REGIONAL TRANSIT AUTHORITY

FINANCIAL STATEMENTS AS OF AND FOR THE
YEARS ENDED DECEMBER 31, 2013 AND 2012
AND INDEPENDENT AUDITORS' REPORT

REGIONAL TRANSIT AUTHORITY

TABLE OF CONTENTS

Gurtner · Zuniga · Abney
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Regional Transit Authority
New Orleans, Louisiana

We have audited the accompanying statements of net position of the Regional Transit Authority (the RTA) as of and for the years ended December 31, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 audits.

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 audits. We conducted our audits 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.

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

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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, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 a 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 10, 2014) 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.

Gurtner Zuniga Abney, LLC

June 10, 2014
New Orleans, Louisiana

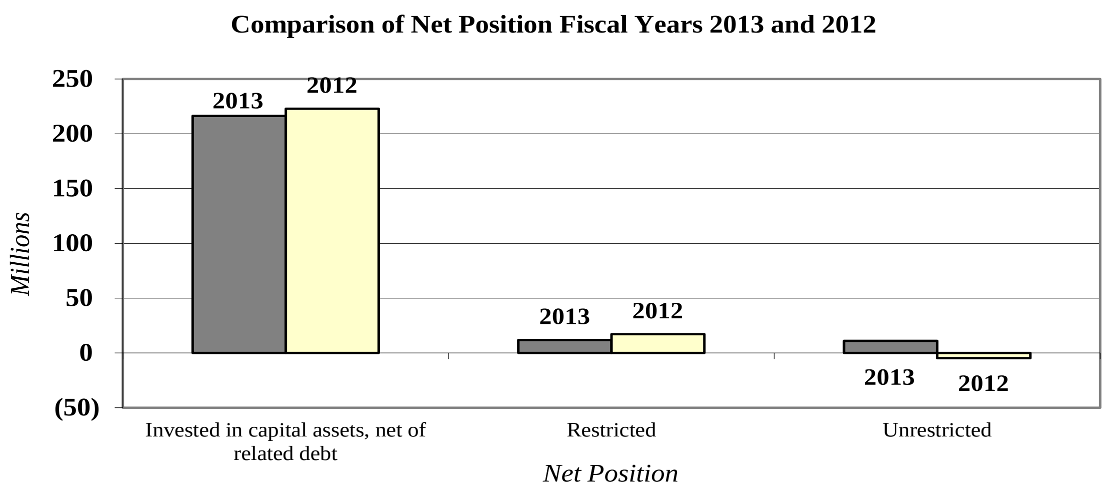
REGIONAL TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

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, 2013 and 2012. Please read it in conjunction with the RTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

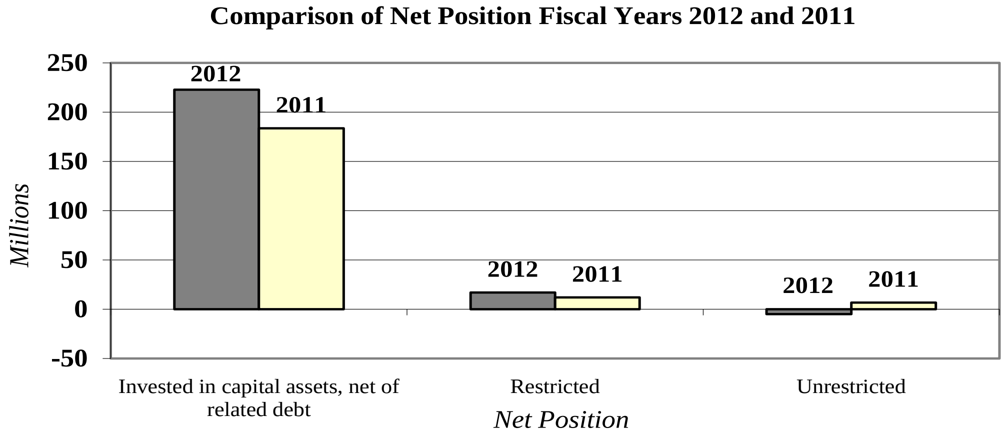
2013

On January 27, 2013 the RTA began revenue service of the UPT/Loyola streetcar line (Phase I). The total cost for the project was $60.3 million, which was funded by a $45.0 million United States Department of Transportation TIGER I Grant and $15.3 million from RTA's Series 2010 Revenue Bonds. The next phase (Phase II), the Rampart Streetcar line, is fully funded and projected to cost $60.4 million. The line, which is approximately 1.5 miles long, will operate from Canal and N. Rampart to St. Claude and Elysian Fields. Construction is expected to begin in the fourth quarter of 2014. The RTA's passenger fare revenue increased by $1,890,279 for calendar year 2013 as compared to 2012. This positive variance was generated as a result of 1,832,756 additional passengers utilizing the RTA's bus, streetcar and paratransit system in 2013 as compared to 2012.



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.



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 2013 is largely attributed to funds received from the Federal Transit Administration (FTA), the Federal Emergency Management Agency (FEMA), and the State of Louisiana totaling $24.6 million and the receipt of $65.2 million in tax revenues, which were offset by a loss from operations of $81.7 million and non-operating expenses net of revenues of $3.9 million.

FINANCIAL ANALYSIS OF THE RTA

2013 Net Position

The RTA's total net position at December 31, 2013 increased to approximately $239.3 million, a 1.8% increase from December 31, 2012 (see Table A-1). Total assets decreased 2.3% to $449.3 million, and total liabilities decreased 6.8% to $207.8 million. Restricted assets and capital assets increased from the December 31, 2012 values to $70.9 million and $310.9 million, respectively. The unrestricted net position reported an increase of $16.2 million in the unrestricted net deficit from $(4.9) million at December 31, 2012 to $11.3 million at December 31, 2013.

