13,014,108
INCREASE IN NET POSITION BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	32,793,660	23,354,534
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(1,794,647)
INCREASE IN NET POSITION	**$ 32,793,660**	**$ 21,559,887**
NET POSITION, beginning of year	202,296,508	180,736,621
NET POSITION, end of year	**$ 235,090,168**	**$ 202,296,508**

See independent auditors' report and accompanying notes to the financial statements.

REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations	$ 16,243,821	$ 15,559,532
Cash received from other sources	2,010,026	1,699,233
Cash paid to employees and for related expenses	(21,647,725)	(18,750,136)
Cash paid to suppliers	(64,410,131)	(67,600,732)
Cash paid for insurance, legal claims, and related costs	(3,598,787)	(4,956,527)
Net cash used in operating activities	(71,402,796)	(74,048,630)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from sales tax	52,806,710	53,708,282
Cash received from hotel/motel tax	6,227,235	5,923,867
Operating subsidies received from other governments	25,757,993	19,328,001
Cash provided by noncapital financing activities	84,791,938	78,960,150
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(70,000,994)	(36,770,689)
Capital revenues from federal grants	40,012,860	3,716,131
Interest paid	(7,109,591)	(6,099,951)
Repayment of bonds	(7,495,558)	(6,744,565)
Net cash flows used in capital and related financing activities	(44,593,283)	(45,899,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(7,215,680)	(20,572,579)
Proceeds from sale and maturities of investment securities	14,934,684	40,321,860
Interest payments received	6,843,631	2,416,613
Net cash flows provided by investing activities	14,562,635	22,165,894
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,641,506)	(18,821,660)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	130,623,023	149,444,683
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 113,981,517**	**$ 130,623,023**

See the independent auditors' report and accompanying notes to the financial statements.

REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
RECONCILIATION OF LOSS FROM OPERATIONS TO		
NET CASH USED IN OPERATIONS		
Loss from operations	$ (88,446,802)	$ (97,358,202)
Adjustments to reconcile loss from operations		
to net cash used in operations		
Depreciation	20,281,475	20,582,016
Decrease in allowance for doubtful accounts	(18,237)	(56,326)
(Increase) decrease in accounts receivable	(132,007)	174,524
Increase in prepaid assets	(1,586,206)	(128,752)
Increase in accounts payable and accrued expenses	8,816,876	1,932,874
(Decrease) Increase in amounts due to TMSEL	(6,784,375)	1,197,998
Decrease in the provision for legal and small claims liability	(3,533,520)	(392,762)
NET CASH USED IN OPERATING ACTIVITIES	**$ (71,402,796)**	**$ (74,048,630)**
RECONCILIATION TO STATEMENTS OF NET POSITION		
Cash and cash equivalents for cash flow statements include:		
Cash	$ 21,140,828	$ 41,040,977
Restricted assets		
1991 series bond trustee accounts	7,127,750	1,718,818
1998 series bond trustee accounts	8,753,234	8,753,100
2000 and 2000A series bond trustee accounts	10,218	7,164
2010 series bond trustee accounts	75,534,487	77,688,770
Self-insurance	1,415,000	1,414,194
TOTAL CASH AND CASH EQUIVALENTS	**$ 113,981,517**	**$ 130,623,023**

See the independent auditors' report and accompanying notes to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity – The Regional Transit Authority (RTA or the Authority) of New Orleans is an independent political subdivision of the State of Louisiana created in 1979 by Act 439 of the Louisiana Legislature in order to provide mass transportation within its jurisdiction, which comprises the Greater New Orleans area Effective July 1, 1983 under a transfer agreement among the RTA, the City of New Orleans (the City) and New Orleans Public Service, Inc. (NOPSI), the RTA assumed responsibility for all mass transit operations in Orleans Parish and acquired transit-related assets and assumed certain transit-related liabilities of NOPSI and of the City through purchase, funded by federal and local government grants, and through contributions from the City. Subsequently, the RTA has also assumed responsibility for mass transit operations of the City of Kenner. The RTA's area of service presently comprises Orleans Parish and the City of Kenner in Jefferson Parish and may ultimately include future transit operations throughout the Greater New Orleans area.

The RTA is governed by an eight-member Board of Commissioners composed of appointees of the participating local governments within the RTA's jurisdiction. The Board of Commissioners establishes policies, approves the budget, controls appropriations and appoints an Executive Director responsible for administering all RTA operations and activities.

The RTA holds title to substantially all assets and controls, or is entitled to, substantially all revenue and funds used to support its operations and is solely responsible for its fiscal affairs. The Board of Commissioners is authorized to issue bonds, incur short-term debt and levy taxes upon approval of the voters in one or more of the parishes or municipalities served by the RTA.

The Regional Transit Authority of New Orleans on July 1, 2009 approved terms on a delegated management contract with Veolia Transportation Services, Inc. (Veolia). The ten-year contract (five years, with a five-year renewal option) began September 1, 2009. Under this "Delegated Management" contract, Veolia is responsible for performing all activities of the transit authority below the Board level. This means that Veolia will be responsible for all aspects of the public transportation system in New Orleans, including operations, safety, maintenance, customer care, routes and schedules, capital planning, budgeting, employee salaries and benefits, human resources, marketing, ridership growth, grant administration, as well as all the other typical functions of a transit authority. Prior to September 1, 2009, the labor, fringe benefits, and other similar costs reflected in the statements of revenues, expenses, and changes in net position are TMSEL expenses, which are reimbursed by RTA pursuant to the management contract. The contract requires a fixed monthly fee of approximately $1.4 million, a monthly variable rate fee based on transit hours, and reimbursement of other expenditures as required by the contract.

Veolia will continue to report to the Board of Commissioners of the RTA, which sets the direction for the RTA and is responsible for establishing RTA policies including fares, service, and operations, as well as approval of each year's annual transportation development plan and budget.

The RTA is a stand-alone entity as defined by GASB 14, *The Financial Reporting Entity,* as amended by GASB 61, *The Financial Reporting Entity: Omnibus.* The RTA is neither fiscally dependent on any other local government, nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the RTA.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation* –** The accounting policies of the RTA conform to accounting principles generally accepted in the United States of America as applicable to governments. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when a liability is incurred, regardless of the timing of related cash flows. The RTA has no government or fiduciary funds. The RTA uses fund accounting to report its financial position and results of operations. The RTA's accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private businesses where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net position is appropriate for capital maintenance. The RTA's principal operating revenues are the fares charged to passengers for service.

***Restricted Assets* –** Certain assets, principally consisting of cash, money market accounts, and investments, are segregated and classified as restricted assets, which may not be used except in accordance with state regulations or contractual terms.

***Investments* –** Investments are stated at fair value and generally consist of U.S. Government and Agency securities and time deposits. Fair value is based on quoted market prices. If quoted prices are not available, fair value is estimated based on similar securities.

***Inventories* –** Inventories, principally repair parts and supplies, are stated at cost, which approximates market. Cost is determined by the average cost method.

***Property, Buildings, and Equipment* –** Property, buildings, and equipment are recorded at cost. Depreciation is charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. Expenditures for maintenance and repairs which do not exceed $5,000 and materially extend the useful life of the asset are charged to expense as incurred.

The estimated useful lives used in computing depreciation are:

Buildings	5-20 years
Buses and equipment	4-20 years
Streetcars, track system, and related equipment	20-30 years
Furniture and fixtures	3-10 years
Leasehold improvements	5 years

***Federal and State Grants* –** Federal and state grants are made available to RTA for the acquisition of public transit facilities, planning studies, buses, and other transit equipment. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenditures of funds, are recognized at that point in time when the right to the funds becomes irrevocable. Where the expenditure of funds is the prime factor for determining the eligibility for the grant proceeds, the grant is recognized at the time when the expense is incurred.

