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REGIONAL TRANSIT AUTHORITY

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2011 AND 2010

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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REGIONAL TRANSIT AUTHORITY

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P&N Postlethwaite & Netterville

A Professional Accounting Corporation
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Independent Auditors' Report

Board of Commissioners
Regional Transit Authority.

We have audited the accompanying statements of net assets of the Regional Transit Authority (the RTA) as of December 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of RTA's management 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RTA's internal control over financial reporting Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the RTA as of December 31, 2011 and 2010, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2012 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 the internal control over financial reporting or on compliance That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 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

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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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole The other supplementary information as listed in the Table of Contents is presented for purposes 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 standards 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

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2012

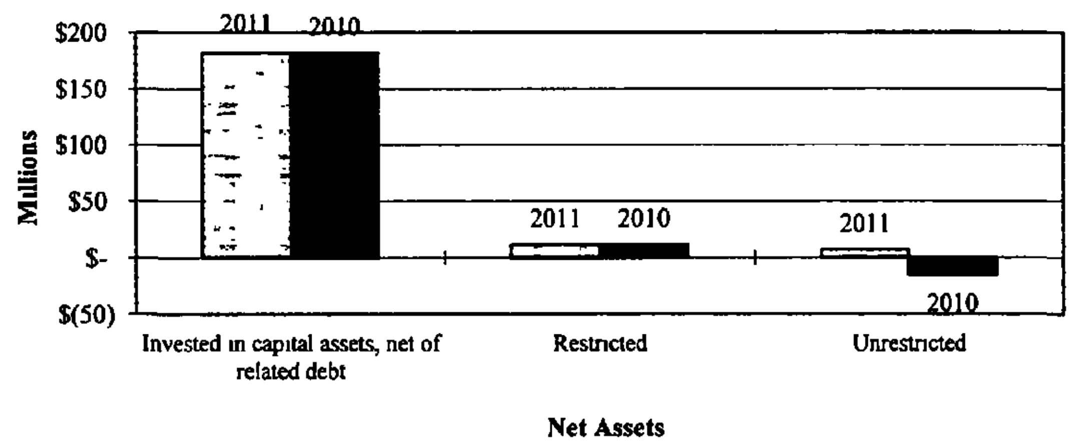
This section of the RTA's annual financial report presents a discussion and analysis of the RTA's financial performance during the fiscal year that ended December 31, 2011. Please read it in conjunction with the RTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

2011

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

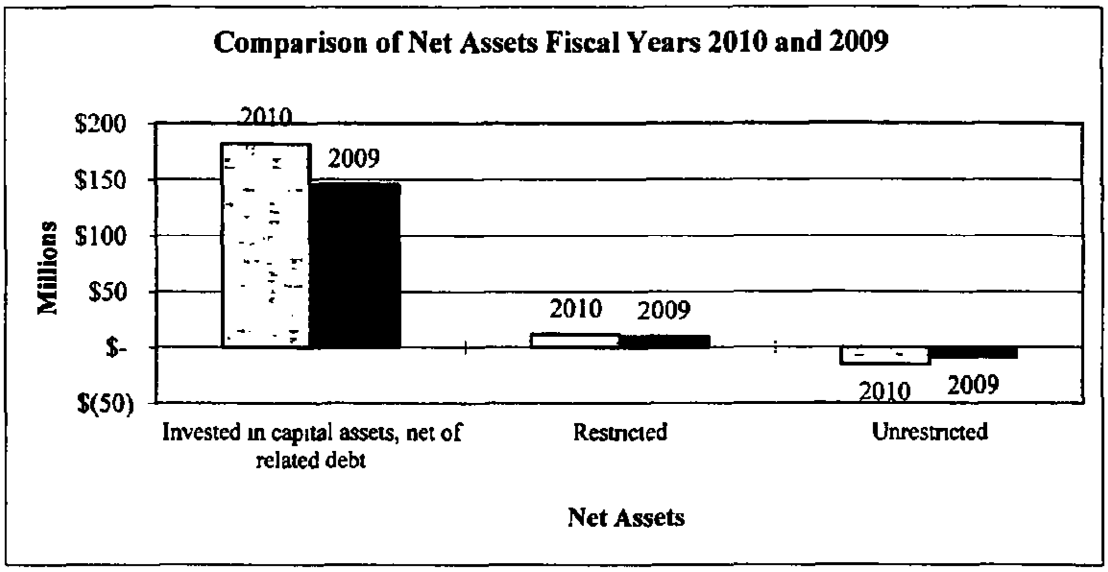
Comparison of Net Assets Fiscal Years 2011 and 2010



FINANCIAL HIGHLIGHTS (continued)

2010

During 2010, the RTA continued the recovery process from Hurricane Katrina and the resulting flooding, which occurred during 2005 The renovations on the administrative and operations building were substantially completed, and the RTA employees were successfully transitioned to the A P Randolph building in February 2010 The RTA received an increase of $7 1 million in capital contributions from the Federal Transit Administration (FTA) and the Federal Emergency Management Agency (FEMA) to assist the RTA with funding the construction of capital projects Several red streetcars were restored and placed back into revenue service as of December 31, 2010 The RTA also installed new fare boxes on the transportation vehicles, which in addition to the new streetcars, improved scheduling, new equipment and population growth has increased fare revenue by $1 8 million On October 14, 2010 the RTA issued $75 0 million in Sales Tax Revenue Bonds and received a bond rating from Moody's and S&P of Aa3 (stable) and A- (stable), respectively In May 2010, the RTA closed the ENO operations facility for major repairs and consolidated the bus operations to the A P Randolph facility



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 an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 Assets All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets

The Statement of Net Assets reports the RTA's net assets. Net assets, the difference between the RTA's assets and liabilities, are one way to measure the RTA's financial health or position The increase in the RTA's net assets during 2011 is an indicator of its financial health and is largely attributed to funds received from Federal Transit Administration (FTA), the Federal Emergency Management Agency (FEMA), and the State of Louisiana totaling $29 4 million and the receipt of $55 6 million in tax revenues, which was offset by a loss from operations of $97 2 million and non-operating expenses of $6 2 million

FINANCIAL ANALYSIS OF THE RTA

2011 Net Assets

The RTA's total net assets at December 31, 2011 increased to approximately $200.4 million, a 12 4% increase from December 31, 2010 (See Table A-2) Total assets decreased (4.7) % to $448 9 million, and total liabilities decreased 15 2% to $248 5 million Restricted net assets and Capital assets remained at the December 31, 2010 values of $11 6 million and $271 0, respectively

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

	2011	2010	Increase (Decrease)
Current assets	$86,240	$ 106,478	(19.0)%
Restricted net assets	89,582	91,289	(1 9)%
Capital assets	270,916	271,011	0 0 %
Long-term assets	2,134	2,373	(10 1)%
Total assets	**448,872**	**471,151**	**(4.7)%**
Current liabilities	31,658	78,788	(59 8)%
Long-term liabilities	216,820	214,074	1 3%
Total liabilities	**248,478**	**292,862**	**(15.2)%**
Net assets			
Invested in capital assets, net of related debt	181,849	181,944	(0 1)%
Restricted	11,609	11,603	0 1%
Unrestricted	6,935	(15,257)	145 4%
Total net assets	**200,393**	**178,290**	12 4%
Total liabilities and net assets	**448,873**	**$ 471,152**	**(4.7)%**

FINANCIAL ANALYSIS OF THE RTA (continued)

2010 Net Assets

The RTA's total net assets at December 31, 2010 increased to approximately $178 3 million, a 21 4% increase from December 31, 2009 (See Table A-2) Total assets increased 26 7% to $471 15 million, and total liabilities increased 30 2% to $292 9 million Restricted net assets increased 17 3% to $11 6 million Capital assets increased 11 7% to $271 0 million due to the purchase of new buses, renovations to the streetcars, purchase and installation of the new fare boxes, and other miscellaneous projects

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

	2010	2009	Increase (Decrease)
Current assets	$ 106,478	$ 124,925	(14 8)%
Restricted net assets	91,289	3,384	2597 7%
Capital assets	271,011	242,658	11 7%
Long-term assets	2,373	793	199 2%
Total assets	**471,151**	**371,760**	**26.7%**
Current liabilities	78,788	36,714	114 6%
Long-term liabilities	214,074	188,170	13 8%
Total liabilities	**292,862**	**224,884**	**30.2%**
Net assets:			
Invested in capital assets, net of related debt	181,944	145,936	24.7%
Restricted	11,603	9,890	17 3%
Unrestricted	(15,257)	(8,950)	70 5%
Total net assets	**178,290**	**146,876**	21 4%
Total liabilities and net assets	**$ 471,152**	**$ 371,760**	**26.7%**