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

	2013	2012	Increase (Decrease)
Current assets	$ 67,149	$ 59,403	13.0%
Restricted assets	70,914	92,841	(23.6)%
Capital assets	310,937	307,180	1.2%
Total assets	**449,000**	**459,424**	**(2.3)%**
Deferred outflow of resources	**272**	**306**	**(11.1)%**
Total assets and deferred outflow of resources	**$ 449,272**	**$ 459,730**	**(2.3)%**
Current liabilities	$ 26,280	$ 33,274	(21.0)%
Long-term liabilities	181,513	189,762	(4.3)%
Total liabilities	**207,793**	**223,036**	**(6.8)%**
Deferred inflow of resources	**2,171**	**1,603**	**35.4%**
Net position:			
Invested in capital assets, net of related debt	216,167	222,924	(3.0)%
Restricted	11,857	17,022	(30.3)%
Unrestricted (deficit)	11,284	(4,855)	332.4%
Total net position	**239,308**	**235,091**	**1.8%**
Total liabilities, deferred inflow of resources, and net position	**$ 449,272**	**$ 459,730**	**(2.3)%**

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-2
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	270,625	13.5%
Total assets	**459,424**	**446,447**	**2.9%**
Deferred outflow of resources	**306**	**341**	**(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	(4,855)	6,936	(170)%
Total net position	**235,091**	**202,297**	**16.2%**
Total liabilities, deferred inflow of resources, and net position	**$ 459,730**	**$ 446,788**	**2.9%**

2013 Changes in Net Position

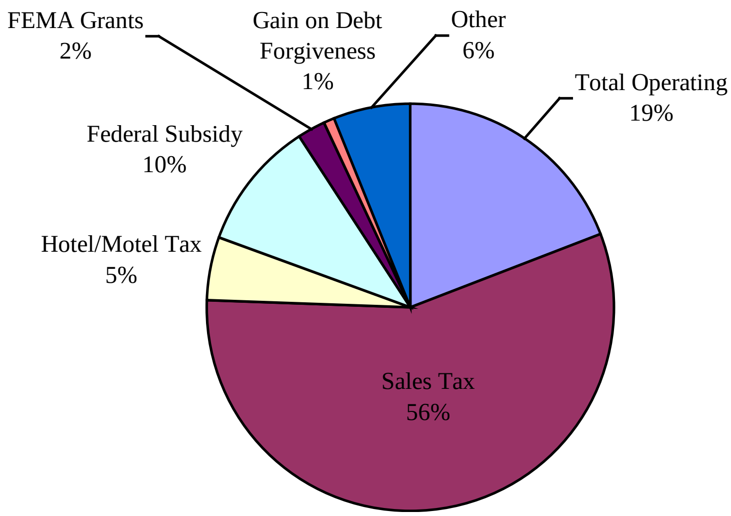
The change in net position for the year ended December 31, 2013 was approximately $4.2 million, or 1.8% more than the year ended December 31, 2012. The RTA's total operating revenues increased by 11.7% to approximately $20.5 million, and total operating expenses decreased by 4.3% to approximately $102.2 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 11.7% to $18.1 million. The increase in revenue primarily resulted from an addition of revenue producing capital assets, improved scheduling, new equipment, and population growth resulting in a 1,832,756 increase in passenger ridership in 2013 as compared to 2012.

Non-operating revenues decreased 12.8% to $76.9 million, primarily due to the Federal Emergency Management Agency (FEMA) partially forgiving the Special Community Disaster Loan in the amount of $8.0 million that was included in the non-operating revenues for the year ended December 31, 2012. For the year ended December 31, 2013, FEMA forgave the remaining $897 thousand of the Special Community Disaster Loan as well as $139 thousand in interest expense accrued related to this loan. The RTA also received $2.3 million from FEMA in 2013, an 82.7% decrease from 2012.

Diagram D-1
2013 Revenue Sources



Operating expenses decreased 4.3% to $102.2 million. The decrease was mainly attributable to a decrease in funding of pension benefits net of increases in self-insurance costs.

Capital contributions decreased 73% to $8.9 million. In 2013, the RTA completed construction on the UPT/Loyola street car line and continued restoration of the St. Charles street car line cross-ties.

Depreciation and amortization increased 5.6% to $21.4 million. This increase is primarily attributed to a full year depreciation of 18 buses that were purchased in late 2012 and the depreciation of the UPT/ Loyola streetcar line that began revenue service January 27, 2013.

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

	2013	2012	Increase (Decrease)
Operating Revenues:			
Passenger fares	$ 18,097	$ 16,207	11.7%
Other	2,445	2,179	12.2%
Total operating revenues	**20,542**	**18,386**	**11.7%**
Operating Expenses:			
Operating expenses	80,806	86,552	(6.6)%
Depreciation	21,409	20,281	5.6%
Total operating expenses	**102,215**	**106,833**	**(4.3)%**
Operating loss	(81,672)	(88,447)	(7.7)%
Non-operating revenues-net	76,969	88,228	(12.8)%
Capital contributions	8,922	33,012	(73.0)%
Change in net position	**4,219**	**32,793**	**(87.1)%**
Total net position, beginning of the year	**235,090**	**202,297**	**16.2%**
Total net position, end of the year	**$ 239,309**	**$ 235,090**	**1.8%**

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

	2013	2012	Increase (Decrease)
Labor and fringe benefits excluding pension benefits	$ 3,212	$ 3,849	(16.5)%
Pension benefits	(4,203)	11,023	(138.1)%
Depreciation	21,409	20,281	5.6%
Contract services	68,067	64,786	5.1%
Insurance and self-insured costs	6,708	65	10220.0%
Materials, fuel, and supplies	5,140	5,034	2.1%
Utilities	1,252	1,054	18.8%
Taxes, other than payroll	325	301	8.0%
Miscellaneous	305	440	(30.5)%
Total operating expenses	**$ 102,215**	**$ 106,833**	**(4.3)%**

