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REGIONAL TRANSIT AUTHORITY

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2009

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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 Regional Transit Authority (RTA) as of December 31, 2009 and 2008, 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 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 RTA as of December 31, 2009 and 2008, 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 25, 2010 on our consideration of 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.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Postlethwaite & Netterville

New Orleans, Louisiana
June 25, 2010

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REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

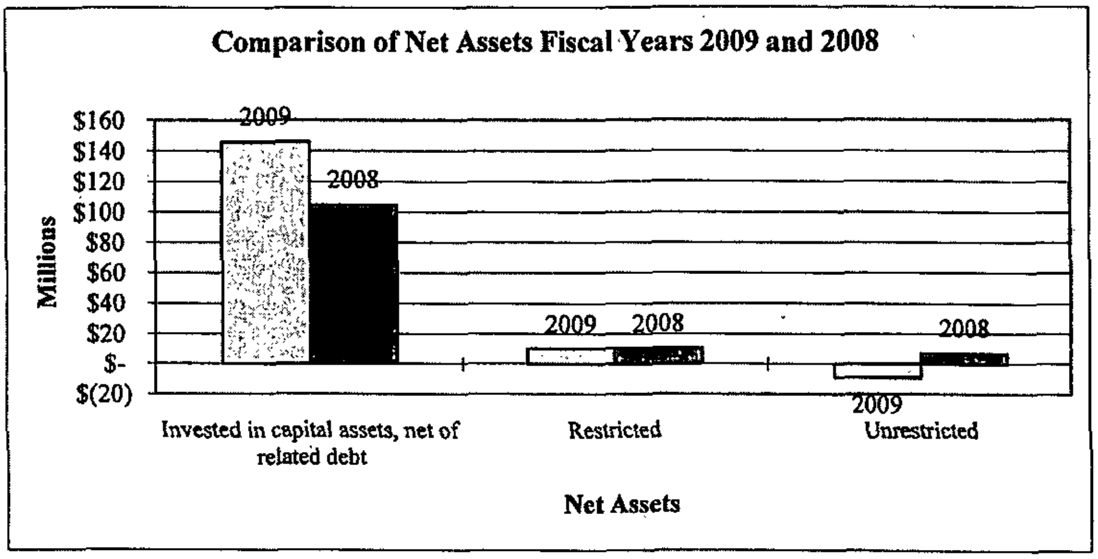
December 31, 2009

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, 2009. Please read it in conjunction with the RTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

2009

During 2009, the RTA has continued the recovery process from Hurricane Katrina and the resulting flooding, which occurred during 2005. The renovations on the administrative building were substantially completed, and the RTA employees were successfully transitioned to the building in February 2010. The RTA has received an increase of $9.7 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, 2009. The RTA has also installed new fare boxes on the transportation vehicles, which in addition to the new streetcars, has increased fare revenue by $1.9 million. Government operating grants from the FTA, FEMA, and the State of Louisiana decreased by $15.1 million, which is due to several expenditures made in 2008 that did not occur in 2009 as a result of the recovery effort related to the 2005 disaster. In 2008, the RTA received $2.0 million of additional operating funds, funds for 2007 were not received until 2008 and the RTA was allowed to convert capital assistance funds into operating funds in 2008.