FINANCIAL ANALYSIS OF THE RTA (continued)

2011 Changes in Net Assets

The change in net assets for the year ended December 31, 2011 was approximately $22 1 million or 29 6% less than for the year ended December 31, 2010 The RTA's total operating revenues increased by 10 5% to approximately $17 1 million, and total operating expenses increased by 7 6% to approximately $114 3 million The changes in net assets are detailed in Table A-3, and operating expenses are detailed in Table A-4

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

Operating revenues increased by 10 5% to $17 1 million The increase in revenue primarily resulted from an increase in fare revenue, improved scheduling, marketing campaign, new transit pass, new equipment and population growth resulting in an increase in passenger ridership

Operating expenses increased by 7 6% to $114 2 million The increase was mainly attributable to an increase in depreciation, which increased by approximately $3.1 million, due to new equipment purchased and facility renovation in 2010, increase in insurance and self insurance costs which increased by $4 8 million due to claim reserves re-assessments and the increase in materials and supplies by $1 million due to increase fuel prices and consumption

Non-operating revenues increased by 49 1% to $106 3 million primarily due to the Federal Emergency Management Agency partially forgiving the Special Community Disaster Loan in the amount of $38 1 million

Capital contributions decreased by (74 4)% to $13 million In 2010, the RTA made major bus and 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 17 8% to $20 4 million due to full year of depreciation on the new buses, renovation of the streetcars, the new GFI fare boxes, and renovation of the new administrative building, as well as other capital projects that were purchased during 2010

FINANCIAL ANALYSIS OF THE RTA (continued)

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

	2011	2010	Increase (Decrease)
Operating Revenues			
Passenger fares	$ 15,521	$ 14,186	9 4%
Other	1,563	1,281	22 0%
Total operating revenues	**17,084**	**15,467**	**10.5%**
Operating Expenses			
Operating expenses	93,860	88,933	5 6%
Depreciation and amortization	20,388	17,303	17 8%
Total operating expenses	**114,248**	**106,236**	**7.6%**
Operating loss	(97,164)	(90,769)	7 0 %
Non-operating revenues-net	106,254	71,280	49 1 %
Capital contributions	13,014	50,903	(74 4)%
Change in net assets	**22,104**	**31,414**	**(29.6)%**
Total net assets, beginning of the year	**178,289**	**146,875**	**21.4%**
Total net assets, end of the year	**$ 200,393**	**$ 178,289**	**12.4%**

FINANCIAL ANALYSIS OF THE RTA (continued)

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

	2011	2010	Increase (Decrease)
Labor and fringe benefits	$ 19,969	$ 21,607	(7 6)%
Depreciation	20,388	17,303	17 8%
Contract services	62,959	62,143	1 3%
Insurance and self-insured costs	4,564	(242)	(1,985 4)%
Materials, fuel, and supplies	4,876	3,818	27.7%
Utilities	1,076	1,241	(13 3)%
Taxes, other than payroll	280	283	(1 1)%
Rent	(4)	23	(117 4)%
Miscellaneous	140	60	136 7%
Total operating expenses	**$ 114,248**	**$ 106,236**	**7.5%**

FINANCIAL ANALYSIS OF THE RTA (continued)

2010 Changes in Net Assets

The change in net assets for the year ended December 31, 2010 was approximately $31 4 million or 24 9% more than for the year ended December 31, 2009 The RTA's total operating revenues increased by 16 4% to approximately $15 5 million, and total operating expenses increased by 15 0% to approximately $106 2 million The changes in net assets are detailed in Table A-5, and operating expenses are detailed in Table A-6

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

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

	2010	2009	Increase (Decrease)
Operating Revenues			
Passenger fares	$ 14,186	$ 12,371	14 7%
Other	1,281	912	40 5%
Total operating revenues	15,467	13,283	16.4%
Operating Expenses			
Operating expenses	88,933	76,451	16 2%
Depreciation and amortization	17,303	15,889	8 9%
Total operating expenses	106,236	92,340	15.0%
Operating loss	(90,769)	(79,057)	14 8%
Non-operating revenues-net	71,280	60,372	18 1%
Capital contributions	50,903	43,842	16 1%
Change in net assets	31,414	25,157	24.9%
Total net assets, beginning of the year	146,875	121,718	20.7%
Total net assets, end of the year	$ 178,289	$ 146,875	21.4%

Operating revenues increased by 16 4% to $15 5 million The increase in revenue primarily resulted from an increase in fare revenue, improved scheduling, new equipment and population growth resulting in an increase in passenger ridership

FINANCIAL ANALYSIS OF THE RTA (continued)

2010 Changes in Net Assets (continued)

Operating expenses increased by 15 0% to $106 2 million The increase was mainly attributable to an increase in contract services, which increased by approximately $35 6 million, due to the RTA's new management contract with Veolia Transportation Services, Inc (Veolia) This increase was offset by a decrease in labor and fringe benefits, insurance and self-insurance costs, and materials, fuel and supplies by approximately $22 8 million

Non-operating revenues increased by 18 9% to $71 3 million Federal and State of Louisiana operating grants and subsidies increased $4 6 million or 23 4% and tax revenues increased $5.8 million or 11 6%

Capital contributions increased by 16 1% to $50 9 million due to contributions related to the purchase of new buses, renovations to the streetcars, purchase and installation of the new fare boxes, and other miscellaneous projects

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

	2010	2009	Increase (Decrease)
Labor and fringe benefits	$ 21,607	$ 40,202	(48.7)%
Depreciation	17,303	15,889	8 9%
Contract services	62,143	26,535	134.2%
Insurance and self-insured costs	(242)	3,727	(106 5)%
Materials, fuel, and supplies	3,818	4,005	(4 7)%
Utilities	1,241	1,275	(2 7)%
Taxes, other than payroll	283	273	3 7%
Rent	23	277	(91 7)%
Miscellaneous	60	157	(61 8)%
Total operating expenses	**$ 106,236**	**$ 92,340**	**15%**

Labor and fringe benefits decreased by 48 7% to $21 6 million, primarily due to the terms of the new management contract with Veolia Under the new management contract, Veolia is responsible for the majority of the payroll services that were previously accounted for in the financial statements of the RTA The RTA continues to fund the Transit Management of Southeast Louisiana's (TMSEL) Retirement Plan which approximated $8 0 million for the year ended December 31, 2010

Depreciation increased by 8 9% to $17 3 million due to the purchase and use of new buses, renovation of the streetcars, the purchase and installation of the new GFI fare boxes, and renovation of the new administrative building, as well as other capital projects

FINANCIAL ANALYSIS OF THE RTA (continued)

2010 Changes in Net Assets (continued)

Contract services increased by 134 2% to $62 1 million primarily due to the new management contract, legal fees paid to outside firms, and contracted maintenance service

Insurance and self-insured costs decreased by106 5% to $0 2 million due to the terms of the new management contract, which states that Veolia is responsible for the majority of payroll services and all new liabilities, resulting from new claims that have occurred subsequent to August 31, 2009

Materials, fuel, and supplies decreased by 4 7% to $3 8 million primarily due to the terms of the new management contract and a decrease in fuel costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

2011 Capital Assets

As of December 31, 2011, the RTA had invested approximately $478 3 million in capital assets Net of accumulated depreciation, the RTA's capital assets at December 31, 2011 totaled approximately $271 million

2010 Capital Assets

As of December 31, 2010, the RTA had invested approximately $458 2 million in capital assets Net of accumulated depreciation, the RTA's capital assets at December 31, 2010 totaled approximately $271 0 million This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $28 4 million or 11.7% over December 31, 2009 The majority of the asset additions are related to the acquisition of 75 new buses and the completion of the A P Randolph building and furniture additions This increase includes $17 3 million of current year depreciation expense

2011 Debt Administration

The RTA continues to make its regularly scheduled payments on its 1998A Series Sales Tax Refunding Bonds and its 1991 Series Sales Tax Revenue Bonds During 2011, $2 4 million in principal payments were made

The RTA has a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to borrow up to $65 8 million to finance the local match portion of the Canal Street Streetcar and Desire Street Streetcar projects, approximately $61 3 million was borrowed as of December 31, 2011. During 2011, $2 0 million of loan repayments were made on the LCDA Revenue Bonds

In July 2006, RTA and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to $35 9 million from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2007, to assist in payment of debt service

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

2011 Debt Administration (continued)

requirements from 2007 through 2008 due to disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita. Drawdowns on the loan totaled $35 9 million through December 31, 2011, which is the maximum amount allowed within the agreement

During August 2006, RTA entered into a long-term agreement with the FEMA under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005 for Hurricane Katrina RTA made draw downs totaling $47.2 million in February 2008, and no drawdowns in 2011. On November 21, 2011, $38,074,469 of the CDL was forgiven by the Federal Emergency Management Agency leaving a balance of $9,134,556 Interest expense accrued as of 2011 is $1,038,489.