2012 Changes in Net Position

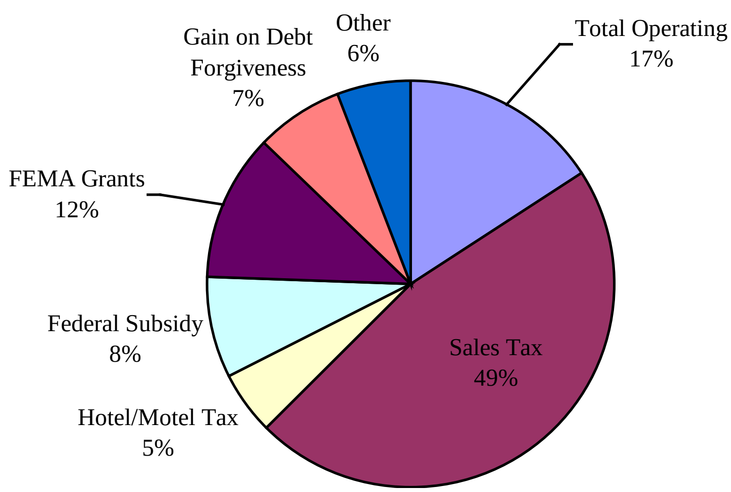
The change in net position for the year ended December 31, 2012 was approximately $32.8 million, or 40.4% more than the year ended December 31, 2011. The RTA's total operating revenues increased by 7.6% to approximately $18.4 million, and total operating expenses decreased by 6.6% to approximately $106.8 million. The changes in net position are detailed in Table A-5, and operating expenses are detailed in Table A-6.

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 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 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-2
2012 Revenue Sources



Operating expenses decreased 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 decreased by 153.7% to $33 million. In 2012, 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 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-5
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	86,552	93,860	(7.8)%
Depreciation	20,281	20,582	(1.5)%
Total operating expenses	**106,833**	**114,442**	**(6.6)%**
Operating loss	(88,447)	(97,358)	(9.2)%
Non-operating revenues-net	88,228	107,699	(18.1)%
Capital contributions	33,012	13,014	153.7%
Change in net position before cumulative effect of change in accounting principle	32,793	23,593	39.0%
Cumulative effect of change in accounting principle	-	(1,795)	(100.0)%
Change in net position	**32,793**	**21,560**	**52.1%**
Total net position, beginning of the year	**202,297**	**180,737**	**11.9%**
Total net position, end of the year	**$ 235,090**	**$ 202,297**	**16.2%**

Table A-6
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%
Miscellaneous	440	136	209.2%
Total operating expenses	**$ 106,833**	**$ 114,442**	**(6.7)%**

2013 Capital Assets

As of December 31, 2013, the RTA had invested approximately $552.4 million in capital assets. Net of accumulated depreciation, the RTA's capital assets at December 31, 2013 totaled approximately $310.9 million. Capital additions for the year ended December 31, 2013, included approximately $1.0 million in bus additions, $514 thousand in communication equipment, $427 thousand in bus shelters, and $47.4 million related to the UPT/Loyola Streetcar line, St. Charles Streetcar cross-tie renovations, French Quarter line renovations. Capital disposals for the year ended December 31, 2013, consisted primarily of $570 thousand for the sale of the Plaza Drive facility along with furniture and equipment sold at auction.

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.

2013 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. In August 2013 the remaining CDL balance of $897 thousand was forgiven by FEMA.

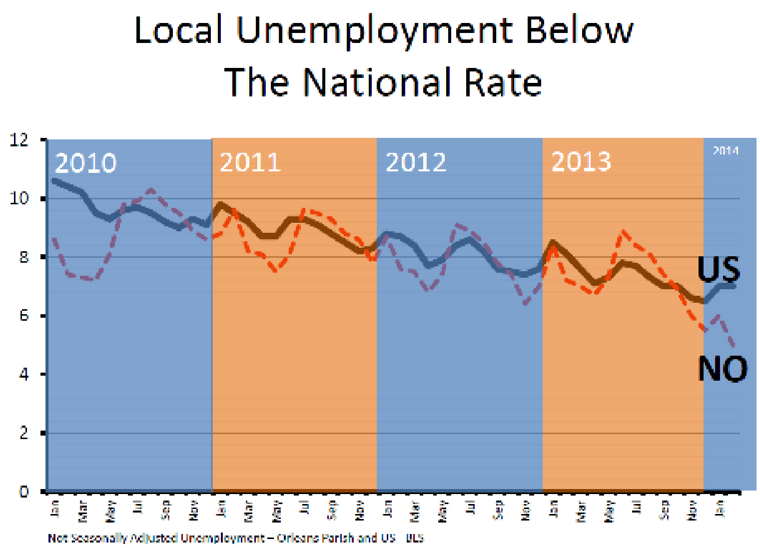
2012 Debt Administration

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. On July 31, 2012, approximately $8 million of the CDL was forgiven by FEMA leaving a balance of approximately $897 thousand.

ECONOMIC FACTORS

Eight years after Hurricane Katrina, six years after the onset of the recession, and four 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. The 2013 population of 378,715 in New Orleans represents 83% of the city's estimated population of 455,000 in August 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. Specifically, the construction of the UPT/Loyola Avenue streetcar line has spurred $2.7 billion of ancillary construction in the corridor as determined by the Gulf Coast Research Center for Evacuation and Transportation Resiliency.

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 four year trend of the New Orleans unemployment rate as compared to the U.S. employment rate is highlighted in the table below.