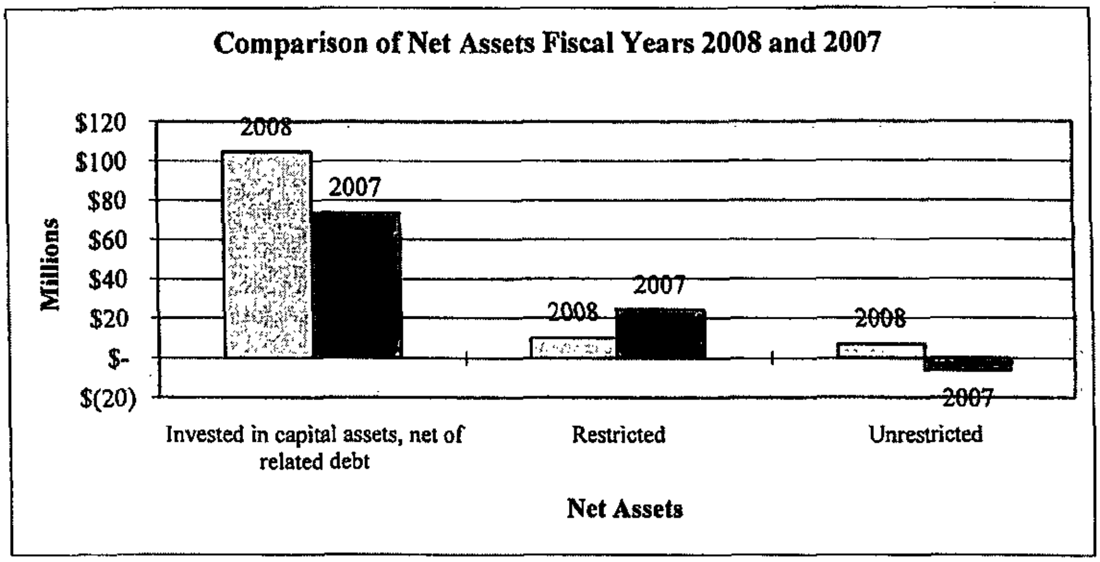
2008

Recovery from Hurricane Katrina and the resulting flooding was again the most significant event to occur during 2008. Streetcar service on the final section of the traditional St. Charles Avenue route resumed in June 2008 and six of the red Canal Street streetcars were restored and placed back into revenue service in December 2008. However, the RTA has suffered due to the current decline in the

FINANCIAL HIGHLIGHTS (continued)

2008 (continued)

economy, which is the leading factor in a decrease in sales tax revenues of approximately $6.0 million. Government operating grants from the Federal Transit Administration (FTA), the Federal Emergency Management Agency (FEMA), and the State of Louisiana increased by $15.7 million for 2008. Loan proceeds from the Debt Service Assistance Fund loan program of $8.9 million were used to pay principal and interest on bonds and capital leases payable. RTA received $47.2 million in loan proceeds from the FEMA Community Disaster Loan program, which were used to reimburse the RTA for hurricane-related expenses and loss of revenues incurred in prior years.



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. Under this basis of accounting, revenues are recognized in the period in which they are earned,

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 2009 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 $60.5 million and the receipt of $50.1 million in tax revenues, which was offset by an operating loss from operations of $79.1 million and non-operating expenses of $6.3 million.

FINANCIAL ANALYSIS OF THE RTA

2009 Net Assets

The RTA's total net assets at December 31, 2009 increased to approximately $146.9 million, a 20.7% increase from December 31, 2008 (See Table A-1). Total assets increased 4.9% to $371.8 million, and total liabilities decreased 3.4% to $224.9 million. Restricted assets decreased 66.3% to $3.4 million due to payments of debt service after June 2008 which were previously paid by the debt service assistance fund loan. Capital assets increased 15.6% to $242.7 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-1
Regional Transit Authority's Net Assets
(in thousands of dollars)

	2009	2008	Increase (Decrease)
Current assets	$ 124,925	$ 133,470	(6.4)%
Restricted assets	3,384	10,050	(66.3)%
Capital assets	242,658	209,969	15.6%
Long-term assets	793	1,013	(21.7)%
Total assets	371,760	354,502	4.9%
Current liabilities	36,714	31,914	15.0%
Long-term liabilities	188,170	200,869	(6.3)%
Total liabilities	224,884	232,783	(3.4)%
Net assets:			
Invested in capital assets, net of related debt	145,936	104,665	39.4%
Restricted	9,890	10,050	(1.6)%
Unrestricted	(8,950)	7,004	(227.8)%
Total net assets	146,876	121,719	20.7%
Total liabilities and net assets	$ 371,760	$ 354,502	4.9%

FINANCIAL ANALYSIS OF THE RTA (continued)

2008 Net Assets

The RTA's total net assets at December 31, 2008 increased to approximately $121.7 million, a 32.8% increase from December 31, 2007 (See Table A-2). Total assets increased 29.5% to $354.5 million, and total liabilities increased 27.8% to $232.8 million. Current assets increased 121.5% to 133.5 million and long-term liabilities increased 32.5% to $200.9 million primarily due to $47.2 million of community disaster loan proceeds. Restricted assets decreased 58.5% to $10.1 million due to payments of debt service after June 2008 which were previously paid by the debt service assistance fund loan. Capital assets increased 11.6% to $210.0 million due to the purchase of new buses and paratransit vans and repairs to streetcars, the St. Charles Catenary System project, and other miscellaneous projects.

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

	2008	2007	Increase (Decrease)
Current assets	$ 133,470	$ 60,256	121.5%
Restricted assets	10,050	24,202	(58.5)%
Capital assets	209,969	188,101	11.6%
Long-term assets	1,013	1,281	(20.9)%
Total assets	354,502	273,840	**29.5%**
Current liabilities	31,914	30,556	4.4%
Long-term liabilities	200,869	151,622	32.5%
Total liabilities	232,783	182,178	**27.8%**
Net assets:			
Invested in capital assets, net of related debt	104,665	73,619	42.2%
Restricted	10,050	24,202	(58.5)%
Unrestricted	7,004	(6,159)	(213.7)%
Total net assets	121,719	91,662	32.8%
Total liabilities and net assets	$ 354,502	$ 273,840	**29.5%**

FINANCIAL ANALYSIS OF THE RTA (continued)

2009 Changes in Net Assets

The change in net assets at December 31, 2009 was approximately $4.9 million or 16.3% less than at December 31, 2008. The RTA's total operating revenues increased by 14.4% to approximately $13.3 million, and total operating expenses increased by 1.7% to approximately $92.3 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.