In October 2010, the RTA issued $75 0 million in Sales Tax Revenue Bonds, Series 2010 The bonds will be repaid over 20 years commencing June 1, 2011

2010 Debt Administration

The RTA continues to make its regularly scheduled payments on its 1998A Series Sales Tax Refunding Bonds and its 1991 Series Sales Tax Revenue Bonds. During 2010, $2 7 million in principal payments were made

The RTA has a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to borrow up to $65 8 million to finance the local match portion of the Canal Street Streetcar and Desire Street Streetcar projects, approximately $61 3 million was borrowed as of December 31, 2010 During 2010, $1.9 million of loan repayments were made on the LCDA Revenue Bonds.

The RTA issued certificates of participation during 2002 to advance refund its capital lease for 175 Orion buses. A defeasance escrow was established with the net proceeds to make the minimum lease payments on the capital lease until it could be prepaid in May 2005 and the lease was removed from the financial statements The RTA makes annual minimum payments of variable amounts including principal and interest During 2010, the leases were paid in full for the amount of $6 5 million

In July 2006, RTA and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to $35 9 million from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2007, to assist in payment of debt service requirements from 2007 through 2008 due to disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita Drawdowns on the loan totaled $35 9 million through December 31, 2010, which is the maximum amount allowed within the agreement

During August 2006, the RTA entered into a long-term agreement with the FEMA under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005 for Hurricane Katrina The RTA made draw downs totaling $47 2 million in February 2008, and no drawdowns in 2010. The RTA has applied for the forgiveness of the loan with the State of Louisiana

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

2010 Debt Administration (continued)

In October 2010, the RTA issued $75 0 million in Sales Tax Revenue Bonds, Series 2010 The bonds will be repaid over 20 years commencing June 1, 2011

ECONOMIC FACTORS

Since Katrina there has been a gradual increase in the population in New Orleans, there has been increased ridership, multiple major economic projects, streetcar expansion program, change in demographics, all resulting in the continuing road to recovery of the RTA

In New Orleans, the city has made steady progress rebuilding its infrastructure and studies suggest that New Orleans and the surrounding parishes are benefiting from an economic migration resulting from the global financial crisis The city's population has reached an estimated 343,829, about 78 percent of its estimated pre-Katrina population Tourism and the port industry continue to recover

In Post Katrina, there are significant other revenues and expenses, which impact RTA State and federal grants related to the disaster had a significant impact on 2011 and are expected to continue to have a significant impact in the future Total FEMA debris removal, mitigation, and capital replacement grants are expected to exceed $134 million Of these, approximately $99 8 million has been recognized through 2011 FEMA revenues will be recognized as buildings, buses, streetcars, and other reimbursable assets are repaired or replaced. In 2011, a large part of the construction and replacement has been completed, however, significant additional construction projects are still in process The revenues although measurable may not be available due to the slowness of actual receipts of FEMA funds.

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 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 Assets

December 31, 2011 and 2010

Assets	2011	2010
Current assets		
Cash (note 2)	$ 41,040,977	$ 58,155,645
Investments, unrestricted (note 2)	7,895,135	8,721 503
Accounts receivable, net (note 3)	36,192,424	37,607,123
Due from Veolia Management Services Inc	7,004	1,018,966
Inventories	484,110	484,110
Prepaid expenses and other assets	620,116	491,364
Total current assets	86,239,766	106,478,711
Restricted assets cash and investments (note 2)		
1991 series bond trustee accounts (note 5)	1 718 818	1,718,926
1998 series bond trustee accounts (note 5)	8,753,100	8,753,367
2000 and 2000A series bond trustee accounts (note 5)	7,164	1,311
2010 series bond trustee accounts (note 5)	77,688,770	79 401,732
Self-insurance (note 9)	1,414,194	1,413,702
Total restricted assets	89,582,046	91,289,038
Deferred charges - bond issue costs (note 5)	2,134,186	2,372,724
Property, buildings and equipment, net (note 4)	270,915,752	271,010,888
	$ 448,871,750	$ 471,151,361

Liabilities and Net Assets	2011	2010
Current liabilities (payable from current assets)		
Accounts payable, accrued expenses, and deferred credits	$ 10,286,531	$ 5 166,536
Current portion of legal and small claims (note 9)	503,947	2,607,486
Current portion of amounts due to Transit Management of Southeast Louisiana, Inc (TMSEL)	6 799,559	5,601,561
Deferred FEMA revenue	1,401,703	1,770,791
Due to Veolia Management Services, Inc	5,139,604	9,539,633
	24,131,344	24,686,007
Current liabilities (payable from restricted assets)		
Current portion of accrued bond interest	416,750	512,998
Community disaster loan (note 5)	-	47,209,024
Current portion of bonds payable (note 5)	7,110,544	6,379,699
	7,527,294	54,101,721
Long-term liabilities		
Accrued bond interest, less current portion	24,084,065	21,932 394
Legal and small claims, less current portion (note 9)	13,853,926	12 010 146
Bonds payable less current portion (note 5)	132,754,055	140,229,465
Debt service assistance fund loan (note 5)	35,867,738	35,867,738
Community disaster loan (note 5)	9,134,556	-
Accrued Community Disaster Loan interest (note 5)	1,125,219	4,034,659
Total long-term liabilities	216,819,559	214,074,402
Total liabilities	248,478,197	292,862,130
Net assets		
Invested in capital assets, net of related debt	181,848,828	181,943 964
Restricted	11 609,054	11,602,709
Unrestricted	6,935,671	(15,257,442)
Total net assets	200 393,553	178,289,231
	$ 448,871,750	$ 471,151,361

See accompanying notes to financial statements

REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets

For the years ended December 31, 2011 and 2010

		2011		2010
Operating revenues				
Passenger fares	$	15,521,210	$	14,185,896
Other		1,563,031		1,281,057
Total operating revenues		17,084,241		15,466,953
Operating expenses				
Labor and fringe benefits (note 1(a))		19,968,989		21,607,120
Depreciation		20,387,910		17,303,157
Contract services		62,958,695		62,142,631
Insurance and self-insured costs		4,563,765		(242,282)
Materials, fuel and supplies		4,875,956		3,818,206
Utilities		1,075,736		1,241,441
Taxes, other than payroll		279,645		283,203
Rent		(3,946)		23,230
Miscellaneous		141,587		60,177
Total operating expenses		114,248,337		106,236,883
Loss from operations		(97,164,096)		(90,769,930)
Nonoperating revenues (expenses)				
Tax revenues				
Sales tax		50,960,100		51,526,533
Hotel/motel tax		4,656,210		4,315,927
Government operating grants				
Federal subsidy		11,540,217		15,115,517
Federal Emergency Management Agency		1,204,248		2,601,561
State Department of Transportation		1,772,945		1,499,016
Planning and technical study grants		1,895,554		1,984,979
Gain (loss) on disposal of assets		(912,981)		225,190
Gain on forgiveness of debt		38,074,468		-
Investment income		2,309,483		550,078
Interest expense		(5,245,934)		(6,538,049)
Total nonoperating revenues		106,254,310		71,280,752
Net income (loss) before capital revenues		9,090,214		(19,489,178)
Capital contributions		13,014,108		50,902,968
Increase in net assets		22,104,322		31,413,790
Net assets				
Balance, beginning of year		178,289,231		146,875,441
Balance, end of year	$	200,393,553	$	178,289,231