The RTA continues to benefit from state and local tax revenues. The City of New Orleans unaudited sales tax collections for 2013 are $151.4 million, 9.6% higher than 2012. The City of New Orleans sales tax collections for 2012 were $138.3 million, 3.9% higher than 2011. 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, 2013 AND 2012

	2013	2012
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	$ 30,958,373	$ 21,140,828
Investments, unrestricted	3,844,046	3,843,192
Accounts receivable, net	29,121,523	31,581,008
Due from Veolia Management Services, Inc.	762,921	632,004
Prepaid expenses and other assets	2,461,589	2,206,319
Total current assets	67,148,452	59,403,351
RESTRICTED ASSETS, CASH, AND INVESTMENTS		
1991 series bond trustee accounts	1,969,805	7,127,750
1998 series bond trustee accounts	8,753,234	8,753,234
2000 and 2000A series bond trustee accounts	3,500	10,218
2010 series bond trustee accounts	58,772,594	75,534,487
Self-insurance	1,415,000	1,415,000
Total restricted assets	70,914,133	92,840,689
PROPERTY, BUILDINGS, AND EQUIPMENT, net	310,937,267	307,179,869
TOTAL ASSETS	448,999,852	459,423,909
DEFERRED OUTFLOW OF RESOURCES		
Deferred charges - prepaid bond insurance	271,681	305,610
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 449,271,533**	**$ 459,729,519**

(Continued)

	2013	2012
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable, accrued expenses, and deferred credits	$ 12,522,696	$ 17,822,155
Current portion of legal and small claims	1,628,364	1,467,873
Current portion of amounts due to TMSEL	-	15,184
Due to Veolia Management Services, Inc.	5,212,011	4,986,645
Total current liabilities (payable from current assets)	19,363,071	24,291,857
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Current portion of accrued bond interest	907,745	960,942
Current portion of bonds payable	6,008,835	8,021,433
Total current liabilities (payable from restricted assets)	6,916,580	8,982,375
LONG-TERM LIABILITIES		
Accrued bond interest less current portion	21,633,209	20,934,821
Legal and small claims less current portion	9,518,295	9,296,207
Bonds payable less current portion	117,988,660	124,347,608
Debt service assistance fund loan	32,373,015	34,159,996
Community disaster loan	-	896,756
Accrued community disaster loan interest	-	126,996
Total long-term liabilities	181,513,179	189,762,384
TOTAL LIABILITIES	207,792,830	223,036,616
DEFERRED INFLOW OF RESOURCES		
Deferred FEMA Revenue	2,170,467	1,602,735
NET POSITION		
Invested in capital assets, net of related debt	216,167,052	222,923,603
Restricted	11,856,939	17,021,603
Unrestricted	11,284,245	(4,855,038)
Total net position	239,308,236	235,090,168
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	**$ 449,271,533**	**$ 459,729,519**

(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, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Passenger fares	$ 18,096,929	$ 16,206,650
Other	2,445,304	2,179,204
Total operating revenues	20,542,233	18,385,854
OPERATING EXPENSES		
Labor and fringe benefits excluding pension benefits	3,212,095	3,848,934
Pension benefits	(4,203,193)	11,022,796
Depreciation	21,409,184	20,281,475
Contract services	68,066,675	64,785,933
Insurance and self-insured costs	6,707,625	65,267
Materials, fuel, and supplies	5,140,285	5,033,777
Utilities	1,252,354	1,054,301
Taxes, other than payroll	324,684	300,863
Miscellaneous	304,962	439,310
Total operating expenses	102,214,671	106,832,656
LOSS FROM OPERATIONS	(81,672,438)	(88,446,802)
NONOPERATING REVENUES (EXPENSES)		
Tax revenues		
Sales tax	60,123,189	54,297,401
Hotel/motel tax	5,058,017	5,389,104
Government operating grants		
Federal subsidy	11,141,641	9,641,039
Federal Emergency Management Agency	2,315,595	13,416,160
State Department of Transportation	2,249,782	1,990,077
Planning and technical study grants	1,762,214	1,864,533
Loss on disposal of assets	(2,670)	(510,436)
Gain on forgiveness of debt	896,756	8,237,800
Investment income	1,584,646	2,767,381
Loss on sale of investments, net	(884,355)	(1,369,852)
Interest expense, net	(7,276,061)	(7,495,077)
Total nonoperating revenues	76,968,754	88,228,130
NET LOSS BEFORE CAPITAL REVENUES	(4,703,684)	(218,672)
CAPITAL CONTRIBUTIONS	8,921,752	33,012,332
INCREASE IN NET POSITION	**$ 4,218,068**	**$ 32,793,660**
NET POSITION, beginning of year	235,090,168	202,296,508
NET POSITION, end of year	**$ 239,308,236**	**$ 235,090,168**

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

REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations	$ 17,945,158	$ 16,243,821
Cash received from other sources	1,308,978	2,010,026
Cash paid to employees and for related expenses	584,581	(21,647,725)
Cash paid to suppliers	(80,730,032)	(64,410,131)
Cash paid for insurance, legal claims, and related costs	(6,510,951)	(3,598,787)
Net cash flows used in operating activities	(67,402,266)	(71,402,796)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from sales tax	59,307,029	52,806,710
Cash received from hotel/motel tax	5,337,375	6,227,235
Operating subsidies received from other governments	21,138,767	25,757,993
Cash provided by noncapital financing activities	85,783,171	84,791,938
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(47,647,507)	(70,000,994)
Capital revenues from federal grants	10,718,275	40,012,860
Interest paid	(7,794,256)	(7,109,591)
Repayment of bonds	(8,371,546)	(7,495,558)
Net cash flows used in capital and related financing activities	(53,095,034)	(44,593,283)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(4,656,888)	(7,215,680)
Proceeds from sale and maturities of investment securities	25,400,495	14,934,684
Interest payments received	1,861,511	6,843,631
Net cash flows provided by investing activities	22,605,118	14,562,635
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,109,011)	(16,641,506)
CASH AND CASH EQUIVALENTS — Beginning of year	113,981,517	130,623,023
CASH AND CASH EQUIVALENTS — End of year	**$ 101,872,506**	**$ 113,981,517**