Compensated Absences – The total liability for accrued vacation at December 31, 2012 and 2011 included in current liabilities, was approximately $125,213 and $116,428, respectively.

Cash Flows – For the purposes of the statements of cash flows, cash and cash equivalents include investments with an original maturity of less than one year.

Budgets and Budgetary Accounting – In accordance with Act 186 of the Louisiana Legislature and under authority granted to the Board of Commissioners of the RTA within the Regional Transit Authority Act (Act 439), and annual budget of revenue, expenses, and capital expenditures is prepared under the accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America. The budget is adopted by resolution of the Board of Commissioners after public hearings are conducted and public input is received. The RTA, operating as an enterprise fund, utilizes the budget and related budgetary accounting to assure that (1) service objectives are attained, (2) expenditures are properly controlled, and (3) adequate resources will be available to finance current operations, repay long-term liabilities and meet capital outlay requirements. A budget presentation is not required and has not been included in the financial statements.

Bond Issuance Costs and Refundings – Historically, costs related to issuing bonds are capitalized and amortized based upon the methods used to approximate the interest method over the term of the bonds.

The RTA early adopted GASB 65, effective January 1, 2011, in the current year on a retroaction basis which requires debt issuance costs, except any portion related to prepaid insurance costs, to be recognized as an expense in the period incurred. Prepaid insurance costs are be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. See adoption of new accounting standard below.

Claims and Judgments – The RTA provides for losses resulting from claims and judgments, including anticipated incremental costs. A liability for such losses is reported when it is probable that a loss has occurred and the amount can be reasonably estimated. Actual losses may differ significantly from RTA's estimates. Incurred but not reported claims have been considered in determining the accrued liability. All claims and judgments for dates of loss from September 1, 2009, through July 31, 2012, are the responsibility of Veolia pursuant to the delegated management contract in effect during these periods. For dates of loss subsequent to August 1, 2012, and prior to September 1, 2009, the RTA is responsible.

Deferred Revenue – Revenue collected more than one year in advance is deferred.

Use of Estimates – Management of RTA has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Correction of 2011 Financial Statement Amounts – Subsequent to the issuance of the December 31, 2011 financial statements, the Authority identified the following errors in the prior year. Accordingly, these adjustments were recorded to restate certain balances as of December 31, 2011. These adjustments were not considered material overall to the financial statements.

1. Within the Statement of Net Position:

    a. Accrued Bond Interest was overstated by $3,887,332.
    b. Property, Buildings, and Equipment, net was overstated by $291,159.
    c. Net Position – Unrestricted was understated by $782,204.

2. Within the Statement of Revenues, Expenses, and Changes in Net Position:

    a. Interest Expense, net was overstated by $1,444,318.
    b. Depreciation Expense was understated by $194,106.

Adoption of New Financial Accounting Standards – The following Accounting Standards Update (ASU) recently issued and adopted by the Governmental Accounting Standards Board (GASB) impacted the Authority's financial statements:

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletin of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of this statement in 2012 did not have any impact on the Authority's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provision of this statement is effective for financial periods beginning after December 31, 2011. During 2012, the Authority adopted the statement and restated balances previously referred to as net assets to net position.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Additionally, the GASB evaluated debt issue costs and concluded that, with the exception of prepaid insurance, the costs relate to services provided in the current period and thus they should be expensed in the current period. This is a significant change from current practice which is to record these as assets and amortize them over the life of the related debt issue. The provisions of this statement are effective for the earliest period presented. The financial statements have been adjusted to reflect the retroactive application as of January 1, 2011. As such, the impact of the cumulative effect of change in accounting position on the net position as of January 1, 2011, is a decrease of $1,794,647 to reflect previously capitalized bond issuance costs as expenses, net of the derecognition of amortization expense associated with these assets.

NOTE B – CASH AND INVESTMENTS

The RTA's cash and investments consisted of the following:

	December 31, 2012		December 31, 2011	
	Restricted	Unrestricted	Restricted	Unrestricted
Cash and cash equivalents	$ 91,425,689	$ 21,140,828	$ 88,167,852	$ 41,040,977
Investments, at fair value				
Certificates of deposits	1,415,000	3,843,192	1,414,194	7,895,135
	$ 92,840,689	**$ 24,984,020**	**$ 89,582,046**	**$ 48,936,112**

Custodial Credit Risk

Actual cash in banks and certificates of deposit as of December 31, 2012 and 2011, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was $27,667,265 and $37,806,380, respectively. Of the total bank balances at December 31, 2012 and 2011, all amounts were covered by federal depository insurance ($1,607,248 and $1,607,216, respectively) or by collateral held in the RTA's name by its agent ($52,737,000 and $45,720,612, respectively). Actual cash in money market accounts was $95,629,951 and $91,854,741, respectively, and is included in cash and cash equivalents above.

Investments

Investments are held in the name of the RTA by its agent. Statutes authorize the RTA to invest in direct U.S. Treasury obligations, bonds, debentures, notes, or other indebtedness issued or guaranteed by U.S. Government instrumentalities which are federally sponsored or federal agencies that are backed by the full faith and credit of the United States; short-term repurchase agreements; and time certificates of deposit at financial institutions, state banks and national banks having their principal offices in Louisiana.

As of December 31, 2012 and 2011, approximately $1,415,000 and $1,414,194, respectively, of restricted assets were pledged as collateral to the Louisiana Office of Workman's Compensation to maintain RTA/TMSEL's self-insurance certificate. This self-insurance certificate applies to all TMSEL employees receiving workman's compensation benefits as of August 31, 2009. Effective September 1, 2009, Veolia became responsible for all new workers' compensation claims.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. RTA has a formal investment policy that limits investment maturities to five years, unless specific authority is given to exceed, as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, the investment portfolio should remain sufficiently liquid to meet all operating requirements that may be reasonable anticipated.

Credit Risk

State law limits investments in securities issued or backed by U.S. Treasury obligations and U.S. Government instrumentalities, which are federally sponsored. RTA's investment policy does not further limit its investment choices, except that financial institutions and brokers/dealers must be authorized and meet minimum creditworthiness standards.

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31:

	2012	2011
Sales tax	$ 9,703,619	$ 8,990,887
Hotel/motel tax	1,281,128	1,183,406
Federal capital grants	6,229,803	13,230,331
State operating subsidy	210,392	119,572
Federal Emergency Management Agency	12,951,147	11,596,299
Passenger (transpass and visitor)	60,804	96,725
Kenner operating subsidy	179,279	128,801
Other	1,061,459	961,260
	31,677,631	36,307,281
Less: allowance for uncollectible amounts	(96,623)	(114,857)
	$ 31,581,008	**$ 36,192,424**

NOTE D – PROPERTY, BUILDINGS, AND EQUIPMENT

A summary of changes in fixed assets follows:

	January 1, 2012	Additions	Deletions	December 31, 2012
Land	$ 6,988,812	$ -	$ -	$ 6,988,812
Buildings	127,169,811	286,275	-	127,456,086
Equipment, primarily transportation vehicles	279,198,496	12,939,696	(7,381,177)	284,757,015
Furniture and fixtures	38,160,613	575,576	(16,458)	38,719,731
Construction in progress	26,812,918	43,284,097	(215,987)	69,881,028
	478,330,650	57,085,644	(7,613,622)	527,802,672
Accumulated depreciation	(207,706,057)	(20,248,836)	(7,332,090)	(220,622,803)
	$ 270,624,593	**$ 36,836,808**	**$ (281,532)**	**$ 307,179,869**

	January 1, 2011	Additions	Deletions	December 31, 2011
Land	$ 6,988,812	$ -	$ -	$ 6,988,812
Buildings	113,530,033	13,639,778	-	127,169,811
Equipment, primarily transportation vehicles	267,721,919	11,530,552	(53,975)	279,198,496
Furniture and fixtures	38,077,716	209,002	(126,105)	38,160,613
Construction in progress	31,899,475	18,612,606	(23,699,163)	26,812,918
	458,217,955	43,991,938	(23,879,243)	478,330,650
Accumulated depreciation	(187,207,067)	(20,679,070)	180,079	(207,706,057)
	$ 271,010,888	**$ 23,312,868**	**$ (23,699,164)**	**$ 270,624,593**

At December 31, 2012, construction in progress additions were primarily related to the Union Passenger Transit System and various other construction projects. Deletions mainly included the disposition of transportation vehicles at auction.