See accompanying notes to financial statements

REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 2011 and 2010

		2011		2010
Cash flows from operating activities				
Cash received from operations	$	15,559,532	$	14,240,370
Cash received from other sources		1,699,233		1,489,089
Cash paid to employees and for related expenses		(18,750,136)		(3,051,606)
Cash paid to suppliers		(67,600,732)		(91,216,017)
Cash paid for insurance, legal claims and related costs		(4,956,527)		(5,659,307)
Net cash used in operating activities		(74,048,630)		(84,197,471)
Cash flows from noncapital financing activities				
Cash received from sales tax		53,708,282		47,799,615
Cash received from hotel/motel tax		5,923,867		3,434,940
Operating subsidies received from other governments		19,328,001		18,396,866
Net cash provided by noncapital financing activities		78,960,150		69,631,421
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets		(36,770,689)		(43,078,241)
Capital revenues from federal grants		3,716,131		51,225,594
Interest paid		(6,099,951)		(2,789,942)
Repayment of bonds		(6,744,565)		(4,532,627)
Repayment of capital lease obligation		-		(6,575,375)
Proceeds from bond issuance		-		81,092,871
Payments for bond issuance costs		-		(1,737,624)
Net cash provided by (used in) capital and related financing activities		(45,899,074)		73,604,656
Cash flows from investing activities:				
Purchases of investment securities		(20,572,579)		(82,651,664)
Proceeds from sale and maturities of investment securities		40,321,860		98,842,988
Interest payments received		2,416,613		316,421
Net cash provided by investing activities		22,165,894		16,507,745
Net increase (decrease) in cash and cash equivalents		(18,821,660)		75,546,351
Cash and cash equivalents at beginning of year		149,444,683		73,898,332
Cash and cash equivalents at end of year	$	130,623,023	$	149,444,683

REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 2011 and 2010

		2011	2010
Reconciliation of loss from operations to net cash used in operating activities			
Loss from operations	$	(97,164,096) $	(90,769,930)
Adjustments to reconcile loss from operations to net cash used in operating activities			
Depreciation		20,387,910	17,303,157
Decrease in allowance for doubtful accounts		(56,326)	(8,298)
(Increase) decrease in accounts receivable		174,524	419,911
Decrease (increase) in prepaid assets		(128,752)	957,921
Decrease in inventory		-	59,582
Increase in accounts payable and accrued expenses		1,932,874	(5,366,445)
Decrease in amounts due to TMSEL		1,197,998	(891,779)
Decrease in the provision for legal and small claims liability		(392,762)	(5,901,590)
Net cash used in operating activities	$	(74,048,630) $	(84,197,471)

		2011	2010
Reconciliation to statement of net assets			
Cash and cash equivalents for cash flow statement include.			
Cash	$	41,040,977 $	58,155,645
Restricted assets			
1991 series bond trustee accounts		1,718,818	1,718,926
1998 series bond trustee accounts		8,753,100	8,753,367
2000 and 2000A series bond trustee accounts		7,164	1,311
2010 series bond trustee accounts		77,688,770	79,401,732
Self-insurance		1,414,194	1,413,702
Total cash and cash equivalents	$	130,623,023 $	149,444,683

See accompanying notes to financial statements

(1) Summary of Significant Accounting Policies

(a) Organization and Reporting Entity

The Regional Transit Authority (RTA) 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 (the RTA) of New Orleans on July 1, 2009 approved terms on a delegated management contract with Veolia Transportation Services, Inc (Veolia) The ten-year contract (five years, with a five-year renewal option) began September 1, 2009 Under this "Delegated Management" contract, Veolia is responsible for performing all activities of the transit authority below the Board level This means that Veolia will be responsible for all aspects of the public transportation system in New Orleans, including operations, safety, maintenance, customer care, routes and schedules, capital planning, budgeting, employee salaries and benefits, human resources, marketing, ridership growth, grant administration, as well as all the other typical functions of a transit authority Prior to September 1, 2009, the labor, fringe benefits and other similar costs reflected in the statements of revenues, expenses and changes in net assets are TMSEL expenses which are reimbursed by RTA pursuant to the management contract The contract requires a set fixed monthly fee of approximately $1 4 million, a monthly variable rate fee which is based on transit hours, and reimbursement of other expenditures as required by the contract

(1) Summary of Significant Accounting Policies (continued)

(a) Organization and Reporting Entity (continued)

Veolia will continue to report to the Board of Commissioners of the New Orleans 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* 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

(b) 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 earned and expenses, excluding depreciation and amortization, 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 business where the intent of the governing body is that the cost (expense, including deprecation) 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 assets is appropriate for capital maintenance. The RTA's principal operating revenues are the fares charged to passengers for service

The RTA applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements

(c) 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

(1) Summary of Significant Accounting Policies (continued)

(d) 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

(e) Inventories

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

(f) Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost Depreciation and amortization 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 materially extend the useful life of the asset, are charged to expense as incurred

The estimated useful lives used in computing depreciation and amortization are

Buildings	20 years
Buses and equipment	3-12 years
Streetcars, track system and related equipment	20-30 years
Furniture and fixtures	3-10 years
Leasehold improvements	3-5 years

(g) Federal and State Grants

Federal and state grants are made available to the 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

(h) Compensated Absences

The total liability for accrued vacation at December 31, 2011 and 2010, included in current liabilities, was approximately $0 and $1 5 million, respectively Effective September 1, 2009, Veolia, as per the delegated management agreement, is responsible for all employee cost including employee benefits These costs are inclusive in the delegated management fee charged to the RTA by Veolia Subsequent to December 31, 2010, the RTA paid Veolia the accrual amounts of all vacation and sick leave by former TMSEL employees through August 31, 2009

(1) Summary of Significant Accounting Policies (continued)

(i) 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

(j) 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), an 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

(k) Bond Issuance Costs and Refundings

Costs related to issuing bonds are capitalized and amortized based upon the methods used to approximate the interest method over the term of the bonds

Effective with fiscal years beginning in 1994 and thereafter, gains and losses associated with refundings and advance refundings are being deferred and amortized based upon the methods used to approximate the interest method over the life of the new bonds or the remaining term on any refunded bond, whichever is shorter

(l) 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 beginning September 1, 2009 are the responsibility of Veolia

(m) Deferred Revenue

Revenue collected more than one year in advance is deferred

(n) 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

(2) Cash and Investments

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

	December 31, 2011		December 31, 2010	
	Restricted	Unrestricted	Restricted	Unrestricted
Cash and cash equivalents	$ 88,167,852	$ 41,040,977	90,176,637	$ 58,155,645
Investments, at fair value				
Certificates of deposit	1,414,194	7,895,135	1,413,702	8,721,503
	$ 89,582,046	$ 48,936,112	91,590,339	$ 66,877,148

Custodial Credit Risk

Actual cash in banks and certificates of deposit as of December 31, 2011 and 2010, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was $37,806,380 and $27,756,460, respectively Of the total bank balances at December 31, 2011 and 2010, all amounts were covered by federal depository insurance ($1,607,216 and $1,605,944, respectively) or by collateral held in the RTA's name by its agent ($45,720,612 and $40,158,144, respectively) Actual cash in money market accounts was $91,854,741and $93,561,056, 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 United States 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, 2011 and 2010, approximately $1,414,194 and $1,413,702, respectively, of restricted assets were pledged as collateral to the Louisiana Office of Workman's Compensation to maintain RTA/TMSEL's self-insurance certificate This self-insurance certificate applies to all TMSEL employees receiving workman's compensation benefits as of August 31, 2009 Effective September 1, 2009, Veolia became responsible for all new claims

(2) Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in 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 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 reasonably anticipated

Credit Risk

State law limits investments in securities issued, or backed by United States 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

As of December 31, 2011, cash and cash equivalents included $8,901,545 of short-term investments in mortgage backed securities, all of which have an original maturity of less than one year and are rated AAA by Standard & Poor's.