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, 2013 AND 2012

		2013		2012
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATIONS				
Loss from operations	$	(81,672,438)	$	(88,446,802)
Adjustments to reconcile loss from operations to net cash used in operations:				
Depreciation		21,409,184		20,281,475
Decrease in allowance for doubtful accounts		-		(18,237)
(Increase) in accounts receivable		(1,288,097)		(132,007)
Increase in prepaid assets		(255,270)		(1,586,206)
Increase in accounts payable and accrued expenses		(5,777,135)		8,816,876.00
(Decrease) increase in amounts due to TMSEL		(15,184)		(6,784,375)
Decrease in the provision for legal and small claims liability		196,674		(3,533,520)
NET CASH USED IN OPERATING ACTIVITIES	**$**	**(67,402,266)**	**$**	**(71,402,796)**
RECONCILIATION TO STATEMENTS OF NET POSITION				
Cash and cash equivalents for cash flow statements include:				
Cash	$	30,958,373	$	21,140,828
Restricted assets				
1991 series bond trustee accounts		1,969,805		7,127,750
1998 series bond trustee accounts		8,753,234		8,753,234
2000 and 2000A series bond trustee accounts		3,500		10,218
2010 series bond trustee accounts		58,772,594		75,534,487
Self-insurance		1,415,000		1,415,000
TOTAL CASH AND CASH EQUIVALENTS	**$**	**101,872,506**	**$**	**113,981,517**

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. The contract requires a fixed monthly fee of approximately $1.17 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.

***Property, Buildings, and Equipment, net* –** 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

***Net Position Classifications* –** In accordance with GASB Codification, net position is classified into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows.

a. *Invested in Capital Assets, Net of Related Debt* – This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.

b. *Restricted* – This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

c. *Unrestricted* – This component of net position consists of all other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt", as described above.

***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, 2013 and 2012, included in current liabilities, was approximately $135,262 and $125,213, 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.

***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.

New Accounting Pronouncements – The following Accounting Standards Update (ASU) issued and adopted by the Governmental Accounting Standards Board (GASB) may impact the Authority's financial statements. These pronouncements have not been adopted by the Authority as of December 31, 2013:

In June 2012 the Governmental Accounting Standards Board Statement (GASB) issued GASB No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27 replaces Statement 27 Accounting for Pensions by State and Local Governmental Employers and Statement 50 Pension Disclosures.* GASB 68 requires governments providing defined benefit plans to report the net pension liability in their statement of net assets. This net pension liability is the difference between the present value of the pension liability and the fair value of pension assets, set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. Management is unable to estimate the impact of the adoption of this accounting pronouncement at this time.

In November 2013 the Governmental Accounting Standards Board Statement issued GASB No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, requires that if a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources and deferred inflows of resources related to pensions should be recognized.

Reclassification – Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation with no effect on previously reported change in net position.

NOTE B – CASH AND INVESTMENTS

The RTA's cash and investments consisted of the following as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Restricted	Unrestricted	Restricted	Unrestricted
Cash and cash equivalents	$ 69,499,133	$ 30,958,373	$ 91,425,689	$ 21,140,828
Investments, at fair value				
Certificates of deposits	1,415,000	3,844,046	1,415,000	3,843,192
	$ 70,914,133	**$ 34,802,419**	**$ 92,840,689**	**$ 24,984,020**

Custodial Credit Risk

Actual cash in banks and certificates of deposit as of December 31, 2013 and 2012, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was $31,944,988 and $27,667,265, respectively. Of the total bank balances at December 31, 2013 and 2012, all amounts were covered by federal depository insurance ($1,750,000 and $1,607,248, respectively) or by collateral held in the RTA's name by its agent ($50,520,762 and $52,737,000, respectively). Actual cash in money market accounts was $72,981,718 and $95,629,951, 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, 2013 and 2012, approximately $1,415,000, 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, NET

Accounts receivable net of allowance for uncollectible amounts consisted of the following as of December 31, 2013 and 2012:

	2013	**2012**
Sales tax	$ 10,614,229	$ 9,703,619
Hotel/motel tax	1,657,459	1,281,128
Federal capital grants	4,433,280	6,229,803
State operating subsidy	191,922	210,392
Federal Emergency Management Agency	9,849,344	12,951,147
Passenger (transpass and visitor)	212,575	60,804
Kenner operating subsidy	61,555	179,279
Other	2,197,779	1,061,459
	29,218,143	31,677,631
Less: allowance for uncollectible amounts	(96,620)	(96,623)
	$ 29,121,523	**$ 31,581,008**

NOTE D – PROPERTY, BUILDINGS, AND EQUIPMENT

A summary of changes in property, buildings, and equipment follows:

	January 1, 2013	Additions	Deletions	December 31, 2013
Land	$ 6,988,812	$ -	$ -	$ 6,988,812
Buildings	127,456,086	48,096,246	(52,461)	175,499,871
Equipment, primarily transportation vehicles	284,757,015	1,272,389	(500,279)	285,529,125
Furniture and fixtures	38,719,731	735,045	(17,610)	39,437,166
Construction in progress	69,881,028	21,960,838	(46,855,010)	44,986,856
	527,802,672	72,064,518	(47,425,360)	552,441,830
Accumulated depreciation	(220,622,803)	(21,409,184)	527,424	(241,504,563)
	$ 307,179,869	**$ 50,655,334**	**$ 46,897,936**	**$ 310,937,267**

	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**

At December 31, 2013, construction in progress additions were primarily related to the Union Passenger Transit System and various other construction projects. Deletions were related to the sale of real estate.