NOTE E – LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

	2012	**2011**
1998A Series, Sales Tax Refunding Bonds, interest rates between 6.8% and 8.0% due in annual principal debt service requirements ranging from $1,645,000 to $2,815,000, final payments due December 2013.	$ 2,815,000	$ 5,420,000
1991 Series, Sales Tax Revenue Bonds, interest rates between 5.5% and 6.5% on current interest term bonds, and approximate yields of 7.0% and 7.1% on capital appreciation bonds, with annual principal debt service requirements ranging from $348,633 to $1,500,000, final payment due December 2021.	6,319,327	6,687,783
2000 Series, LCDA Revenue Bonds, variable interest rate of 1.73% and 1.70% as of December 31, 2012 and 2011, respectively, due in annual principal debt service requirements ranging from $844,600 to $2,372,500, final payment due February 2025.	21,967,612	23,181,212
2000A Series, LCDA Revenue Bonds, variable interest rate of 1.83% and 1.81% as of December 31, 2012 and 2011, respectively, due in annual principal debt service requirements ranging from $622,500 to $1,970,600, final payment due November 2029.	24,320,556	25,190,956
2010 Series, Sales Tax Revenue Bonds, interest rate of 3% as of December 31, 2011 due in annual principal debt service requirements ranging from $143,875 to $5,898,875, final payment due December 2030.	71,425,000	73,470,000
Total debt	126,847,495	133,949,951
Plus unamortized premium	5,521,546	5,914,648
Less current maturities	(8,021,433)	(7,110,544)
Long-term debt less current maturities	**$ 124,347,608**	**$ 132,754,055**

1998A Bond Series

In September 1997, the RTA agreed to issue, not later than December 1, 1998, $26,080,000 in Sales Tax Revenue Bonds, Series 1998A. The net proceeds of the 1998A Refunding Bonds of $29,786,335 was used to repay the principal and call premium on the outstanding 1988 Bonds, and the anticipated costs of issuance of $827,339. The remaining $2,357,396, representing the present value of the interest savings to the RTA, was released to RTA in December 1997 upon execution of the Forward Bond Placement agreement. A deferred premium of $2,918,093 was likewise recorded in December 1997 and was amortized beginning in 1998 over the life of the Series 1998A Refunding Bonds.

The interest on the Series 1998A Refunding Bonds is due and payable on June 1 and December 1 of each year through December 2013. The series 1998A Refunding Bonds are secured by a pledge and lien upon a portion of RTA's one cent sales revenue (one-half of one percent upon items and services subject to sales tax). As a result of the 1997 effective date of this Forward Bond Placement Agreement, the 1988 bond debt service restricted assets had been released by RTA's trustee. The unamortized premium related to the Series 1998A Refunding Bonds was $40,512 and $122,195 at December 31, 2012 and 2011, respectively.

<u>1991 Bond Series</u>

On December 26, 1991, the RTA issued $23,215,733 in Sales Tax Revenue Bonds, Series 1991. These bonds are to be repaid over 30 years. The net proceeds of $22,968,624 (after original issue discount of $103,661 and payment of $143,448 in underwriting fees and costs) received by the RTA on the sale of the bonds were applied as follows: (a) $19,193,382 was deposited in a reserve fund account designated for capital projects, including, but not limited to, the St. Charles facility renovation and restoration of streetcars used on the St. Charles Avenue Streetcar line, construction of maintenance facilities for the Riverfront streetcar line and the acquisition of buses, (b) $1,513,528 was deposited in a reserve fund for payment of interest costs, (c) $1,596,845 was deposited in a reserve fund account to satisfy the reserve fund requirement of the bonds, and (d) the remaining proceeds of $664,869 were used toward the payment of issuance costs of the bonds.

The current interest and capital appreciation bonds are secured by a pledge and lien upon a portion of the RTA's sales tax revenue (one-half of one percent upon the items and services subject to the sales tax). The interest on the current interest bonds is due and payable on June 1 and December 1 of each year through December 1, 2021. The interest for the capital appreciation bonds is due and payable in series in 2012, 2015, and 2021. Consistent with the terms of the bond agreement, $1,960,000 was called mandatory redemption against the principal on December 1, 2009. As of December 31, 2012, 1,417 bonds have come due and been paid consistent with the terms of the bond agreement for an approximate yield of 7.00%.

In accordance with the requirements of the bond indentures, the RTA maintains, with a designated trustee, certain restricted asset bond accounts.

<u>2000 Series and 2000A Series – LCDA Revenue Bonds</u>

Under agreements with the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA), RTA may borrow up to $65,820,000 in funds to finance the local match portion of the costs expected to be incurred in the construction of the Canal Street Streetcar and Desire Street Streetcar Projects. The funds are provided from a portion of the proceeds of a Master Indenture Agreement and the sale of revenue bonds by LCDA. For the 2000 Series, the amount drawn down under this agreement as of December 31, 2012 was $31,149,000. The principal balance as of December 31, 2012 and 2011 is $21,967,612 and $23,181,212, respectively, of which $1,280,600 is due in 2012.

For the 2000A Series, the amount drawn down under this agreement as of December 31, 2012 was $30,177,056. The principal balance as of December 31, 2012 and 2011 is $24,320,556 and $25,190,956, respectively, of which $917,200 is due in 2012.

2010 Bond Series

On October 14, 2010, the RTA issued $75,000,000 in Sales Tax Revenue Bonds, Series 2010. These bonds are to be repaid over 20 years. The net proceeds of $81,118,364, consisting of $75,000,000 face amount plus an original issue premium of $6,118,364, received by the RTA on the sale of the bonds were applied as follows: (a) $79,380,740 was deposited in a reserve fund account designated for capital projects, including, but not limited to, the construction and installation of transit facilities and transit improvements, including buses and other equipment in the City; the proceeds were invested in money market type investments, (b) $658,294 was deposited in a reserve fund for payment of the bond insurance premium, (c) $241,724 was utilized to pay bond surety, (d) $507,031 was utilized for the underwriter's discount, and (e) the remaining proceeds of $330,575 were used toward the payment of issuance costs of the bonds.

Interest on the bonds will accrue from October 14, 2010 and will be payable June 1 and December 1 of each year commencing June 1, 2011 through December 1, 2030. Interest rates on the bonds range from 2-5%.