On September 1, 2010, the RTA established a debt service reserve fund with the Bank of New York Mellon, the Trustee, of $8,500,000 due to the minimum credit rating requirement of the General Sales Tax Revenue Bond Trust Indenture not being satisfied As a result of the transfer of funds, the credit rating requirement was satisfied upon receipt

(3) Accounts Receivable

Accounts receivable consist of the following as of December 31

	2011	2010
Sales tax	$ 8,990,887	$ 15,127,136
Hotel/motel tax	1,183,406	1,901,400
Federal capital grants	13,230,331	3,932,354
State operating subsidy	119,572	89,083
Federal Emergency Management Agency	11,596,299	16,055,772
Passenger (transpass and visitor)	96,725	135,047
Kenner operating subsidy	128,801	-
Other	961,260	537,514
	36,307,281	37,778,306
Less allowance for uncollectible amounts	(114,857)	(171,183)
	$ 36,192,424	$ 37,607,123

(4) Property, Buildings and Equipment

A summary of changes in fixed assets follows

	January 1, 2011	Additions	Deletions	December 31, 2011
Land	$ 6,988,812	$ -	$ -	$ 6,988,812
Buildings	113,530,033	13,639,778	-	127,169,811
Equipment, primarily transportation vehicles	267,721,919	11,530,552	(53,975)	279,198,496
Furniture and fixtures	38,077,716	209,002	(126,105)	38,160,613
Construction in progress	31,899,475	18,612,606	(23,699,163)	26,812,918
	458,217,955	43,991,938	(23,879,243)	478,330,650
Accumulated depreciation and amortization	(187,207,067)	(20,387,910)	180,079	(207,414,898)
	$ 271,010,888	$ 23,604,028	$ (23,699,164)	$ 270,915,752

(4) Property, Buildings and Equipment (continued)

	January 1, 2010	Additions	Deletions	December 31, 2010
Land	$ 6,988,812	$ -	$ -	$ 6,988,812
Buildings	90,240,953	23,289,080	-	113,530,033
Equipment, primarily transportation vehicles	250,941,478	34,289,610	(17,509,169)	267,721,919
Furniture and fixtures	34,640,248	3,443,576	(6,108)	38,077,716
Construction in progress	47,274,830	15,978,774	(31,354,129)	31,899,475
	430,086,321	77,001,040	(48,869,406)	458,217,955
Accumulated depreciation and amortization	(187,428,416)	(17,303,157)	17,524,506	(187,207,067)
	$ 242,657,905	$ 59,697,883	$ (31,344,900)	$ 271,010,888

At December 31, 2011, construction in progress additions were mainly related to the Union Passenger Transit System and various other construction projects Deletions mainly included the completion of the bus and street car terminals on Canal Street and the St. Charles Catenary System

REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 2011

(5) Long-term Debt

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

		2011		2010
1998A Series, Sales Tax Refunding Bonds, interest rates between 6.8% and 8%, due in annual principal debt service requirements ranging from $1,645,000 to $2,815,000, final payment due December 2013	$	5,420,000	$	7,835,000
1991 Series, Sales Tax Revenue Bonds, interest rates between 5.5% and 6.5% on current interest term bonds, and approximate yields of 7% and 7.10% on capital appreciation bonds, with annual principal debt service requirements ranging from $348,633 to $1,500,000, final payment due December 2021		6,687,783		7,092,882
2000 Series, LCDA Revenue Bonds, variable interest rate of 1.70% and 1.92% as of December 31, 2011 and 2010, respectively, due in annual principal debt service requirements ranging from $844,600 to $2,372,500, final payment due February 2025		23,181,212		24,327,312
2000A Series, LCDA Revenue Bonds, variable interest rate of 1.81% and 2.04% as of December 31, 2011 and 2010, respectively, due in annual principal debt service requirements ranging from $622,500 to $1,970,600, final payment due November 2029		25,190,956		26,017,156
2010 Series, Sales Tax Revenue Bonds, interest rate of 3% as of December 31, 2011 due in annual principal debt service requirements ranging from $143,875 to $5,898,875, final payment due December 2030		73,470,000		75,000,000
		133,949,951		140,272,350
Plus unamortized premium		5,914,648		6,336,814
Less current maturities		(7,110,544)		(6,379,699)
Long-term debt less current maturities	$	132,754,055	$	140,229,465

(5) Long-term Debt (continued)

1998A Bond Series

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

The interest on the Series 1998A Refunding Bonds is due and payable on June 1 and December 1 of each year through December 2013 The Series 1998A Refunding Bonds are secured by a pledge and lien upon a portion of RTA's one cent sales revenue (one-half of one percent upon items and services subject to the 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 Bond issue costs were deferred and are being amortized over the life of the 1998A Refunding Bonds. The unamortized premium related to the Series 1998A Refunding Bonds was $122,195 and $242,044 at December 31, 2011 and 2010, respectively

1991 Bond Series

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 Bond issuance costs of $624,197 were recorded in August 2000 upon the release of debt service reserves for the 1991 Bond Series These costs will be amortized over the remaining life of the bonds

(5) Long-term Debt (continued)

1991 Bond Series (continued)

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 by mandatory redemption against the principal on December 1, 2009 Bond issuance costs were deferred and are being amortized over the 30-year life of the sales tax bonds

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

2000 Series and 2000A Series – LCDA Revenue Bonds

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, 2011 was $31,149,000 The principal balance as of December 31, 2011 and 2010 is $23,181,212 and $24,327,312, respectively, of which $1,213,600 is due in 2011 For the 2000A Series, the amount drawn down under this agreement as of December 31, 2011 was $30,177,056, respectively The principal balance as of December 31, 2011 and 2010 is $25,190,956 and $26,017,156, respectively, of which $866,900 is due in 2011 Total bond issuance costs of $160,787 were financed in 2001 and monthly payments are required These costs are amortized over the life of the agreement

(5) Long-term Debt (continued)

2010 Bond Series

On October 14, 2010, the RTA issued $75,000,000 in Sales Tax Revenue Bonds, Series 2010 These bonds are to be repaid over 20 years The net proceeds of $81,118,364, consisting of $75,000,000 face amount plus an original issue premium of $6,118,364, received by the RTA on the sale of the bonds were applied as follows (a) $79,380,740 was deposited in a reserve fund account designated for capital projects, including, but not limited to, the construction and installation of transit facilities and transit improvements, including buses and other equipment in the City, the proceeds were invested in money market type investment, (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 Bond issuance costs of $1,737,624 were recorded and will be amortized over the remaining life 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%

(5) Long-term Debt (continued)

Debt Service Requirements

The following represents the debt service requirements for the bond issues as of December 31, 2011

	1991 and 1998A Bonds Principal	1991 and 1998A Bonds Interest	2000 and 2000A Bonds Principal	2000 and 2000A Bonds Interest
2012	$ 2,985,054	$ 1,649,337	$ 2,080,500	$ 831,781
2013	3,163,633	1,468,358	2,197,800	794,531
2014	946,835	3,690,473	2,322,000	755,183
2015	883,014	3,751,986	2,452,900	713,616
2016	814,023	3,821,085	2,591,700	669,712
2017-2021	3,315,224	19,857,535	15,206,070	2,605,204
2022-2026	-	-	15,470,242	535,884
2027-2031	-	-	6,050,956	175,611
	$ 12,107,783	$ 34,238,775	$ 48,372,168	$ 7,081,522

	2010 Bond Principal	2010 Bond Interest	Total Principal	Total Interest
2012	2,045,000	3,443,750	7,110,554	5,924,868
2013	2,660,000	3,382,400	8,021,433	5,645,289
2014	2,740,000	3,302,600	6,008,835	7,748,256
2015	2,850,000	3,193,000	6,185,914	7,658,602
2016	2,960,000	3,079,000	6,365,723	7,569,797
2017-2021	17,020,000	13,184,000	35,541,294	35,646,739
2022-2026	21,725,000	8,481,500	37,195,242	9,017,384
2027-2031	21,470,000	2,695,600	27,520,956	2,871,211
	$ 73,740,000	$ 40,761,850	$ 133,949,951	$ 82,082,147

(5) Long-term Debt (continued)

Changes in Long-Term Debt

Long-term debt activity for the year ended December 31, 2011 and 2010 are as follows

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

	January 1, 2010	Additions	Payments	December 31, 2010	Due Within One Year
1998A Series, Sales Tax Refunding Bonds	$ 10,070,000	$ -	$ (2,235,000)	$ 7,835,000	$ 2,415,000
1991 Series, Sales Tax Revenue Bonds	7,526,409	-	(433,527)	7,092,882	405,099
2000 Series, LCDA Revenue Bonds	25,409,312	-	(1,082,000)	24,327,312	1,206,600
2000 Series, LCDA Revenue Bonds	26,799,256	-	(782,100)	26,017,156	823,000
2010 Series, Sales Tax Revenue Bonds	-	75,000,000	-	75,000,000	1,530,000
	$ 69,804,977	$ 75,000,000	$ (4,532,627)	$ 140,272,350	$ 6,379,699

(5) Long-term Debt (continued)

Debt Service Assistance Fund Loan

In October 2006, RTA and the State of Louisiana (the State) 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 Hurricanes 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 percent. Principal payments on the bonds begin 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, 2011, RTA has a balance due of $35,867,738, the maximum amount allowed by the agreement.