NOTE E – LONG-TERM DEBT

Long-term debt consisted of the following as of December 31, 2013 and 2012:

	2013	2012
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 paid in December 2013.	$ -	$ 2,815,000
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.	5,961,294	6,319,327
2000 Series, LCDA Revenue Bonds, variable interest rate of 1.66% and 1.73% as of December 31, 2013 and 2012, respectively, due in annual principal debt service requirements ranging from $844,600 to $2,372,500, final payment due February 2025.	20,687,012	21,967,612
2000A Series, LCDA Revenue Bonds, variable interest rate of 1.76% and 1.83% as of December 31, 2013 and 2012, respectively, due in annual principal debt service requirements ranging from $622,500 to $1,970,600, final payment due November 2029.	23,402,956	24,320,556
2010 Series, Sales Tax Revenue Bonds, interest rate of 3% as of December 31, 2013 and 2013, due in annual principal debt service requirements ranging from $1,530,000 to $5,755,000, final payment due December 2030.	68,765,000	71,425,000
Total debt	118,816,262	126,847,495
Plus unamortized premium	5,191,233	5,521,546
Less: current maturities	(6,008,835)	(8,021,433)
Long-term debt less current maturities	**$ 117,998,660**	**$ 124,347,608**

<u>1998A Bond Series</u>

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. There was no unamortized premium related to the Series 1998A Refunding Bonds at December 31, 2013. The unamortized premium related to the Series 1998A Refunding Bonds was $40,512 at December 31, 2012.

<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, 2013 was $1,280,600. The principal balance as of December 31, 2013 and 2012 is $20,687,012 and $21,967,612, respectively, of which $1,361,100 is due in 2014.

For the 2000A Series, the amount drawn down under this agreement as of December 31, 2013 was $917,200. The principal balance as of December 31, 2013 and 2012 is $23,402,956 and $24,320,556, respectively, of which $960,900 is due in 2014.

<u>2010 Bond Series</u>

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%. As of December 31, 2013 and 2012, interest rates were 3%.

Debt Service Requirements

The following represents the debt service requirements for the bond issues as of December 31, 2013:

	1991 Bond Principal	1991 Bond Interest	2000 and 2000A Bond Principal	2000 and 2000A Bond Interest
2014	$ 946,835	$ 3,690,473	$ 2,322,000	$ 737,247
2015	883,014	3,751,986	2,460,700	696,619
2016	814,203	3,821,085	2,600,000	653,682
2017	758,888	3,874,533	2,747,700	608,311
2018	708,089	3,927,586	2,904,300	560,361
2019-2023	1,850,265	12,055,416	17,196,100	1,981,527
2024-2028	-	-	11,908,412	624,196
2029-2031	-	-	1,950,756	17,213
	$ 5,961,294	**$ 31,121,079**	**$ 44,089,968**	**$ 5,879,156**

	2010 Bond Principal	2010 Bond Interest	Total Bond Principal	Total Bond Interest
2014	$ 2,740,000	$ 3,302,600	$ 6,008,835	$ 7,730,320
2015	2,850,000	3,193,000	6,193,714	7,641,605
2016	2,960,000	3,079,000	6,374,203	7,553,767
2017	3,080,000	2,960,600	6,586,588	7,443,444
2018	3,235,000	2,806,600	6,847,389	7,294,547
2019-2023	18,765,000	11,439,500	37,811,365	25,476,443
2024-2028	23,900,000	6,304,900	35,808,412	6,929,096
2029-2031	11,235,000	849,500	13,185,756	866,713
	$ 68,765,000	**$ 33,935,700**	**$ 118,816,262**	**$ 70,935,935**

Changes in Long-Term Debt

Long-term debt activity for the year ended December 31, 2013 and 2012 are as follows:

	January 1, 2013	Additions	Payments	December 31, 2013	Due Within One Year
1998A Series, Sales Tax Refunding Bonds	$ 2,815,000	$ -	$ (2,815,000)	$ -	$ -
1991 Series, Sales Tax Revenue Bonds	6,319,327	-	(348,633)	5,961,294	946,835
2000 Series, LCDA Revenue Bonds	21,967,612	-	(1,280,600)	20,687,012	1,361,100
2000 Series, LCDA Revenue Bonds	24,320,556	-	(917,200)	23,402,956	960,900
2010 Series, Sales Tax Revenue Bonds	71,425,000	-	(2,660,000)	68,765,000	2,740,000
	$ 126,847,495	**$ -**	**$ (8,021,433)**	**$ 118,816,262**	**$ 6,008,835**

	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**

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, 2013 and 2012, RTA had a balance due of $32,373,015 and $34,159,996, respectively.

Debt service requirements relating to the loan are as follows:

Years Ending December 31	**Principal**	**Interest**	**Total**
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
	$ 32,373,015	**$ 11,463,059**	**$ 43,836,074**

Special Community Disaster Loan (CDL) 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, and 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. 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. On July 10, 2013, RTA made a request of the State of Louisiana to forgive the remainder of the CDL. On August 9, 2013 the CDL was fully forgiven by FEMA including principle of $896,756 and interest of $139,143. As of December 31, 2013 no amounts were outstanding related to the CDL.

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

In 1983, the RTA completed the purchase of the transit system from NOPSI. On that date, the RTA, TMSEL, the City of New Orleans and NOPSI entered into a benefit agreement to fund employee and retiree benefits. At the time this agreement was reached, the RTA was considered a public entity and TMSEL was a privately owned corporation. In 2004, TMSEL was designated as a political subdivision by the State of Louisiana; and in 2009, TMSEL ceased operations and the management agreement between TMSEL and RTA was terminated. In January 2012, the RTA became a 100% ownership in the stock of TMSEL.

Effective September 1, 2009, as a result of the termination of the third party management agreement between Transit Management of Southeast Louisiana, Inc. and RTA, the TMSEL Retirement Income Plan and Trust (TMSEL Retirement Plan or the Plan) was frozen, which currently covers both former TMSEL and NOPSI employees (organizations which previously operated the RTA), who were fully vested in the TMSEL Retirement Plan as of that date. Through December 31, 2013, the RTA has made funding payments to the Plan totaling $29.3 million. The RTA recorded an accrued liability to fund the pension plan of $4.2 million at December 31, 2012; however, in 2013, the RTA subsequently elected not to fund this amount to the plan and derecognized this expense in the 2013 statement of revenues expenses and changes in net position. The RTA did not record any expense or make any funding payments in 2013 to the TMSEL Retirement plan.