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

	2009	2008	Increase (Decrease)
Operating Revenues:			
Passenger fares	$ 12,371	$ 10,434	18.6%
Other	912	1,178	(22.6)%
Total operating revenues	13,283	11,612	14.4%
Operating Expenses:			
Operating expenses	76,451	75,766	0.9%
Depreciation and amortization	15,889	14,991	6.0%
Total operating expenses	92,340	90,757	1.7%
Operating loss	(79,057)	(79,145)	(0.1)%
Non-operating revenues-net	60,372	75,033	(19.5)%
Capital contributions	43,842	34,169	28.3%
Change in net assets	25,157	30,057	(16.3)%
Total net assets, beginning of the year	121,719	91,662	32.8%
Total net assets, end of the year	$ 146,876	$ 121,719	20.7%

Operating revenues increased by 14.4% to $13.3 million. The increase in revenue resulted from an increase in fare revenue, due to passenger ridership.

FINANCIAL ANALYSIS OF THE RTA (continued)

2009 Changes in Net Assets (continued)

Operating expenses increased by 0.9% to $76.5 million. The increase is mainly attributable to an increase in contract services, which increased by approximately $19.6 million, due to the company's new management contract with 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 $18.6 million.

Non-operating revenues decreased by 19.5% to $60.4 million. Federal and State of Louisiana operating grants and subsidies decreased $15.1 million or 47.5%. This decrease was offset by an increase in tax revenues of $1.2 million or 2.0% and other net revenues of $0.8 million or 13.9%.

Capital contributions increased by 28.3% to $43.8 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-4
Regional Transit Authority's Operating Expenses
(in thousands of dollars)

	2009	2008	Increase (Decrease)
Labor and fringe benefits	$ 40,202	$ 53,256	(24.5)%
Depreciation	15,889	14,991	6.0%
Contract services	26,535	6,947	282.0%
Insurance and self-insured costs	3,727	7,139	(47.8)%
Materials, fuel, and supplies	4,005	6,420	(37.6)%
Utilities	1,275	1,217	4.8%
Taxes, other than payroll	273	198	37.9%
Rent	277	345	(19.7)%
Miscellaneous	157	244	(35.7)%
Total operating expenses	$ 92,340	$ 90,757	1.7%

Labor and fringe benefits decreased by 24.5% to $40.2 million, primarily due to the terms of the new management contract. Under the new management contract, Veolia Transportation Services, Inc. is responsible for the majority of the payroll services that were previously accounted for in the financial statements of RTA.

Depreciation increased by 6.0% to $15.9 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)

2009 Changes in Net Assets (continued)

Contract services increased by 282.0% to $26.6 million primarily due to the new management contract, legal fees paid to outside firms, and contracted maintenance service.

Insurance and self-insured costs decreased by 47.8% to $3.7 million due to the terms of the new management contract, which states that Veolia Transportation Services, Inc. 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 37.6% to $4.0 million primarily due to the terms of the new management contract and a decrease in fuel costs.

FINANCIAL ANALYSIS OF THE RTA (continued)

2008 Changes in Net Assets

The change in net assets at December 31, 2008 was approximately $15.7 million or 109.6% more than at December 31, 2007. The RTA's total operating revenues increased by 1.3% to approximately $11.6 million, and total operating expenses increased by 11.8% to approximately $90.8 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)

	2008	2007	Increase (Decrease)
Operating Revenues:			
Passenger fares	$ 10,434	$ 10,552	(1.1)%
Federal emergency bus transportation contract	-	329	(100.0)%
Other	1,178	586	101.0%
Total operating revenues	**11,612**	**11,467**	**1.3%**
Operating Expenses:			
Operating expenses	75,766	67,998	11.4%
Depreciation and amortization	14,991	13,181	13.7%
Total operating expenses	**90,757**	**81,179**	**11.8%**
Operating loss	(79,145)	(69,712)	13.5%
Non-operating revenues-net	75,033	74,258	1.0%
Capital contributions	34,169	9,797	248.8%
Change in net assets	**30,057**	**14,343**	**109.6%**
Total net assets, beginning of the year	**91,662**	**77,319**	**18.6%**
Total net assets, end of the year	**$ 121,719**	**$ 91,662**	**32.8%**

FINANCIAL ANALYSIS OF THE RTA (continued)

2008 Changes in Net Assets (continued)

Operating revenues increased by 1.3% to $11.6 million. The increase in revenue resulted from an increase in other operating revenue, including Charter, Advertising, and the Kenner Subsidy revenues, offset by a decrease in federal emergency bus transportation contract revenue of $0.3 million.