Debt Service Requirements

The following represents the debt service requirements for the bond issues as of December 31, 2012:

	1991 and 1998A Bond Principal	**1991 and 1998A Bond Interest**	**2000 and 2000A Bond Principal**	**2000 and 2000A Bond Interest**
2013	$ 3,163,633	$ 1,468,358	$ 2,197,800	$ 807,394
2014	956,235	758,888	2,332,300	767,368
2015	883,014	3,751,986	2,460,300	725,067
2016	814,023	3,821,085	2,600,000	680,365
2017	758,887	3,874,533	2,747,700	633,126
2018-2022	2,558,535	15,983,002	16,141,370	2,367,220
2023-2027	-	-	13,854,842	886,140
2028-2031	-	-	3,953,856	73,524
	$ 9,134,327	**$ 29,657,852**	**$ 46,288,168**	**$ 6,940,204**

	2010 Bond Principal	2010 Bond Interest	Total Bond Principal	Total Bond Interest
2013	$ 2,660,000	$ 3,382,400	$ 8,021,433	$ 5,658,152
2014	2,740,000	3,302,600	6,028,535	4,828,855
2015	2,850,000	3,193,000	6,193,314	7,670,053
2016	2,960,000	3,079,000	6,374,023	7,580,450
2017	3,080,000	2,960,600	6,586,587	7,468,259
2018-2022	17,870,000	12,333,000	36,569,905	30,683,222
2023-2027	22,810,000	7,395,250	36,664,842	8,281,390
2028-2031	16,455,000	1,672,250	20,408,856	1,745,774
	$ 71,425,000	**$ 37,318,100**	**$ 126,847,495**	**$ 73,916,156**

Changes in Long-Term Debt

Long-term debt activity for the year ended December 31, 2012 and 2011 are as follows:

	January 1, 2012	Additions	Payments	December 31, 2012	Due Within One Year
1998A Series, Sales Tax Refunding Bonds	$ 5,420,000	$ -	$(2,605,000)	$ 2,815,000	$2,815,000
1991 Series, Sales Tax Revenue Bonds	6,687,783	-	(368,456)	6,319,327	348,633
2000 Series, LCDA Revenue Bonds	23,181,212	-	(1,213,600)	21,967,612	1,280,600
2000 Series, LCDA Revenue Bonds	25,190,956	-	(870,400)	24,320,556	917,200
2010 Series, Sales Tax Revenue Bonds	73,470,000	-	(2,045,000)	71,425,000	2,660,000
	$ 133,949,951	**$ -**	**$(7,102,456)**	**$ 126,847,495**	**$ 8,021,433**

	January 1, 2011	Additions	Payments	December 31, 2011	Due Within One Year
1998A Series, Sales Tax Refunding Bonds	$ 7,835,000	$ -	$ (2,415,000)	$ 5,420,000	$ 2,605,000
1991 Series, Sales Tax Revenue Bonds	7,092,882	-	(405,099)	6,687,783	377,856
2000 Series, LCDA Revenue Bonds	24,327,312	-	(1,146,100)	23,181,212	1,215,788
2000 Series, LCDA Revenue Bonds	26,017,156	-	(826,200)	25,190,956	866,900
2010 Series, Sales Tax Revenue Bonds	75,000,000	-	(1,530,000)	73,470,000	2,045,000
	$ 140,272,350	**$ -**	**$ (6,322,399)**	**$ 133,949,951**	**$ 7,110,544**

Debt Service Assistance Fund Loan

In October 2006, RTA and the State of Louisiana entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to $35,867,738 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2007, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of tax bases and revenue streams caused by Hurricane Katrina and Rita. Draw downs on the loan were made as debt service payments became due. No principal or interest shall be payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan shall bear interest at a fixed rate of 4.64%. Principal payments on the bonds began in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 beginning January 2012. The loan may be prepaid without penalty or premium. The Board has the right to request one extension of its obligation to begin payments under the loan not to exceed an additional five years. As of December 31, 2012, RTA had a balance due of $34,159,996. As of December 31, 2011, RTA had a balance due of $35,867,738, the maximum amount allowed by the agreement.

Debt service requirements relating to the loan are as follows:

Years Ending December 31	Principal	Interest	Total
2013	$ 1,786,981	$ 1,585,024	$ 3,372,005
2014	1,869,897	1,502,108	3,372,005
2015	1,956,650	1,415,345	3,371,995
2016	2,047,449	1,324,556	3,372,005
2017	2,142,451	1,229,554	3,372,005
2018-2022	12,298,933	4,561,106	16,860,039
2023-2026	12,057,635	1,430,390	13,488,025
	$ 34,159,996	**$ 13,048,083**	**$ 47,208,079**

Special Community Disaster Loan Payable

During August 2006, RTA entered into a long-term agreement with FEMA under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005, for Hurricane Katrina. RTA made draw downs totaling $47,209,024 in February 2008. The loan is for a term of five years, which may be extended, and shall bear interest at the latest five year Treasury rate at the time of the closing date of the loan, plus one percent. Simple interest accrues from the date of each reimbursement. In 2007, Congress authorized FEMA to forgive all or part of the Special CDL's. RTA applied for loan forgiveness. On November 21, 2011, the CDL was partially forgiven by FEMA including $38,074,468 as of December 31, 2011, leaving a balance of $9,134,556. Interest expense accrued in 2011 was $1,038,489. On January 27, 2012, RTA made a request of the State of Louisiana to forgive the remainder of the Community Disaster Loan Payable. On July 31, 2012, the CDL was partially forgiven by FEMA including $8,237,800 as of December 31, 2012, leaving a balance of $896,756. Interest expense accrued in 2012 was $128,243. Payments of principal and interest are deferred until the end of the five year period. The loans on application could be extended for another five years from the current maturity date. Interest rates and maturity dates for the draw downs are as follows:

Principal	**Interest Rate**	**Maturity Date**
$ 896,756	2.93%	August 27, 2016

Operating revenues are pledged as security for the loan.

Debt service requirements relating to the loan are as follows:

Year Ending December 31	**Principal**	**Interest**	**Maturity Date**
2016	$ 896,756	$ 128,243	August 27, 2016

NOTE F – TRANSIT MANAGEMENT OF SOUTHEAST LOUISIANA (TMSEL) PENSION PLAN

The RTA provides for the pension expense of TMSEL employees pursuant to the management contract that commenced on August 31, 2009. Effective August 19, 1986, TMSEL received from the Internal Revenue Service a favorable letter of determination and approval of its defined benefit retirement income plan (the Plan) covering substantially all TMSEL employees. On October 15, 1986, the RTA completed the transfer of pension fund assets from NOPSI to TMSEL, as called for under the terms of the Transfer Agreement between NOPSI and the RTA. Net pension plan assets transferred totaled $35,059,639 as of the actuarial valuation, dated June 30, 1986, nearest the date of transfer.

All TMSEL and former NOPSI transit employees over the age of 21 (25, if hired prior to January 1, 1985) were eligible to participate in the Plan. Benefits vest after five years of benefit service. Those members who retire at age 65 are entitled to annual retirement benefits for life in the amount equal to 1.5 (multiplier) percent (unless otherwise specified in the plan) of their five year average of compensation times years of benefit service. The Plan also provides early retirement, postponed retirement, and death benefits.