As of December 31, 2013, the TMSEL Retirement Plan accumulated benefit obligation is approximately 80% funded based on the market value of investments in the TMSEL Retirement Plan. The RTA is of the opinion that the TMSEL Retirement Plan is a governmental plan not subject to the provisions of ERISA. Although there is no official ruling from the Pension Benefit Guaranty Corporation (PBGC) (which is an independent governmental agency created by ERISA to, among other things, monitor and protect pension benefits in private sector defined benefit plans) as to whether the TMSEL Retirement Plan is an ERISA-governed plan or a governmental plan; the PBGC has not asserted any actions against the RTA or required the RTA to make any minimum quarterly pension funding contributions that would be required by an ERISA-governed plan. In 1983, the RTA completed the purchase of the transit system from NOPSI. On that date, the RTA, TMSEL, the City of New Orleans and NOPSI entered into a benefit agreement to fund employee and retiree benefits. At the time this agreement was reached, the RTA was considered a public entity and TMSEL was a privately owned corporation. In 2004, TMSEL was designated as a political subdivision by the State of Louisiana; and in 2009, TMSEL ceased operations and the management agreement between TMSEL and RTA was terminated. In January 2012, the RTA became a 100% ownership in the stock of TMSEL. See Note H for discussion of litigation related to the TMSEL Retirement Plan.

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.

The accounting for the TMSEL Retirement Plan's benefits and obligations are accounted for under Accounting Standards Codification (ASC) 715-30 (formerly FAS 158) The TMSEL retirement plan's financial statements are included for disclosure purposes in RTA's financial statements.

The following table sets forth the Plan's funded status as of December 31, 2013 and 2012:

	2013	2012
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 268,439,905	$ 246,125,018
Interest cost	10,329,244	11,777,733
Actuarial loss	(27,804,666)	24,438,058
Benefits paid	(15,160,685)	(13,900,904)
Benefit obligation at end of year	**$ 235,803,798**	**$ 268,439,905**
Change in Plan Assets		
Fair value of plan assets at beginning of year, from prior year disclosure	$ 171,306,659	$ 155,173,392
Fair value of plan assets at beginning of year, as revised per audit	171,936,172	156,389,213
Actual return on plan assets	31,618,394	19,350,450
Employer contributions	-	10,475,469
Other contributions	168,224	162,136
Benefits paid	(15,160,685)	(13,900,904)
Expenses paid	(1,299,637)	(1,470,906)
Transfers in	-	300,391
Fair value of assets at end of year	187,262,468	171,306,659
Funded status at end of year	**$ (48,541,330)**	**$ (97,133,246)**

Weighted-average assumptions used to determine benefit obligation as of December 31	**2013**	**2012**
Discount rate	5.00%	4.00%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net benefit cost for years ended December 31	**2013**	**2012**
Discount rate	4.00%	5.00%
Rate of compensation increase	N/A	N/A
Expected long-term return on plan assets	7.50%	7.50%

Investment Policies and Strategies

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%
Total	**100%**

Fair Value Measurements of Plan Assets

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 $2,000,000 and $11,043,358 for 2013 and 2012, 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, 2013, and 2012, by asset category are as follows:

Asset Category	2013	2012
Equity securities	26.90%	58.39%
Debt securities	51.12%	25.93%
Other	19.55%	11.69%
Cash	2.43%	3.99%
Total	100.00%	100.00%

Cash Flows

Contributions –The RTA does not plan to make any 2014 contributions to the Plan and thereafter until such time that there is resolution of the on-going litigation with the Board of Trustees of the Plan and related parties as discussed in Note H and/or when the Board approves such funding.

Estimated Future Benefit Payments

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

2014	$ 16,379,280
2015	16,500,766
2016	16,597,132
2017	16,551,385
2018	16,649,167
2019-2023	82,246,239

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. For the years ended 2013 and 2012, the Transit Management of Southeast Louisiana's portion of health care and life insurance funding cost for retired employees totaled $3,937,843 and $3,646,151, 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:

	2013	**2012**
Normal cost	$ 439,601	$ 422,693
30-year UAL amortization amount	2,095,359	2,014,768
Annual required contribution (ARC)	**$ 2,534,960**	**$ 2,437,461**

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 2013 and 2012:

	2013	2012
Beginning Net OPEB Obligation	$ (4,622,580)	$ (3,475,865)
Annual required contribution	2,534,959	2,437,461
Interest on Net OPEB Obligation	(184,903)	(139,035)
ARC Adjustment	267,324	201,010
OPEB Cost	2,617,381	2,499,436
Contribution to Irrevocable Trust	-	-
Current year retiree premium	(3,937,843)	(3,646,151)
Change in Net OPEB Obligation	(1,320,463)	(1,146,715)
Ending Net OPEB Obligation	**$ (5,943,043)**	**$ (4,622,580)**

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 (PEB) liability as of December 31, 2013 and 2012:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
December 31, 2013	$ 2,617,381	150.45%	$ (5,943,043)
December 31, 2012	$ 2,499,436	145.88%	$ (4,622,580)

Funded Status and Funding Progress – During the years ended December 31, 2013 and 2012, 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, 2013 was $37,682,517 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 2011	**FY 2012**	**FY 2013**
OPEB Cost	$ 2,175,804	$ 2,499,436	$ 2,617,381
Contribution	-	-	-
Retiree premium	3,355,298	3,646,151	3,937,843
Total contribution and premium	3,355,298	3,646,151	3,937,843
Change in net OPEB obligation	**$ (1,179,494)**	**$ (1,146,715)**	**$ (1,320,462)**
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	154.21%	145.88%	150.45%

NOTE H – COMMITMENTS AND CONTINGENCIES

Contingencies

Regulatory – 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.