Operating expenses increased by 11.4% to $75.8 million. The increase is mainly attributable to an increase in insurance and self-insurance costs, labor and fringe benefits, and contract services, all of which increased by $3.3 million, $2.4 million, and $1.4 million, respectively.

Non-operating revenues increased by 1.0% to $75.0 million. Federal and State of Louisiana grants and subsidies increased $15.7 million or 98.3%. Sales tax revenue decreased $6.0 million or 11.7% and Hotel/Motel tax increased $0.5 million or 15.1%. These changes were offset by a reduction in employee benefits payable in 2007 of $7.3 million that did not reoccur in 2008.

Capital contributions increased by 248.8% to $34.2 million due to contributions related to the purchase of the new buses and repairs to streetcars, the St. Charles Catenary System project, and other miscellaneous projects.

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

	2008	2007	Increase (Decrease)
Labor and fringe benefits	$ 53,256	$ 50,874	4.7%
Depreciation	14,991	13,181	13.7%
Contract services	6,947	5,504	26.5%
Insurance and self-insured costs	7,139	3,796	88.1%
Materials, fuel, and supplies	6,420	5,479	17.2%
Utilities	1,217	1,478	(17.7)%
Taxes, other than payroll	198	94	110.6%
Rent	345	455	(24.2)%
Miscellaneous	244	318	(23.3)%
Total operating expenses	**$ 90,757**	**$ 81,179**	**11.8%**

Labor and fringe benefits increased by 4.7% to $53.3 million due to an increase in pay, lump sum payments to certain ATU and IBEW employees pursuant to labor negotiations, an increase in life insurance and an increase in worker's compensation reserves. This increase was offset by a decrease in the pension and medical reserves. .

FINANCIAL ANALYSIS OF THE RTA (continued)

2008 Changes in Net Assets (continued)

Depreciation increased by 13.7% to $15.0 million due to the purchase and use of new buses and service vehicles.

Contract services increased by 26.2% to $7.0 million primarily due to the new management contract, legal fees paid to outside firms, and contracted maintenance service.

Insurance and self-insured costs increased by 88.1% to $7.1 million due to an increase in claims paid during the year over prior year offset by new claims for 2008 and changes in estimates of claims reserves.

Materials, fuel, and supplies increased by 17.2% to $6.4 million primarily due to an increase in fuel costs.

Utilities decreased by 17.7% to $1.2 million due to the discontinued use of generators that were previously used to power facilities, along with a decrease in sewerage costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

2009 Capital Assets

As of December 31, 2009, the RTA had invested approximately $430.1 million in capital assets. Net of accumulated depreciation, the RTA's net capital assets at December 31, 2009 totaled approximately $242.7 million. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $32.7 million or 15.6% over December 31, 2008. This increase includes $15.9 million of current year depreciation expense.

2008 Capital Assets

As of December 31, 2008, the RTA had invested approximately $393.8 million in capital assets. Net of accumulated depreciation, the RTA's net capital assets at December 31, 2008 totaled approximately $210.0 million. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $21.9 million or 11.6% over December 31, 2007. This increase includes $15.0 million of current year depreciation expense.

2009 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 2009, $2,534,000 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 has been

CAPITAL ASSETS AND DEBT ADMINISTRATION

2009 Debt Administration (continued)

borrowed against this facility. During 2009, $1.8 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 2009, $464,324 in principal payments were made and $1,960,000 was redeemed against the principal amount of the bond.

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 $35,867,738 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 2007 through 2008 due to disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita. Drawdowns on the loan totaled $35,867,738 through December 31, 2009, 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 $47,209,024 in February 2008, and no drawdowns in 2009.

2008 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 2008, $3,415,000 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 $59.0 million has been borrowed against this facility. During 2008, $1.7 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.

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 $35,867,738 from State funds on deposit in the Debt

CAPITAL ASSETS AND DEBT ADMINISTRATION

2008 Debt Administration (continued)

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 $35,867,738 through December 31, 2008.

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 $47,209,024 in February 2008.

ECONOMIC FACTORS

With the reinstatement of regular fare rates in August 2006 and the resumption of streetcar service to the final section of the traditional St. Charles Avenue route in November 2008, the RTA has continued on its road to recovery; however, it is unknown at this time what long term impact the substantial decrease in population of the City of New Orleans will have on 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 354,850, 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 2009 and will continue to have a significant impact in the future. Total FEMA debris removal, mitigation, and capital replacement grants are expected to exceed $120.4 million. Of these, approximately $45.3 million has been recognized through 2009. FEMA revenues will be recognized as buildings, buses, streetcars, and other reimbursable assets are repaired or replaced. In 2009, 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. Mark Major, TMSEL President at (504) 827-8368.