Members of Amalgamated Transit Union (ATU) Division 1560, effective February 2, 1990, received a "30 and Out" Pension Service. Effective January 1, 1998, the TMSEL Pension Plan was amended to increase the multiplier from 1.6% to 1.8% and to change the participation eligible age from 25 to 21 for those hired prior to January 1, 1985. Effective January 1, 1999, the multiplier was increased from 1.8% to 1.9%. Prior to February 2, 1990, members of the ATU Division 1560 contributed 0.77% of their weekly earnings to the Plan. To fund the "30 and Out" pension service, the members of ATU Division 1560 began contributing an additional 2.23%. To fund the increase in the multiplier from 1.6% to 1.8% and to change the participation eligible age from 25 to 21, members of ATU Division 1560 contributed an additional 0.77%. To fund the increase in the multiplier from 1.8% to 1.9%, members of the ATU Division 1560 began contributing an additional 1.38%. Effective January 1, 2001, to fund twenty percent of the increase in the multiplier from 1.5% to 1.8% and to change the participation eligible age from 25 to 21 and one hundred percent of the increase in multiplier from 1.8% to 1.9% for members of ATU 1611, members of ATU 1560 began contributing an additional 0.03%. Effective April 18, 1996, members of ATU 1611 received a "30 and Out" Pension Service and contributed 2.45% of gross wages. On January 1, 2001, the Plan was amended to increase the multiplier from 1.5% to 1.8% for members ATU 1611, and to change the participation eligibility age from 25 to 21 for those employees hired prior to January 1, 1985, effective January 1, 2001 with TMSEL paying 80% of the cost and the members of the Unions (ATU Division 1560 and ATU Division 1611) paying 20% of the cost. The Plan was further amended increasing the multiplier from 1.8% to 1.9% with the members of Unions paying 100% of the cost. (These changes were the result of the Collective Bargaining Agreement, whereas the ATU Division 1611's membership was combined with ATU Division 1560).

Effective October 1, 2001, ATU Division 1611 merged with ATU Division 1560 into the surviving division, ATU Division 1560. On November 15, 2001, the Plan was amended to increase the multiplier from 1.9% to 2.0% effective retroactively to October 1, 2001 for members of this surviving division. The Plan was also amended to increase the multiplier from 2.0% to 2.1% effective July 1, 2003 for members of ATU Division 1560. As of January 1, 2001, the total amount the Union contributes to the Plan is 5.18% of total salary.

Members of International Brotherhood of Electrical Workers (IBEW) Local 1700-4 effective March 21, 1996, received a "30 and Out" Pension Service and contribute 2.45% of gross wages. Effective July 1, 1998, the Plan was amended, changing the participation age in the Plan from 25 to 21 for those employees hired prior to January 1, 1985. To fund this benefit, the Members of IBEW Local 1700-4 contribute 1.27% of gross wages. Since July 1, 1998, the total amount the Members of IBEW Local 1700-4 contribute to the Plan is 3.72%, which represents the contribution of 2.45% of gross wages for the "30 and Out" Pension Service, plus the 1.27% of gross wages for changing the participation age in the Plan from 25 to 21. Effective January 18, 2001, the Plan was amended to increase the multiplier from 1.6% to 1.8%, with TMSEL paying 80% of the cost and the members of IBEW Local 1700-4 paying 20% of the cost effective February 28, 2001. The Plan was further amended to increase the multiplier from 1.8% to 1.9% with members of IBEW Local 1700-4 paying 100% of the cost. To fund this benefit, members of IBEW Local 1700-4 contribute an additional 1.83% of gross wages. On November 15, 2001, the Plan was also amended to increase the multiplier from 1.9% to 2.0% effective January 1, 2002. The Plan was further amended to increase the multiplier from 2.0% to 2.1% effective July 1, 2003. As of November 15, 2001, the total amount members of IBEW Local 1700-4 contribute to the Plan is 5.55% of total salary, which represents the 2.45% of gross wages for the 30 & Out Pension Service, the 1.27% of gross wages for changing the participation age in the plan from 15 to 21, and the 1.83% of gross wages for the increase in the multiplier from 1.8% to 1.9%.

On March 13, 2003, the Internal Revenue Service issued a favorable determination letter for the Plan granting approval of a new optional form of payment. The Reduced Annuity Lump Sum (RAWLS) provides a portion of the retirement benefit in a lump sum, plus a reduced monthly benefit. Members of ATU Division 1560 and IBEW 1700-4 are eligible for this form of benefit which is effective retroactively to January 1, 2002.

On May 7, 2008, the Internal Revenue Service issued a favorable determination letter for the Plan granting approval of the amendments proposed on May 15, 2003, May 18, 2006, and January 27, 2007.

As TMSEL is not a component unit of the RTA, the accounting for the Plan's benefits and obligations as accounted for under Accounting Standards Codification (ASC) 715-30 (formerly FAS 158) are only included in TMSEL's financial statements and included for disclosure purposes in RTA's financial statements.

The following table sets forth the plan's funded status and amounts recognized in TMSEL's statements of net position as of December 31:

	2012	2011
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 246,125,018	$ 230,163,156
Interest cost	11,777,733	12,386,596
Actuarial loss	24,438,058	17,646,181
Benefits paid	(13,900,904)	(14,070,915)
Benefit obligation at end of year	**$ 268,439,905**	**$ 246,125,018**
Change in Plan Assets		
Fair value of plan assets at beginning of year, from prior year disclosure	$ 155,173,392	$ 161,321,768
Fair value of plan assets at beginning of year, as revised per audit	156,389,213	161,321,768
Actual return on plan assets	19,350,450	(83,820)
Employer contributions	10,475,469	9,426,959
Other contributions	162,136	-
Benefits paid	(13,900,904)	(14,070,915)
Expenses paid	(1,470,906)	(1,420,600)
Transfers in	300,391	-
Fair value of assets at end of year	171,306,659	155,173,392
Funded status at end of year	**$ (97,133,246)**	**$ (90,951,626)**
Amounts recognized in the statement of financial position of TMSEL consist of:		
Non-current liabilities	$ (97,133,246)	$ (90,951,626)

	2012	2011
Amounts recognized in accumulated other comprehensive income of TMSEL consist of:		
Net Loss	$ 115,321,915	$ 103,795,042
Total recognized in accumulated other comprehensive income	$ 115,321,915	$ 103,795,042
Accumulated benefit obligation	$ 268,439,905	$ 246,125,018

Information for pension plans with accumulated benefit obligation in excess of plan assets

	2012	2011
Projected benefit obligation	$ 268,439,905	$ 246,125,018
Accumulated benefit obligation	268,439,905	246,125,018
Fair value of plan assets	171,306,659	155,173,392
Net Periodic Benefit Cost		
Service cost	$ 1,500,000	$ 1,500,000
Interest cost	11,777,733	12,386,596
Expected return on plan assets	(11,412,543)	(11,867,364)
Amortization of net loss	3,265,026	2,542,596
Net periodic benefit cost	**$ 5,130,216**	**$ 4,561,828**
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income of TMSEL		
Net loss	$ 14,791,899	$ 29,517,965
Amortization of net loss	(3,265,026)	(2,542,596)
Total recognized in net periodic benefit cost and other comprehensive income	**$ 11,526,873**	**$ 26,975,369**
Total recognized in net periodic benefit cost and other comprehensive income	**$ 16,657,089**	**$ 31,537,197**

The estimated transition obligation / (asset), prior service cost / (credit), and net loss / (gain) that will be amortized from accumulated other comprehensive income of TMSEL into net periodic benefit cost over the next fiscal year are $0, $0, and $3,426,332 respectively.