Debt service requirements relating to the bond are as follows

Years Ending December 31	Principal	Interest	Total
2012	$ 1,707,742	$ 1,664,263	$ 3,372,005
2013	1,786,981	1,585,024	3,372,005
2014	1,869,897	1,502,108	3,372,005
2015	1,956,660	1,415,345	3,372,005
2016	2,047,450	1,324,555	3,372,005
2017-2021	11,753,558	5,106,467	16,860,025
2022-2026	14,745,450	2,114,575	16,860,025
	$ 35,867,738	$ 14,712,337	$ 50,580,075

(5) Long-term Debt (continued)

Special Community Disaster Loan Payable

During August 2006, RTA entered into a long-term agreement with FEMA under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005 for Hurricane Katrina RTA made draw downs totaling $47,209,024 in February 2008 The loan is for a term of five years, which may be extended, and shall bear interest at the latest five-year Treasury rate at the time of the closing date of the loan, plus one percent. Simple interest accrues from the date of each disbursement In 2007 Congress authorized FEMA to forgive all or part of the Special CDL's RTA applied for loan forgiveness On November 21, 2011, the CDL was partially forgiven by the Federal Emergency Management Agency including $38,074,468 as of December 31, 2011 leaving a balance of $9,134,556 Interest expense accrued in 2011 is $1,038,489 On January 27, 2012, RTA made a request of the State of Louisiana to forgive the remainder of the Community Disaster Loan Payable Payments of principal and interest are deferred until the end of the five year period The loans on application could be extended for another 5 years from the current maturity date. Interest rates and maturity dates for the draw downs are as follows

Principal	Interest Rate	Maturity Date
$ 9,134,556	2 93%	August 27, 2016

Operating revenues are pledged as security for the loan

Debt service requirements relating to the loan are as follows

Years Ending December 31,	Principal	Interest	Total
2016	$ 9,134,556	$ 1,038,489	$ 10,173,045

(6) Transit Management of Southeast Louisiana (TMSEL) Pension Plan

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

(6) Transit Management of Southeast Louisiana (TMSEL) Pension Plan (continued)

All TMSEL and former NOPSI transit employees over the age of 21 (age 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 employees 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 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 ATU Division 1560 began contributing an additional 1 38% Effective January 1, 2001, to fund twenty percent (20%) 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 (100%) 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 Amalgamated Transit Union (ATU) 1611 received a "30 and Out" Pension Service and contributed 2 45% of gross wages On January 18, 2001, the Plan was amended to increase the multiplier from 1 5% to 1 8% for members of 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 form 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)

(6) Transit Management of Southeast Louisiana (TMSEL) Pension Plan (continued)

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 25 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

(6) Transit Management of Southeast Louisiana (TMSEL) Pension Plan (continued)

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

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

		2011		2010
Change in Benefit Obligation				
Benefit obligation at beginning of year	$	230,163,156	$	202,878,525
Interest cost		12,386,596		13,053,035
Plan participant's contributions		-		456,876
Actuarial loss (gain)		17,646,181		27,524,585
Benefits paid		(14,070,915)		(13,749,865)
Benefit obligation at end of year	$	246,125,018	$	230,163,156
Change in Plan Assets				
Fair value of plan assets at beginning of year	$	161,321,768	$	146,204,962
Actual return on plan assets		(83,820)		20,470,121
Employer contributions		9,426,959		9,415,984
Plan participants' contributions		-		456,876
Benefits paid		(14,070,915)		(13,749,865)
Expenses paid		(1,420,600)		(1,476,310)
Fair value of assets at end of year		155,173,392		161,321,768
Funded status at end of year	$	(90,951,626)	$	(68,841,388)
Amounts recognized in the statement of financial position of TMSEL consist of:				
Non-current liabilities	$	(90,951,626)	$	(68,841,388)

(6) Transit Management of Southeast Louisiana (TMSEL) Pension Plan (continued)

	2011	2010
Amounts recognized in accumulated other comprehensive income of TMSEL consist of:		
Net Loss	$ 103,795,042	$ 76,819,673
Total recognized in accumulated other comprehensive income	$ 103,795,042	$ 76,849,673
Accumulated benefit obligation	$ 246,125,018	$ 230,163,156

Information for pension plans with accumulated benefit obligation in excess of plan assets	2011	2010
Projected benefit obligation	$ 246,125,018	$ 230,163,156
Accumulated benefit obligation	246,125,018	230,163,156
Fair value of plan assets	155,173,392	161,321,768
Net Periodic Benefit Cost		
Service cost	$ 1,500,000	$ 925,000
Interest cost	12,386,596	13,053,035
Expected return on plan assets	(11,867,364)	(10,786,595)
Amortization of net loss	2,542,596	2,470,773
Net periodic benefit cost	$ 4,561,828	$ 5,662,213
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income of TMSEL		
New net loss	$ 29,517,965	$ 18,392,369
Amortization of net loss	(2,542,596)	(2,470,773)
Total recognized in net periodic benefit cost and other comprehensive income	$ 26,975,369	$ 15,921,596
Total recognized in net periodic benefit cost and other comprehensive income	$ 31,537,197	$ 21,583,809

(6) Transit Management of Southeast Louisiana (TMSEL) Pension Plan (continued)

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

	2011	2010
Weighted-average assumptions used to determine benefit obligation as of December 31		
Discount rate	5 00%	5 357%
Rate of compensation increase	N/A	N/A

	2011	2010
Weighted-average assumptions used to determine net benefit cost for years ended December 31		
Discount rate	5 375%	6 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%

(6) Transit Management of Southeast Louisiana (TMSEL) Pension Plan (continued)

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 our 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 assets 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 $10,286,103 and $8,077,852 in 2011 and 2010, 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

Assets Allocation

The Plan's weighted-average asset allocations at December 31, 2011, and 2010, by asset category are as follows

Asset Category	2011	2010
Equity securities	59.43%	69 27%
Debt securities	30 50%	28 53%
Other	10 07%	2 20%
Total	100 00%	100 00%

Cash Flows

Contributions – Expected employer contributions for 2011 are $11,022,797

(6) Transit Management of Southeast Louisiana (TMSEL) Pension Plan (continued)

Estimated Future Benefit Payments

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

2012	16,276,826
2013	16,371,616
2014	16,417,668
2015	16,530,359
2016	16,607,673
2017 - 2021	83,568,261

(7) Other Post Employment Retirement Benefits

TMSEL Retirees

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

Under the provisions of the TMSEL defined benefit plan, former TMSEL contract employees were eligible to retire at the completion of 30 years of benefit service prior to September 1, 2009. Additionally, former TMSEL contract and non-contract employees are eligible for an early retirement pension, pursuant to all provisions of the TMSEL Retirement Income Plan, upon attainment of age 55 and completion of at least 5 years of vesting 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 described below 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

(7) Other Post Employment Retirement Benefits (continued)

Contribution Rates

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

Fund Policy

Until 2007, the Transit Management of Southeast Louisiana recognized the cost of providing post-employment medical and life insurance benefits (the Transit Management of Southeast Louisiana's portion of the retiree medical and life insurance benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis In 2011 and 2010, the City's portion of health care and life insurance funding cost for retired employees totaled $3,355,298 and $3,355,298, respectively

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

Annual Required Contribution

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

		2011		2010
Normal cost	$	211,246	$	203,121
30-year UAL amortization amount		1,923,613		1,849,628
Annual required contribution (ARC)	$	2,134,859	$	2,052,749

(7) Other Post Employment Retirement Benefits (continued)

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.

		2011		2010
Beginning Net OPEB Obligation	$	(2,296,370)	$	(1,011,863)
Annual required contribution		2,134,859		2,052,749
Interest on Net OPEB Obligation		(91,855)		(40,475)
ARC Adjustment		132,799		58,517
OPEB Cost		2,175,803		2,070,791
Contribution		-		-
Current year retiree premium		(3,355,298)		(3,355,298)
Change in Net OPEB Obligation		(1,179,495)		(1,284,507)
Ending Net OPEB Obligation	$	(3,475,865)	$	(2,296,370)

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 for last year and this year

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
December 31, 2011	$ 2,175,803	154 21%	$ (3,475,865)
December 31, 2010	$ 2,070,791	162 03%	$ (2,296,370)

Funded Status and Funding Progress

In 2011 and 2010, 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, 2010 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2011 was $33,263,135 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

(8) Other Post Employment Retirement Benefits (continued)

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

(7) Other Post Employment Retirement Benefits (continued)

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. 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 Under the provisions of the TMSEL defined benefit plan, former TMSEL contract employees were eligible to retire at the completion of 30 years of benefit service prior to September 1, 2009 Additionally, former TMSEL contract and non-contract employees are eligible for an early retirement pension, pursuant to all provisions of the TMSEL Retirement Income Plan, upon attainment of age 55 and completion of at least 5 years of vesting service. The employer does not pay for retiree medical benefits after Medicare eligibility (normally age 65)

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 projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections· 2003 to 2013, Table 3 National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www cms hhs gov) "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5 0% for 2016 and later

(7) Other Post Employment Retirement Benefits (continued)

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans

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

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.