REGIONAL TRANSIT AUTHORITY

Statements of Net Assets

December 31, 2009 and 2008

Assets	2009	2008
Current assets:		
Cash (note 2)	$ 64,008,978	$ 104,540,225
Investments, unrestricted (note 2)	25,809,318	3,467,813
Accounts receivable, net (note 3)	25,648,061	21,920,352
Due from Veolia Management Services, Inc.	960,278	-
Inventories	543,692	1,389,505
Prepaid expenses and other assets	1,449,285	2,152,666
Restricted Capital Lease Escrow	6,505,714	-
Total current assets	124,925,326	133,470,561
Restricted assets, cash and investments (note 2):		
1991 series bond trustee accounts (note 6)	1,718,798	1,585,902
1998 series bond trustee accounts (note 6)	253,269	239,932
2000 and 2000A series bond trustee accounts (note 6)	7,854	314,783
Self-insurance (note 10)	1,403,719	1,403,719
Capital lease escrow (note 9)	-	6,505,709
Total restricted assets	3,383,640	10,050,045
Deferred charges - bond issue costs (note 6)	792,505	1,012,542
Property, buildings and equipment, net (note 4)	242,657,905	209,968,943
	$ 371,759,376	$ 354,502,091

Liabilities and Net Assets	2009	2008
Current liabilities (payable from current assets):		
Accounts payable, accrued expenses, and deferred credits	$ 9,317,626	$ 10,305,291
Current portion of legal and small claims (note 10)	3,586,009	2,379,450
Current portion of amounts due to Transit Management of Southeast Louisiana, Inc. (TMSEL)	6,493,340	7,820,723
Current portion of capital lease (note 9)	6,380,796	6,105,000
Deferred FEMA revenue	554,812	588,273
Due to Veolia Management Services, Inc.	5,566,233	147,938
	31,898,816	27,346,675
Current liabilities (payable from restricted assets):		
Current portion of accrued bond interest	213,730	279,322
Current portion of bonds payable (note 6)	4,601,227	4,287,924
	4,814,957	4,567,246
Total current liabilities	36,713,773	31,913,921
Long-term liabilities:		
Accrued bond interest, less current portion	19,925,086	18,052,458
Legal and small claims, less current portion (note 10)	16,933,213	21,827,261
Amounts due to TMSEL, less current portion	-	100,000
Bonds payable, less current portion (note 6)	65,600,966	70,313,079
Debt service assistance fund loan	35,867,738	35,867,738
Community disaster loan (note 6)	47,209,024	47,209,024
Accrued Community Disaster Loan interest	2,634,135	1,233,611
Capital lease payable, less current portion (note 9)	-	6,266,155
Total long-term liabilities	188,170,162	200,869,326
Total liabilities	224,883,935	232,783,247
Net assets:		
Invested in capital assets, net of related debt	145,936,100	104,665,005
Restricted	9,889,354	10,050,045
Unrestricted	(8,950,013)	7,003,794
Total net assets	146,875,441	121,718,844
Commitments and contingencies (notes 9, 10, 11 and 12)		
	$ 371,759,376	$ 354,502,091

See accompanying notes to financial statements.

REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets

For the years ended December 31, 2009 and 2008

	2009	2008
Operating revenues:		
Passenger fares	$ 12,370,553	$ 10,434,012
Other	912,183	1,177,641
Total operating revenues	13,282,736	11,611,653
Operating expenses:		
Labor and fringe benefits (note 1(a))	40,201,805	53,256,303
Depreciation	15,889,255	14,990,859
Contract services	26,535,425	6,946,775
Insurance and self-insured costs	3,726,811	7,138,387
Materials, fuel and supplies	4,005,387	6,420,301
Utilities	1,274,943	1,216,666
Taxes, other than payroll	272,969	197,965
Rent	276,847	345,389
Miscellaneous	156,778	244,357
Total operating expenses	92,340,220	90,757,002
Loss from operations	(79,057,484)	(79,145,349)
Nonoperating revenues (expenses):		
Tax revenues:		
Sales tax	46,548,530	45,094,232
Hotel/Motel tax	3,517,887	3,808,117
Government operating grants:		
Federal subsidy	15,938,562	26,585,712
Federal Emergency Management Agency	(710,688)	3,329,551
State Department of Transportation	1,514,334	1,523,582
Planning and technical study grants	(121,291)	234,935
Loss on disposal of assets	(113,512)	(70,925)
Investment income	552,876	1,519,755
Interest expense	(6,754,447)	(6,991,737)
Total nonoperating revenues	60,372,251	75,033,222
Net loss before capital revenues	(18,685,233)	(4,112,127)
Capital contributions	43,841,830	34,168,748
Increase in net assets	25,156,597	30,056,621
Net assets:		
Balance, beginning of year	121,718,844	91,662,223
Balance, end of year	$ 146,875,441	$ 121,718,844

See accompanying notes to financial statements.

REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from operations	$ 12,455,042	$ 11,061,640
Cash received from other sources	788,952	1,322,849
Cash paid to employees and for related expenses	(41,629,188)	(53,878,064)
Cash paid to suppliers	(26,457,036)	(14,876,176)
Cash paid for insurance, legal claims and related costs	(7,414,300)	(7,241,516)
Net cash used in operating activities	(62,256,530)	(63,611,267)
Cash flows from noncapital financing activities:		
Cash received from sales tax	45,745,680	50,251,773
Cash received from hotel/motel tax	2,862,731	4,284,175
Operating subsidies received from other governments	13,450,269	25,761,381
Net cash provided by noncapital financing activities	62,058,680	80,297,329
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(54,051,340)	(33,968,806)
Capital revenues from federal grants	49,154,037	35,122,868
Interest paid	(3,573,343)	(3,949,371)
Repayment of bonds	(4,180,657)	(5,082,000)
Repayment of capital lease obligation	(6,182,056)	(5,905,000)
Proceeds from community disaster loan	-	47,209,024
Proceeds from debt service assistance fund loan	-	8,859,240
Net cash provided by (used in) capital and related financing activities	(18,833,359)	42,285,955
Cash flows from investing activities:		
Purchases of investment securities	(69,234,027)	(3,096,191)
Proceeds from sale and maturities of investment securities	47,255,301	-
Interest payments received	317,997	1,483,755
Net cash provided by (used in) investing activities	(21,660,729)	(1,612,436)
Net increase (decrease) in cash and cash equivalents	(40,691,938)	57,359,581
Cash and cash equivalents at beginning of year	114,590,270	57,230,689
Cash and cash equivalents at end of year	$ 73,898,332	$ 114,590,270

REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 2009 and 2008

		2009		2008
Reconciliation of loss from operations to net cash used in operating activities:				
Loss from operations	$	(79,057,484)	$	(79,145,349)
Adjustments to reconcile loss from operations to net cash used in operating activities:				
Depreciation		15,889,255		14,990,859
Amortization of bond issue costs		220,037		268,538
Decrease in allowance for doubtful accounts		(75,864)		(549,985)
(Increase) decrease in accounts receivable		(38,742)		772,836
Decrease (increase) in prepaid assets		703,381		(43,566)
Decrease (Increase) in inventory		845,813		(467,094)
Increase in accounts payable and accrued expenses		4,371,946		1,300,512
Decrease in amounts due to TMSEL		(1,427,383)		(634,889)
Decrease in the provision for legal and small claims liability		(3,687,489)		(103,129)
Net cash used in operating activities	$	(62,256,530)	$	(63,611,267)

		2009		2008
Reconciliation to statement of net assets:				
Cash and cash equivalents for cash flow statement include:				
Cash	$	64,008,978	$	104,540,225
Restricted assets:				
1991 series bond trustee accounts		1,718,798		1,585,902
1998 series bond trustee accounts		253,269		239,932
2000 and 2000A series bond trustee accounts		7,854		314,783
Self-insurance		1,403,719		1,403,719
Capital lease escrow		6,505,714		6,505,709
Total cash and cash equivalents	$	73,898,332	$	114,590,270

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. 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 TMSEL management contract expired on August 31, 2009 and was replaced beginning September 1, 2009, with a new delegated management contract with Veolia Transportation Services, Inc. (Veolia).

The Regional Transit Authority (RTA) of New Orleans on July 1, 2009 approved terms on a delegated management contract with 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.

Veolia will continue to report to the Board of Commissioners of the New Orleans RTA,

(1) Summary of Significant Accounting Policies (continued)

(a) *Organization and Reporting Entity (continued)*

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.

(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.

(1) Summary of Significant Accounting Policies (continued)

(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

All vacation earned by TMSEL employees on or before August 31, 2009 is the liability of the RTA. The total liability for accrued vacation at December 31, 2009 and 2008, included in current liabilities, was approximately $1.4 million and $2.1 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.

(i) Cash Flows

For the purposes of the statements of cash flows, cash and cash equivalents include investments with a maturity of less than one year.

(1) Summary of Significant Accounting Policies (continued)

(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.