	2012	2011
Weighted-average assumptions used to determine benefit obligation as of December 31		
Discount rate	4.00%	5.00%
Rate of compensation increase	N/A	N/A

	2012	2011
Weighted-average assumptions used to determine net benefit cost for years ended December 31		
Discount rate	5.000%	5.375%
Rate of compensation increase	N/A	N/A
Expected long-term return on plan assets	7.50%	7.50%

<u>Investment Policies and Strategies</u>

Investment objectives are formulated in response to the financial needs of the Plan. Financial needs are influenced by the benefit policies, funding objectives, the Plan's liabilities, and the successful management of the Plan's assets. A strategic asset allocation policy is developed to ensure achievement of investment objectives, maximize expected investment returns within the Plan's risk tolerance. The Fund's overall investment objective is to earn an average, annual return of 8% net of all expenses. The TMSEL Board recognizes that the goal of meeting this objective may not be achieved for shorter periods, but does expect it to be met over periods of 5 years or more respective of market conditions. The policy mandates as follows:

Active U.S. Mid to Large Cap Equity	18%
Passive U.S. Large Cap Equity	9%
Active U.S. Small to Mid Cap Equities	10%
Passive U.S. Small to Mid Cap Equities	3%
Active Global and International Equity	10%
Active U.S. Core Plus Fixed Income	10%
Active U.S. Core Fixed Income	10%
Real Estate and Alternatives	15%
Cash Equivalents	5%

<u>Fair Value Measurements of Plan Assets</u>

On a monthly basis, the Plan receives from the custodian, Gulf Coast Bank, monthly statements on the plan's assets. In addition, the Plan's investment consultant provides flash reports containing the fair market value of assets by each account manager.

The expected long-term rate of return on asset assumption is 7.50%. As defined in ASC 715-30, this assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

TMSEL funds actuarially determined pension costs when accrued. Any unfunded actuarial accrued liability is amortized over twenty-five years. Pension expense, which is included in labor and fringe benefits expense, was $11,043,358 and $10,286,103 for 2012 and 2011, respectively. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the projected pension benefit obligation as described above. For plan year beginning January 1, 2010, TMSEL elected to use the 24-month average of corporate bond segmented yields within a four-month lookback period.

Asset Allocation

The Plan's weighted-average asset allocations at December 31, 2012, and 2011, by asset category are as follows:

Asset Category	**2012**	**2011**
Equity securities	58.39%	55.74%
Debt securities	25.93%	30.48%
Other	11.69%	10.44%
Cash	3.99%	3.34%
Total	100.00%	100.00%

Cash Flows

Contributions – Expected employer contributions for 2013 are $11,414,511.

Estimated Future Benefit Payments

The following benefit payments which reflect expected future service as appropriate are expected to be paid:

2013	$ 16,372,437
2014	16,410,837
2015	16,522,713
2016	16,606,744
2017	16,560,784
2018-2021	83,000,077

NOTE G – OTHER POST EMPLOYMENT RETIREMENT BENEFITS

Plan Description – The Transit Management of Southeast Louisiana's medical and dental benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

Contract employees are eligible to retire at age 55 and completion of 5 years of service. Non-contract employees are eligible to retire at completion of 30 years of service. The employer does not pay for retiree medical benefits after Medicare eligibility (normally age 65). Complete plan provisions are included in the official plan documents.

Life insurance coverage is provided to retirees and paid by the employer. The employer pays 100% of the cost of the retiree life insurance based on a blended rate for all retirees. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

Contribution Rates – Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy – Until 2007, the Transit Management of Southeast Louisiana recognized the cost of providing post-employment medical and life insurance benefits (the Transit Management of Southeast Louisiana's portion of the retiree medical and life insurance benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2012 and 2011, the Transit Management of Southeast Louisiana's portion of health care and life insurance funding cost for retired employees totaled $3,646,151 and $3,355,298, respectively.

Effective January 1, 2007, the Transit Management of Southeast Louisiana implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution – The Transit Management of Southeast Louisiana's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits.

The actuarially computed ARC is as follows:

	2012	2011
Normal cost	$ 422,693	$ 211,246
30-year UAL amortization amount	2,014,768	1,923,613
Annual required contribution (ARC)	**$ 2,437,461**	**$ 2,134,859**

Net Post-employment Benefit Obligation (Asset) – The table below shows the Transit Management of Southeast Louisiana's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending December 31:

	2012	2011
Beginning Net OPEB Obligation	$ (3,475,865)	$ (2,296,370)
Annual required contribution	2,437,461	2,134,859
Interest on Net OPEB Obligation	(139,035)	(91,855)
ARC Adjustment	201,010	132,799
OPEB Cost	2,499,436	2,175,803
Contribution to Irrevocable Trust	-	-
Current year retiree premium	(3,646,151)	(3,355,298)
Change in Net OPEB Obligation	(1,146,715)	(1,179,495)
Ending Net OPEB Obligation	**$ (4,622,580)**	**$ (3,475,865)**

The following table shows the Transit Management of Southeast Louisiana's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits liability for last year and this year:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
December 31, 2012	$ 2,499,436	145.88%	$ (4,622,580)
December 31, 2011	$ 2,175,804	154.21%	$ (3,475,865)

Funded Status and Funding Progress – In 2012 and 2011, the Transit Management of Southeast Louisiana made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2012 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2012 was $36,233,189 which is defined as that portion, as determined by a particular actuarial cost method (the Transit Management of Southeast Louisiana uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Transit Management of Southeast Louisiana and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Transit Management of Southeast Louisiana and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Transit Management of Southeast Louisiana and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method – The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets – There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 3%.

Post-employment Benefit Plan Eligibility Requirements – Based on past experience, it has been assumed that entitlement to benefits will commence three years after retirement eligibility, as described above under "Plan Description". The three year period is to accommodate the period inherent in the reverse D.R.O.P. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate) – GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate – The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 80% of the "cost" of retiree medical benefits, but the rates provided are "blended" rates. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" rates before Medicare eligibility to be 130% of the blended active/retired rate. Coverage ceases for retirees as of Medicare eligibility.

Inflation Rate - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

	OPEB Costs and Contributions		
	FY 2010	**FY 2011**	**FY 2012**
OPEB Cost	$ 2,070,791	$ 2,175,804	$ 2,499,436
Contribution	-	-	-
Retiree premium	(3,355,298)	(3,355,298)	(3,646,151)
Total contribution and premium	(3,355,298)	(3,355,298)	(3,646,151)
Change in net OPEB obligation	**$ (1,284,507)**	**$ (1,179,494)**	**$ (1,146,715)**
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	162.03%	154.21%	145.88%

NOTE H – COMMITEMENTS AND CONTINGENCIES

Contingencies – The RTA receives financial assistance directly from Federal agencies, which is subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the RTA's financial position.

***Grant Commitments* –** As of December 31, 2012 and 2011, the RTA is committed to funding local matching requirements under grants for which a contractual obligation existed at the end of each year. The local matching requirement under the Federal Transit Administration grants was waived until December 24, 2010. As of December 25, 2010, the RTA is required to match 80% of all new funding. The outstanding federal share of grants at December 31, 2012 and 2011 totals approximately $6,229,803 and $12,154,406, respectively. These amounts include amounts outstanding from the full funding grant agreement for the Canal Street Streetcar Line, which were approved in March 2003 and authorized in December 2004.

NOTE I – SELF INSURANCE AND LEGAL CLAIMS

The RTA is, from time to time, involved in lawsuits arising in the ordinary course of its business. Management provides for a provision for claims when such amounts are known or can be estimated. Prior to September 1, 2009, and pursuant to the TMSEL management contract, RTA reimbursed TMSEL for its employees' workers' compensation and health care claims. Claim expenses and liabilities are reported when it is probable that the loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. All claims and judgments for dates of loss from September 1, 2009, through July 31, 2012, are the responsibility of Veolia pursuant to the delegated management contract in effect during these periods. For dates of loss subsequent to August 1, 2012, the RTA is responsible.

At December 31, 2012 and 2011, $10,764,080 and $14,357,873, respectively, of accrued general liability and small claim estimates were recorded to cover such claims. The long-term portion of these accruals at December 31, 2012 and 2011, were $9,296,207 and $13,853,926, respectively. The accruals, which are based upon experience with previous claims, the advice of counsel, and actuarial evaluation are, in the opinion of management, sufficient to provide for all probably and reasonably estimable claims liabilities at December 31, 2012 and 2011.