(7) Other Post Employment Retirement Benefits (continued)

Post-retirement Benefit Increases (continued)

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

OPEB Costs and Contributions

		December 31, 2009		December 31, 2010		December 31, 2011
OPEB Cost	$	3,753,554	$	2,070,791	$	2,175,803
Contribution		-		-		-
Retiree premium		4,711,380		3,355,298		3,355,298
Total contribution and premium		4,711,380		3,355,298		3,355,298
Change in net OPEB obligation	$	-957,826	$	-1,284,507	$	-1,179,495
% of contribution to cost		0 00%		0 00%		0 00%
% of contribution plus premium to cost		125 52%		162 03%		154 21%

(8) Commitments and Contingencies

(a) *Contingencies*

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

(b) *Grant Commitments*

As of December 31, 2011 and 2010, 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 Federal Transit Administration grants has been 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, 2011 and 2010 totals approximately $13,230,331 and $3,932,354, 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

(9) 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 As of September 1, 2009 all claims expenses with dates of occurrence that are on or after September 1, 2009 are considered liabilities of Veolia.

At December 31, 2011 and 2010, $14,357,873 and $14,617,632, 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, 2011 and 2010, were $13,853,926 and $12,010,146, 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 probable and reasonably estimable claims liabilities at December 31, 2011 and 2010

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
2007	$ 29,653,807	$ (762,986)	$ (4,580,981)	$ 24,309,840
2008	$ 24,309,840	$ 3,235,980	$ (3,339,109)	$ 24,206,711
2009	$ 24,206,711	$ (63,424)	$ (3,624,065)	$ 20,519,222
2010	$ 20,519,522	$ (2,408,038)	$ (3,493,852)	$ 14,617,632
2011	$ 14,617,632	$ 3,466,484	$ (3,726,243)	$ 14,357,873

TMSEL's self-insured reserves for workers' compensation and health benefits are included in amounts due to TMSEL on the statements of net assets and total $2,144,800 and $2,979,595 as of December 31, 2011 and 2010, respectively As of December 31, 2011 and 2010, approximately $1,414,000 of restricted assets was pledged as collateral to the Louisiana Office of Workman's Compensation to maintain RTA/TMSEL's self-insurance certificate

(10) 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 2011 and 2010

(10) Related Parties (continued)

The members of the Board of Commissioners who were paid a per diem for the attendance at board meetings in calendar years 2011 and 2010 are listed below. Some commissioners elect not to receive a per diem

The amounts received by each commissioner for the years ended December 31, 2011 and 2010 were as follows

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

2010:	Per Diem	Expense Reimbursement	Total
Jean-Guy Celestin	$ -	$ -	$ -
Connie C Goodly	-	-	-
Salvador Longoria	-	-	-
Cesar R Burgos	-	-	-
Charlotte Burnell	750	-	750
Barbara Major	910	505	1,415
Earline Roth	900	-	900
Mark Spears	1,060	-	1,060
Sharon Wegner	525	-	525
	$ 4,145	$ 505	$ 4,650

(11) Natural Disaster

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

As of December 31, 2011, RTA has received cash reimbursements from FEMA totaling $84,540,857 Included in accounts receivable at December 31, 2011 and 2010 is $11,596,299 and $16,055,772, respectively, of reimbursements due from FEMA Additional unrecorded FEMA grants totaling in excess of $34 million are in various stages of the approval process and include amounts for building repairs, vehicle and equipment repairs and replacements, temporary power, supplies and other costs

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 2011 and 2010

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, 2010	$ 468,760	$ 117,140	$ 132,896	$ 1,000,002	$ 1,718,798
Cash receipts					
Transfer for principal and interest	-	-	1,594,985	-	1,594,985
Sales tax receipts	-	-	-	50,197,353	50,197,353
Investment income	50	12	-	-	62
Total cash receipts	50	12	1,594,985	50,197,353	51,792,400
Cash disbursements					
Principal and interest payments	(50)	(12)	(1,594,855)	-	(1,594,917)
Transfer for debt service and excess	-	-	-	(50,197,355)	(50,197,355)
Expense payments	-	-	-	-	-
Total disbursements	(50)	(12)	(1,594,855)	(50,197,355)	(51,792,272)
Beginning balance - January 1, 2011	$ 468,760	$ 117,140	$ 133,026	$ 1,000,000	$ 1,718,926
Cash receipts					
Transfer for principal and interest	-	-	1,596,192	-	1,596,192
Sales tax receipts	-	-	-	65,214,374	65,214,374
Investment income	1	-	-	-	1
Total cash receipts	1	-	1,596,192	65,214,374	66,810,567
Cash disbursements					
Principal and interest payments	(1)	-	(1,596,301)	-	(1,596,302)
Transfer for debt service and excess	-	-	-	(65,214,373)	(65,214,373)
Expense payments	-	-	-	-	-
Total disbursements	(1)	-	(1,596,301)	(65,214,373)	(66,810,675)
Ending balance - December 31, 2011	$ 468,760	$ 117,140	$ 132,917	$ 1,000,001	$ 1,718,818

(Continued)

See accompanying independent auditors' report

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 2011 and 2010

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

	Sales Tax Capital	Debt Service	Total
Beginning balance - January 1, 2010	$ 253,269	$ -	$ 253,269
Cash receipts			
Investment income	-	-	-
Transfer for principal and interest	3,039,388	8,500,000	11,539,388
Total cash receipts	3,039,388	8,500,000	11,539,388
Cash disbursements			
Principal and interest payments	(3,039,290)	-	(3,039,290)
Expense payments	-	-	-
Total disbursements	(3,039,290)	-	(3,039,290)
Beginning balance - January 1, 2011	$ 253,367	$ 8,500,000	$ 8,753,367
Cash receipts			
Investment income	-	-	-
Transfer for principal and interest	3,040,128	27	3,040,155
Total cash receipts	3,040,128	27	3,040,155
Cash disbursements			
Principal and interest payments	(3,040,395)	(27)	(3,040,422)
Expense payments	-	-	-
Total disbursements	(3,040,395)	(27)	(3,040,422)
Ending balance - December 31, 2011	$ 253,100	$ 8,500,000	$ 8,753,100

(Continued)

See accompanying independent auditors' report

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 2011 and 2010

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

	Sales Tax Capital	Debt Service	Total
Beginning balance - January 1, 2010	$ -	$ -	$ -
Cash receipts			
Investment income	-	-	-
Transfer for principal and interest	79,401,732	-	79,401,732
Total cash receipts	79,401,732	-	79,401,732
Cash disbursements			
Principal and interest payments	-	-	-
Expense payments	-	-	-
Total disbursements	-	-	-
Beginning balance - January 1, 2011	$ 79,401,732	$ -	$ 79,401,732
Cash receipts			
Investment income	-	-	-
Transfer for principal and interest	-	1,104,617	1,104,617
Total cash receipts	-	1,104,617	1,104,617
Cash disbursements			
Principal and interest payments	(1,904,597)	(912,982)	(2,817,579)
Expense payments	-	-	-
Total disbursements	(1,904,597)	(912,982)	(2,817,579)
Ending balance - December 31, 2011	$ 77,497,135	$ 191,635	$ 77,688,770

See accompanying independent auditors' report

REGIONAL TRANSIT AUTHORITY

SINGLE AUDIT REPORTS

DECEMBER 31, 2011

P&N Postlethwaite & Netterville

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REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Single Audit Reports

December 31, 2011

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

To the Board of Commissioners
Regional Transit Authority

We have audited the financial statements of the Regional Transit Authority (the RTA) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 28, 2012 We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

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This report is intended solely for the information of the RTA, the RTA's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Louisiana's Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties However, under Louisiana Revised Statute 24 513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Regional Transit Authority

Compliance

We have audited the Regional Transit Authority'S (the RTA) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011 The RTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the RTA's management. Our responsibility is to express an opinion on the RTA's compliance based on our audit

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

In our opinion, the RTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the RTA as of and for the year ended December 31, 2011, which collectively comprise the RTA's basic financial statements, and have issued our report thereon dated June 27, 2012, which contained unqualified opinions on those financial statements Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RTA's basic financial statements The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U S Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements The information has been subjected to the auditing procedures applied in the audit of the financial statements 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 standards 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.