(1) Summary of Significant Accounting Policies (continued)

(o) Reclassification of Prior Year Balances

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

(2) Cash and Investments

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

	December 31, 2009 Restricted	December 31, 2009 Unrestricted	December 31, 2008 Restricted	December 31, 2008 Unrestricted
Cash and cash equivalents	$ 8,485,635	$ 64,008,978	8,646,326	$ 104,540,225
Investments, at fair value:				
Certificates of deposit	1,403,719	25,809,318	1,403,719	3,467,813
	$ 9,889,354	$ 89,818,296	10,050,045	$ 108,008,038

Custodial Credit Risk

Actual cash in banks and certificates of deposit as of December 31, 2009 and 2008, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was $82,292,867 and $14,895,168, respectively. Of the total bank balances at December 31, 2009 and 2008, all amounts were covered by federal depository insurance ($1,856,329 and $855,409, respectively) or by collateral held in the RTA's name by its agent ($61,929,185 and $65,403,442, respectively). Actual cash in money market accounts was $11,677,780 and $13,354,364, 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, 2009 and 2008, approximately $1,403,719 of restricted assets was 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

(2) Cash and Investments

Investments (continued)

TMSEL employees receiving workman's compensation benefits as of August 31, 2009. Effective September 1, 2009, Veolia became responsible for all new claims.

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, 2009, cash and cash equivalents included $6,403,719 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.

(3) Accounts Receivable

Accounts receivable consist of the following as of December 31:

	2009	2008
Sales tax	$ 7,485,510	$ 2,224,643
Hotel/motel tax	1,020,413	365,257
Federal capital grants	4,254,980	9,567,187
State operating subsidy	307,130	91,122
Federal Emergency Management Agency	12,035,586	8,898,399
Passenger (transpass and visitor)	189,521	274,010
Kenner operating subsidy	119,161	99,434
Other	415,271	655,675
	25,827,572	22,175,727
Less allowance for uncollectible amounts	(179,511)	(255,375)
	$ 25,648,061	$ 21,920,352

(4) Property, Buildings and Equipment

A summary of changes in fixed assets follows:

	January 1, 2009	Additions	Deletions	December 31, 2009
Land	$ 6,988,812	$ -	$ -	$ 6,988,812
Buildings	89,648,521	592,432	-	90,240,953
Equipment, primarily transportation vehicles	243,433,641	19,695,438	(12,187,601)	250,941,478
Furniture and fixtures	29,414,224	5,312,313	(86,289)	34,640,248
Construction in progress	24,296,894	39,159,829	(16,181,893)	47,274,830
	393,782,092	64,760,012	(28,455,783)	430,086,321
Accumulated depreciation and amortization	(183,813,149)	(15,889,255)	12,273,988	(187,428,416)
	$ 209,968,943	$ 48,870,757	$ (16,181,795)	$ 242,657,905

	January 1, 2008	Additions	Deletions	December 31, 2008
Land	$ 6,988,812	$ -	$ -	$ 6,988,812
Buildings	89,632,356	16,165	-	89,648,521
Equipment, primarily transportation vehicles	211,815,261	34,221,113	(2,602,733)	243,433,641
Furniture and fixtures	28,807,333	606,891	-	29,414,224
Construction in progress	22,349,940	20,511,395	(18,564,441)	24,296,894
	359,593,702	55,355,564	(21,167,174)	393,782,092
Accumulated depreciation and amortization	(171,492,098)	(14,990,859)	2,669,808	(183,813,149)
	$ 188,101,604	$ 40,364,705	$ (18,497,366)	$ 209,968,943

At December 31, 2009 and 2008, equipment includes transportation vehicles (buses) under capital lease with a net book value of $205,898 and $655,875, respectively.

At December 31, 2009, construction in progress additions were mainly related to the renovation of the administrative building, located on Canal Street, the St. Charles Catenary System and various other construction projects. Deletions mainly included the completion of the bus and street car terminals on Canal Street.

(5) Due to City of New Orleans

The RTA had an agreement with the City of New Orleans (the City) to repay $5,891,177 for overpayments of sales taxes collected by the City and remitted to the RTA, which was recorded as a reduction of sales tax revenues for the year ended December 31, 2004. This amount was inclusive of an offset of the amounts due from the City as of December 31, 2004 of $807,692. The repayments were made in monthly installments ending May 2008 of $140,266 deducted from sales tax remittances from the City. Deductions from sales tax remittances totaled $981,863 for the year ended December 31, 2008. As of December 31, 2008 this balance was paid in full.

(6) Long-term Debt

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

	2009	2008
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	$ 10,070,000	$ 12,140,000
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	7,526,409	7,990,733
2000 Series, LCDA Revenue Bonds, variable interest rate of 1.92% and 2.85% as of December 31, 2009 and 2008, respectively, due in annual principal debt service requirements ranging from $844,600 to $2,372,500, final payment due February 2025	25,409,312	26,342,112
2000A Series, LCDA Revenue Bonds, variable interest rate of 2.02% and 2.78% as of December 31, 2009 and 2008, respectively, due in annual principal debt service requirements ranging from $622,500 to $1,970,600, final payment due November 2029	26,799,256	27,543,056
	69,804,977	74,015,901
Plus unamortized premium	397,216	585,102
Less current maturities	4,601,227	4,287,924
Long-term debt less current maturities	$ 65,600,966	$ 70,313,079

(6) 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 $397,216 and $585,102 at December 31, 2009 and 2008, 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.