TMSEL Retirement Plan – To prevent the termination of the TMSEL Retirement Plan, which was frozen in 2009, the RTA entered into discussions with the PBGC for the continued funding of the plan. The ability of the RTA to control the Board of Trustees of the TMSEL Retirement Plan was a condition precedent to the negotiation of this funding agreement (See Note F). The TMSEL Retirement Plan Board is responsible for the administration, management, and proper operation of the TMSEL Retirement Plan. The RTA is has been in on-going litigation with the Board of Trustees of the TMSEL Retirement Plan, certain of the individual board members, and former counsel for the TMSEL Retirement Plan in Orleans Parish relating to the composition of the TMSEL Retirement Plan Board of Trustees as it relates to control over the TMSEL Retirement Plan. The RTA is unable to determine the outcome of this litigation on the financial statements, if any, at this time.

***TMSEL Retirees Medical and Dental Benefits* –** The RTA is also a defendant in on-going litigation with former employees of NOPSI and retirees of TMSEL with respect to retiree medical and dental benefits. The RTA has asserted that the TMSEL health and welfare benefit plan is a governmental plan and therefore is excepted from the ERISA framework which is the basis for subject matter jurisdiction of this case. The RTA's motion to dismiss this case was granted by the trial court, specifically, the United States District Court, Eastern District of Louisiana. The trial court agreed with the RTA's assertion that the plan is exempted from ERISA and granted the RTA's motion to dismiss. That ruling is currently on appeal.

***Grant Commitments* –** As of December 31, 2013 and 2012, 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, 2013 and 2012 totals approximately $4,433,280 and $6,229,803, 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, 2013 and 2012, $11,146,659 and $10,764,080, 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, 2013 and 2012, were $9,518,295 and $9,296,207, 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, 2013 and 2012.

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
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
2013	$ 10,764,080	$ 2,430,034	$ (2,047,455)	$ 11,146,659

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 2013 and 2012.

The members of the Board of Commissioners who were paid a per diem for the attendance at board meetings in calendar years 2013 and 2012 are listed below. Some commissioners elect not to receive a per diem.

The amounts received by each commissioner for the years ended December 31, 2013 and 2012 were as follows:

2013:	**Per Diem**	**Expense Reimbursement**	**Total**
Julie Stokes	$ 75	$ -	$ 75
Connie C. Goodly	-	-	-
Salvador Longoria	1,050	-	1,050
Flozell Daniels, Jr.	675	-	675
Dominick Impastato	375	-	375
Barbara Major	1,050	180	1230
Earline Roth	1,050	-	1,050
Walter Tillerry	825	-	825
Sharon Wegner	825	1,479	2,304
	$ 5,925	**$ 1,659**	**$ 7,584**

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**

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.

During the year ended December 31, 2013, RTA has received cash reimbursements from FEMA totaling $6,011,315. Included in accounts receivable at December 31, 2013 and 2012 is $9,020,331 and $12,951,147, respectively, of reimbursements due from FEMA. Additional unrecorded FEMA grants totaling in excess of $8.5 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.

NOTE L – SUBSEQUENT EVENTS

On February 16, 2014, the Regional Transit Authority (RTA) entered into a cooperative endeavor agreement with the Department of Transportation and Development (DOTD), State of Louisiana concerning the RTA's expansion of duties to include operations and oversight for the following ferry lines in Orleans, Jefferson and St. Bernard Parishes: Chalmette-to-Lower Algiers, Canal Street-to-Algiers Point, and Gretna-to-Canal Street.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 10, 2014, and determined, except as noted above, that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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OTHER SUPPLEMENTAL INFORMATION

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN RESTRICTED ASSET BOND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 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	-	-	-	63,693,570	63,693,570
Investment income	6	-	-	15	22
Total cash receipts	6	-	1,594,850	63,693,585	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)
BEGINNING BALANCE - January 1, 2013	**$ 468,760**	**$ 117,139**	**$ 132,767**	**$ 6,409,084**	**$ 7,127,750**
Cash receipts					
Transfer for principal and interest	-	-	1,846,874	-	1,846,874
Sales tax receipts	-	-	-	67,974,023	67,974,023
Investment income	3	1	-	6	11
Total cash receipts	3	1	1,846,874	67,974,029	69,820,908
Cash disbursements					
Principal and interest payments	(2)	-	(1,593,199)	-	(1,593,201)
Transfer for debt service and excess	-	-	-	(73,385,653)	(73,385,653)
Expense payments	-	-	-	-	-
Total disbursements	(2)	-	(1,593,199)	(73,385,653)	(74,978,854)
ENDING BALANCE - December 31, 2013	**$ 468,761**	**$ 117,140**	**$ 386,442**	**$ 997,460**	**$ 1,969,804**

See accompanying independent auditors' report.

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN RESTRICTED ASSET BOND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

	Sales Tax Capital	Debt Service	Total
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)
BEGINNING BALANCE - January 1, 2013	**$ 253,234**	**$ 8,500,000**	**$ 8,753,234**
Cash receipts			
Transfer for principal and interest	3,038,793	-	3,038,793
Investment income	-	4	4
Total cash receipts	3,038,793	4	3,038,797
Cash disbursements			
Principal and interest payments	(3,038,793)	(4)	(3,038,797)
Expense payments	-	-	-
Total disbursements	(3,038,793)	(4)	(3,038,797)
ENDING BALANCE - December 31, 2013	**$ 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, 2013 AND 2012

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

	Sales Tax Capital	Debt Service	Total
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)
BEGINNING BALANCE - January 1, 2013	**$ 74,215,305**	**$ 1,319,182**	**$ 75,534,487**
Cash receipts			
Transfer for principal and interest	-	-	-
Investment income	-	1,618,091	1,618,091
Total cash receipts	-	1,618,091	1,618,091
Cash disbursements			
Streetcar Projects	(17,499,921)	-	(17,499,921)
Unrealized loss	-	(872,397)	(872,397)
Realized loss	-	(7,666)	(7,666)
Expense payments	-	-	-
Total disbursements	(17,499,921)	(880,063)	(18,379,984)
ENDING BALANCE - December 31, 2013	**$ 56,715,384**	**$ 2,057,210**	**$ 58,772,594**

See accompanying independent auditors' report.