Changes in legal and small claims liability during the years ended December 31 were as follows:

	Beginning of year liability	Current year claims and changes in estimates	Claim payments	Balance at year end
2008	$ 24,309,840	$ 3,235,980	$ (3,339,109)	$ 24,206,711
2009	$ 24,206,711	$ (63,424)	$ (3,624,065)	$ 20,519,222
2010	$ 20,519,222	$ (2,407,738)	$ (3,493,852)	$ 14,617,632
2011	$ 14,617,632	$ 3,466,484	$ (3,726,243)	$ 14,357,873
2012	$ 14,357,873	$ (1,249,227)	$ (2,344,566)	$ 10,764,080

NOTE J – RELATED PARTIES

The RTA has a standing agreement with the City of New Orleans to provide mutually beneficial services (interagency agreement). The RTA offset $1,200,000 in police and other services provided by the City against state parish transportation fund proceeds appropriated by the State of Louisiana in 2012 and 2011.

The members of the Board of Commissioners who were paid a per diem for the attendance at board meetings in calendar years 2012 and 2011 are listed below. Some commissioners elect not to receive a per diem.

The amounts received by each commissioner for the years ended December 31, 2012 and 2011 were as follows:

2012:	**Per Diem**	**Expense Reimbursement**	**Total**
Julie Stokes	$ 525	$ -	$ 525
Connie C. Goodly	-	-	-
Salvador Longoria	825	-	825
Flozell Daniels, Jr.	600	-	600
Barbara Major	900	-	900
Earline Roth	1,050	-	1,050
Walter Tillery	750	-	750
Sharon Wegner	825	-	825
	$ 5,475	**$ -**	**$ 5,475**

2011:	**Per Diem**	**Expense Reimbursement**	**Total**
Connie C. Goodly	$ -	$ 100	$ 100
Salvador Longoria	900	100	1,000
Flozell Daniels, Jr.	600	100	700
Charlotte Burnell	825	100	925
Barbara Major	825	100	925
Earline Roth	900	100	1,000
Mark Spears	525	138	663
Sharon Wegner	675	100	775
	$ 5,250	**$ 838**	**$ 6,088**

NOTE K – NATURAL DISASTER

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The RTA sustained significant damage to RTA-owned facilities, buses, streetcars, other revenue vehicles, and inventory, which were flooded and/or wind damaged.

As of December 31, 2012, RTA has received cash reimbursements from FEMA totaling $12,061,312. Included in accounts receivable at December 31, 2012 and 2011 is $12,951,147 and $11,596,299, respectively, of reimbursements due from FEMA. Additional unrecorded FEMA grants totaling in excess of $34 million are in various stages of the approval process and include amounts for building repairs, vehicle and equipment repairs and replacements, temporary power, supplies, and other costs.

OTHER SUPPLEMENTAL INFORMATION

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN RESTRICTED ASSET BOND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

The following summarizes the activity in the 1991 Series bond trustee accounts:

	Capital Projects and Contingency	Capital	Debt Service	Revenue	Total
BEGINNING BALANCE - January 1, 2011	$ 468,760	$ 117,140	$ 133,026	$ 1,000,000	$ 1,718,926
Cash receipts					-
Transfer for principal and interest	-	-	1,596,192	-	1,596,192
Sales tax receipts	-	-	-	65,214,374	65,214,374
Investment income	1	-	-	-	1
Total cash receipts	1	-	1,596,192	65,214,374	66,810,567
Cash disbursements					-
Principal and interest payments	(1)	-	(1,596,301)	-	(1,596,302)
Transfer for debt service and excess	-	-	-	(65,214,373)	(65,214,373)
Expense payments	-	-	-	-	-
Total disbursements	(1)	-	(1,596,301)	(65,214,373)	(66,810,675)
BEGINNING BALANCE - January 1, 2012	**$ 468,760**	**$ 117,140**	**$ 132,917**	**$ 1,000,001**	**$ 1,718,818**
Cash receipts					
Transfer for principal and interest			1,594,850		1,594,850
Sales tax receipts				63,693,569	63,693,569
Investment income	6			15	22
Total cash receipts	6	-	1,594,850	63,693,584	65,288,441
Cash disbursements					
Principal and interest payments	(6)	(1)	(1,595,000)	-	(1,595,007)
Transfer for debt service and excess				(58,284,502)	(58,284,502)
Expense payments					
Total disbursements	(6)	(1)	(1,595,000)	(58,284,502)	(59,879,509)
ENDING BALANCE - December 31, 2012	**$ 468,760**	**$ 117,139**	**$ 132,767**	**$ 6,409,083**	**$ 7,127,750**

See accompanying independent auditors' report.

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN RESTRICTED ASSET BOND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

The following summarizes the activity in the 1998 Series trustee accounts:

	Sales Tax Capital	Debt Service	Total
BEGINNING BALANCE - January 1, 2011	$ 253,367	$ 8,500,000	$ 8,753,367
Cash receipts			
Transfer for principal and interest	-	-	-
Investment income	3,040,128	27	3,040,155
Total cash receipts	3,040,128	27	3,040,155
Cash disbursements			
Principal and interest payments	(3,040,395)	(27)	(3,040,422)
Expense payments	-	-	-
Total disbursements	(3,040,395)	(27)	(3,040,422)
BEGINNING BALANCE - January 1, 2012	**$ 253,100**	**$ 8,500,000**	**$ 8,753,100**
Cash receipts			
Transfer for principal and interest	3,037,326	-	3,037,326
Investment income	-	3	3
Total cash receipts	3,037,326	3	3,037,329
Cash disbursements			
Principal and interest payments	(3,037,192)	(3)	(3,037,195)
Expense payments	-	-	-
Total disbursements	(3,037,192)	(3)	(3,037,195)
ENDING BALANCE - December 31, 2012	**$ 253,234**	**$ 8,500,000**	**$ 8,753,234**

See accompanying independent auditors report.

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN RESTRICTED ASSET BOND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

The following summarizes the activity in the 2010 Series trustee accounts:

	Sales Tax Capital	Debt Service	Total
BEGINNING BALANCE - January 1, 2011	$ 79,401,732	$ -	$ 79,401,732
Cash receipts			
Transfer for principal and interest	-	-	-
Investment income	-	1,104,617	1,104,617
Total cash receipts	-	1,104,617	1,104,617
Cash disbursements			
Principal and interest payments	(1,904,597)	(912,982)	(2,817,579)
Expense payments	-	-	-
Total disbursements	(1,904,597)	(912,982)	(2,817,579)
BEGINNING BALANCE - January 1, 2012	**$ 77,497,135**	**$ 191,635**	**$ 77,688,770**
Cash receipts			
Transfer for principal and interest			-
Investment income	-	2,497,398	2,497,398
Total cash receipts	-	2,497,398	2,497,398
Cash disbursements			
Streetcar Projects	(3,281,830)	-	(3,281,830)
Unrealized loss	-	(1,256,300)	(1,256,300)
Realized loss	-	(113,551)	(113,551)
Expense payments	-	-	-
Total disbursements	(3,281,830)	(1,369,851)	(4,651,681)
ENDING BALANCE - December 31, 2012	**$ 74,215,305**	**$ 1,319,182**	**$ 75,534,487**

See accompanying independent auditors' report.

REGIONAL TRANSIT AUTHORITY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

Silva Gurtner & Abney

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners of
Regional Transit Authority
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the consolidated basic financial statements of Regional Transit Authority (the Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

June 26, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OFFICE OF MANAGEMENT AND BUDGET (OMB) *CIRCULAR A-133*

To the Board of Commissioners of
Regional Transit Authority
New Orleans, Louisiana

Compliance

We have audited the compliance of the Regional Transit Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2012. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2012.

Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority 's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

June 26, 2013

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FEDERAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Program Title	**CFDA Number**	**Expenditures**
UNITED STATES OF AMERICAN DEPARTMENT OF TRANSPORTATION		
Direct Awards		
Federal Transit Administration -		
Federal Transit Cluster		
Capital Investment Grants - ARRA funding	20.500	$ 4,643,430
Formula Grants	20.507	12,676,975
Public Transportation Research	20.514	279,003
Job Access Reverse Commute	20.516	765,022
New Freedom Program	20.521	84,205
Surface Transportation - ARRA discretionary	20.932	29,898,798
TOTAL FEDERAL TRANSIT CLUSTER		48,347,433
UNITED STATES OF AMERICAN DEPARTMENT OF HOMELAND SECURITY		
Federal Emergency Management Agency, passed		
through of State of Louisiana -		
Disaster Assistance Grants	97.036	13,167,852
TOTAL EXPENDITURES OF FEDERAL AWARDS		**$ 61,515,285**
TOTAL SPECIAL COMMUNITY DISASTER LOANS - OUTSTANDING		**$ 896,756**

See accompanying notes to Schedule of Expenditures of Federal Awards.

REGIONAL TRANSIT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the Regional Transit Authority (RTA). The RTA's reporting entity is defined in Note A to the financial statements for the year ended December 31, 2012. All federal awards received from federal agencies are included on the schedule.

NOTE B – BASIS OF ACCOUNTING

The accounting Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the RTA's financial statements for the year ended December 31, 2012.

NOTE C – LOANS PAYABLE TO FEDERAL AGENCY

RTA received Special Community Disaster Loans (the Loans) from the federal government of $24,712,417 and $22,496,607 in February 2008. On July 31, 2012, the CDL was partially forgiven by FEMA including $8,237,800 as of December 31, 2012, leaving a balance of $896,756. On November 21, 2011, the Loans were partially forgiven by the Federal Emergency Management Agency including $38,074,468 leaving a balance of $9,134,556 at December 31, 2011. The Loans accrue interest at a rate of 2.93% annually to be repaid with the principal when the Loans became due on August 27, 2011.

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

(1) Summary of Auditors' Results

(a) The type of report issued on the basic financial statements: unqualified opinion

(b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: Yes;
Material weaknesses: No

(c) Noncompliance which is material to the financial statements: No

(d) Significant deficiencies in internal control over major programs: No;
Material weaknesses: No

(e) The type of report issued on compliance for major programs: unqualified opinion

(f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: No

(g) Major programs:

Federal Transit Administration – Federal Transit Cluster:	
Capital Investment Grants	20.500
Formula Grants	20.507
Surface Transportation - ARRA discretionary	20.932
United States Department of Homeland Security, Federal Emergency Management Agency, passed through the State of Louisiana	
Disaster Assistance Grants	97.036

(h) Dollar threshold used to distinguish between Type A and Type B programs: $1,781,445

(i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: No

(2) The following findings relating to the financial statements reported in accordance with *Government Auditing Standards* are considered to be significant deficiencies:

2012-1 Calculation of Interest Accretion on 1991 Capital Appreciation Bonds

Criteria: Pursuant to generally accepted accounting principles (GAAP), capital appreciation bonds (CAB) do not pay interest on a recurring set periodic basis, but rather the interest accretes in value from the date of issuance to the date of maturity (and is payable upon maturity). To the extent that that are principal redemptions on bonds, the bond interest accretion schedules should be adjusted to reduce the amount of accreted interest in the calculations.

Condition: During the performance of our audit procedures, we noted the calculations that supports the journal entries for accrued/accreted bond interest with respect to the 1991 Series Sales Tax Revenue Bonds did not take into account the principal redemptions that occurred in years 2009 – 2012. This resulted in an error which overstated interest expense and accrued interest and understated net position (formerly net assets) in the financial statements each year beginning in 2009 through 2012 as follows:

Year	Overstatement of Interest Expense	Cumulative Overstatement of Accrued Interest at 12/31	Cumulative Understatement of Net Position at 12/31
2009	$1,250,978	$1,250,978	$1,250,978
2010	$1,293,465	$2,544,443	$2,544,443
2011	$1,444,318	$3,988,761	$3,988,761
2012	$ 346,647	$4,335,408	$4,335,408

.

The error was corrected in the 2012 audited financial statement presentation as a prior period error.

Context: This error was found through the performance of our audit procedures relating to the bond interest accretion schedules.

Effect: The effect on the financial statements resulted in the overstatement of interest expense, accrued bond interest and understatement of net position as detailed above for the respective years.

Cause: Lack of management knowledge concerning the proper accounting for accrued/accreted interest with respect to 1991 Sales Tax Revenue Bond has led to misstatement of amounts in the financial reporting of interest expense, accrued interest payable, and net assets for the respective years noted above.

Recommendation: Management should ensure that all payments of principal on Capital Appreciation Bonds are appropriately included in the calculation of accreted interest.

Management Response and Corrective Action: Management was made aware of the deficiency in the control during the course of the audit. Management agrees that interest expense and related accrued interest related to the 1991 Sales Tax Revenue Bond was inaccurately recorded during the year and in previous years. Management has updated the supporting interest expense and related accrued/accreted interest expense schedules to include all principal redemption payments.

2012-2 RECONCILIATION OF CAPITAL ASSETS FROM THE SUBSIDIARY LEDGER TO THE GENERAL LEDGER

Criteria: Internal control procedures over general ledger account reconciliations (specifically property, buildings and equipment) are required in order to reduce the likelihood that a material misstatement will not be prevented or detected in a timely basis.

Condition: The property, building, and equipment subsidiary ledger was not timely reconciled to the general ledger. We noted an unreconciled balance of $1.6M at December 31, 2012 between the subsidiary ledger balance ($61.9M) and the general ledger balance ($63.5M) which dated back 3 years to 2010. Management was able to reconcile this difference during the audit to $395K (which is still an unreconciled difference). For the reconciled items, management identified assets that were included in the subsidiary ledger as "inactive" several years ago as they were not yet placed in service, and therefore were not included in the totals per the subsidiary ledger balance; however, these assets were appropriately included in the general ledger capital asset totals. These assets were ultimately placed in service but the inactive status was not removed which resulted in an understatement of depreciation expense, cumulatively of $485K ($97K in 2010 and $194K in each of 2011 and 2012).

Context: During the performance of our audit procedures of property, building and equipment, we noted the subsidiary ledger did not reconcile to the general ledger by $1.6M which was an unexplained difference dating back to 2010.

Effect: The condition results in the understatement of depreciation expense and overstatement of property, building and equipment, net of accumulated depreciation and net position.

Cause: The cause appears to be a deficiency in internal control over general ledger reconciliation of the property, building and equipment subsidiary ledger systems.

Recommendation: Management should timely reconcile property, building and equipment subsidiary ledgers to the general ledger on a monthly basis. Independent reviews should be performed of these reconciliations on a timely basis and any significant variances investigated and resolved in a timely manner.

Management Response and Corrective Action: Management was made aware of the control weakness during the course of the audit and investigated and reconciled $1.2M of the $1.6M difference. Management agrees that the property, building and equipment subsidiary ledgers were not timely reconciled in current and previous years. Management indicated they will regularly reconcile property, building, and equipment subsidiary ledgers and an independent review will be performed of these reconciliations in a timely manner.

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

(1) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*:

None noted.