This report is intended solely for the information of the RTA, the RTA's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Louisiana's Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24 513, this report is distributed by the Legislative Auditor as a public document

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2012

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2011

Federal Grantor/Program Title	CFDA Number		Expenditures
United States Department of Transportation:			
Direct Awards			
Federal Transit Administration –			
Federal Transit cluster			
Capital Investment Grants	20 500	$	9,641,644
Capital Investment Grants – ARRA funding	20 500		14,333,325
Formula Grants	20 507		551,075
Total Federal Transit cluster			24,526,044
United States Department of Homeland Security:			
Federal Emergency Management Agency, passed through the State of Louisiana –			
Disaster Assistance Grants	97 036		3,128,083
Total United States Department of Homeland Security			3,128,083
Total Federal Awards		$	27,654,127
Total Special Community Disaster Loans - Outstanding		$	9,134,556

See accompanying notes to the Schedule of Expenditures of Federal Awards

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Notes to Schedule of Expenditures of Federal Awards

December 31, 2011

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the Regional Transit Authority (the RTA) The RTA's reporting entity is defined in note 1 to the financial statements for the year ended December 31, 2011 All federal awards received from federal agencies are included on the schedule

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the RTA's financial statements for the year ended December 31, 2011

(3) Relationship to Financial Statements

Federal awards are included in the financial statements as follows

Statement of Revenues, Expenses and Changes in Net Assets.	
Nonoperating revenues (expenses):	
Government operating grants	
Federal subsidy	$11,540,217
Federal Emergency Management Agency	1,204,248
Planning and technical study grants	1,895,554
Capital contributions	13,014,108
Total expenditures of federal awards	$27,654,127

(4) Loans Payable to Federal Agency

RTA received Special Community Disaster Loans (the "Loans") from the federal government of $24,712,417 and $22,496,607 in February 2008. On November 21, 2011, the Loans were partially forgiven by the Federal Emergency Management Agency including $38,074,468 leaving a balance of $9,134,556 at December 31, 2011 The Loans accrue interest at a rate of 2 93% annually to be repaid with the principal when the Loans became due on August 27, 2011 On January 27, 2012, RTA made a request of the State of Louisiana to forgive the remaining $9,134,556 of the Community Disaster Loan payable

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2011

(1) Summary of Auditors' Results

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

(b) Significant deficiencies in internal control were disclosed by the audit of the financial statements no, Material weaknesses no

(c) Noncompliance which is material to the financial statements no

(d) Significant deficiencies in internal control over major programs no, Material weaknesses no

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

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

(g) Major programs

Federal Transit Administration – Federal Transit cluster	
Capital Investment Grants	20 500
Formula Grants	20 507
United States Department of Homeland Security, Federal Emergency Management Agency, passed through the State of Louisiana	
Disaster Assistance Grants	97 036

(h) Dollar threshold used to distinguish between Type A and Type B programs: $825,912

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

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Schedule of Findings and Questioned Costs, Continued

2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*

None noted

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings

(1) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*

2010-1 FIXED ASSET OBSERVATIONS

Condition The RTA does not individually tag certain assets, specifically equipment and furniture and fixtures It appears that the current process to conduct a fixed asset observation is inadequate to detect significant errors

Current Status Resolved

2010-2 MONITORING AND REVIEW OF CONSTRUCTION IN PROGRESS PROJECTS FOR COMPLETION

Condition RTA did not reclassify construction in progress projects that were substantially completed in prior years to fixed assets

Current Status Resolved

2010-3 REVIEW OF MONTHLY FINANCIALS AS A RESULT OF SIGNIFICANT AUDIT ADJUSTMENT AT YEAR-END

Condition RTA management does not review the entire financial close process.

Current Status Resolved

2010-4 TIMELY SUBMISSION OF AUDIT REPORT TO LEGISLATIVE AUDITOR

Condition RTA did not meet the June 30, 2010 deadline for reporting to the State of Louisiana The City did request and received an extension of time until July 31, 2011 from the Legislative Auditor to file its financial statements

Current Status Resolved

2009-1 RECONCILIATION OF SALES TAX RECEIVABLES AND REVENUE

Condition General ledger account reconciliations for the sales tax and hotel/motel taxes receivable were not updated after initial estimates were recorded

Current Status Resolved

Summary Schedule of Prior Audit Findings (Continued)

(1) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards (continued)*

2009-2 RECONCILIATION OF INVESTMENTS

Condition General ledger account reconciliations for the investment accounts were not performed timely due to the quarterly balance reports not being received timely

Current Status Resolved

2009-1 RECONCILIATION OF SALES TAX RECEIVABLES AND REVENUE

Condition General ledger account reconciliations for the sales tax and hotel/motel taxes receivable were not updated after initial estimates were recorded

Current Status Resolved

2009-2 RECONCILIATION OF INVESTMENTS

Condition General ledger account reconciliations for the investment accounts were not performed timely due to the quarterly balance reports not being received timely

Current Status Resolved

2009-3 RECONCILIATION OF LEGAL RESERVE AND INSURANCE

Condition General ledger account reconciliations for the legal reserve and insurance accounts were not performed on a timely basis There were multiple discrepancies noted between the information obtained from the outside counsel compared to the information received from the third party service provider

Current Status Resolved

2008-1 RECONCILIATION OF SALES TAX RECEIVABLES AND REVENUE

Condition General ledger account reconciliations for the sales tax and hotel/motel taxes receivables were not updated after initial estimates were recorded In addition to this, there were several reconciliation errors that were evidenced throughout the year

Current Status Resolved

(2) Findings and Questioned Costs relating to Federal Awards (continued) Listed as follows

2010-5 FTA DAVIS-BACON ACT

Federal program identification
CFDA Title· Federal Transit cluster
CFDA Number 20 500 and 20 507

Condition The RTA did not document testing compliance with the requirements of the Davis-Bacon Act of individual contractors for one of the three invoices tested, which the contractor did not provide the RTA with a certified payroll related to the invoice

Current Status Resolved

2010-6 FTA CHARTER SERVICE REPORTING

Federal program identification
CFDA Title Federal Transit cluster
CFDA Number 20 500 and 20 507

Condition RTA did not issue the required Federal Transit Authority (FTA) quarterly report for a charter service provided to the New Orleans police department for Mardi Gras of 2010

Current Status Resolved

2010-7 FEMA REIMBURSEMENT CASH MANAGEMENT

Federal program identification
CFDA Title Disaster Assistance Grants
CFDA Number 97 036

Condition The RTA submitted reimbursement requests for costs not yet paid for three of the forty reimbursement requests to FEMA tested in our procedures

Current Status Resolved

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings (Continued)

(2) Findings and Questioned Costs relating to Federal Awards (continued) Listed as follows

2010-8 FEMA QUESTIONABLE COSTS

Federal program identification
CFDA Title Disaster Assistance Grants
CFDA Number 97 036

Condition The RTA has recorded expenses as FEMA costs which have not yet been approved by FEMA as allowable costs to be submitted for reimbursement

Current Status Resolved

2008-2 INDIRECT COST PLAN

Federal program identification
CFDA Title Federal Transit cluster
CFDA Number 20 500 and 20 507

Condition The RTA did not prepare the indirect cost plans for 2007

Current Status Resolved

2008-3 DAVIS-BACON ACT

Federal program identification
CFDA Title Federal Transit cluster
CFDA Number 20 500 and 20 507

Condition The RTA did not document testing compliance with the requirements of the Davis-Bacon Act of individual contractors for two of the seven invoices tested, which were both invoices paid prior to October 2008 when new procedures for Davis-Bacon compliance monitoring were implemented

Current Status Resolved

(2) Findings and Questioned Costs relating to Federal Awards (continued) Listed as follows

2008-4 PAYROLL COST REIMBURSEMENTS

Federal program identification
CFDA Title: Disaster Assistance Grants
CFDA Number 97 036

Condition RTA requested reimbursement for four employees using a different pay rate on the Labor Summary Record than the pay rate actually paid to the employees and revised reimbursement requests were not submitted to be reimbursed for the differences

Current Status Resolved

2007-5 PAYROLL COST REIMBURSEMENTS

Federal program identification
CFDA Title Disaster Assistance Grants
CFDA Number 97 036

Condition RTA requested reimbursement for three employees using a different pay rate on the Labor Summary Record than the pay rate actually paid to the employees and revised reimbursement requests were not submitted to be reimbursed for the differences

Current Status Resolved