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.

(6) Long-term Debt (continued)

1991 Bond Series (continued)

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, 2009 and 2008 was $31,149,000. The principal balance as of December 31, 2009 and 2008 is $25,409,312 and $26,342,112, respectively, of which $1,150,600 is due in 2010. For the 2000A Series, the amount drew down under this agreement as of December 31, 2009 and 2008 was $30,177,056, respectively. The principal balance as of December 31, 2009 and 2008 is $26,799,256 and $27,543,056, respectively, of which $782,100 is due in 2010. 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.

(6) Long-term Debt (continued)

Debt Service Requirements

The following represents the debt service requirements for the bond issues as of December 31, 2009:

	1991 and 1998A Bonds Principal	1991 and 1998A Bonds Interest	2000 and 2000A Bonds Principal	2000 and 2000A Bonds Interest	Total Principal	Total Interest
2010	$ 2,668,527	$ 1,965,399	$ 1,932,700	$ 1,010,537	$ 4,601,227	$ 2,975,936
2011	2,820,099	1,816,594	1,969,100	973,031	4,789,199	2,789,625
2012	2,982,856	1,649,337	2,080,500	933,413	5,063,356	2,582,750
2013	3,163,633	1,468,358	2,197,800	891,557	5,361,433	2,359,915
2014	946,835	3,690,473	2,322,000	847,344	3,268,835	4,537,817
2015-2019	3,824,400	19,350,607	13,605,370	3,484,372	17,429,770	22,834,979
2020-2024	1,190,059	8,080,000	18,093,200	1,946,816	19,283,259	10,026,816
2025-2029	-	-	10,007,898	516,204	10,007,898	516,204
	$ 17,596,409	$ 38,020,768	$ 52,208,568	$ 10,603,274	$ 69,804,977	$48,624,042

(6) Long-term Debt (continued)

Changes in Long-Term Debt

Long-term debt activity for the year ended December 31, 2009 and 2008 are as follows:

	January 1, 2009	Additions	Payments	December 31, 2009	Due Within One Year
1998A Series, Sales Tax Refunding Bonds	$ 12,140,000	$ -	$ (2,070,000)	$ 10,070,000	$ 2,235,000
1991 Series, Sales Tax Revenue Bonds	7,990,733	-	(464,324)	7,526,409	433,527
2000 Series, LCDA Revenue Bonds	26,342,112	-	(932,800)	25,409,312	1,150,600
2000A Series, LCDA Revenue Bonds	27,543,056	-	(743,800)	26,799,256	782,100
	$ 74,015,901	$ -	$ (4,210,924)	$ 69,804,977	$ 4,601,227

	January 1, 2008	Additions	Payments	December 31, 2008
1998A Series, Sales Tax Refunding Bonds	$ 14,055,000	$ -	$ (1,915,000)	$ 12,140,000
1991 Series, Sales Tax Revenue Bonds	9,490,733	-	(1,500,000)	7,990,733
2000 Series, LCDA Revenue Bonds	27,303,512	-	(961,400)	26,342,112
2000A Series, LCDA Revenue Bonds	28,248,656	-	(705,600)	27,543,056
	$ 79,097,901	$ -	$ (5,082,000)	$ 74,015,901

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

(6) Long-term Debt (continued)

Debt Service Assistance Fund Loan (continued)

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, 2009 and 2008, 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
2012-2016	$ 9,368,730	$ 7,491,295	$ 16,860,025
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

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. Interest expense accrued in 2009 is $1,400,523. On March 19, 2010, RTA made a request of the State of Louisiana to forgive the Community Disaster Loan Payable. Payments of principal and interest are deferred until the end of the five year period. Interest rates and maturity dates for the draw downs are as follows:

Principal	Interest Rate	Maturity Date
$ 24,712,417	3.00%	August 7, 2011
22,496,607	2.93%	August 27, 2011
$ 47,209,024		

Operating revenues are pledged as security for the loan.

(6) Long-term Debt (continued)

Special Community Disaster Loan Payable (continued)

Debt service requirements relating to the loan are as follows:

Years Ending December 31	Principal	Interest	Total
2011	$ 24,712,417	$ 1,394,390	$ 26,106,807
2012	22,496,607	1,239,745	23,736,352
	$ 47,209,024	$ 2,634,135	$ 49,843,159

(7) 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.

All TMSEL and former NOPSI transit employees over the age of 21 (age 25, if hired prior to January 1, 1985) are 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,

(7) TMSEL Pension Plan (continued)

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).

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

(7) TMSEL Pension Plan (continued)

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.

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:

(7) TMSEL Pension Plan (continued)

		2009		2008
Change in Benefit Obligation				
Benefit obligation at beginning of year	$	216,372,036	$	190,426,803
Service cost		1,509,019		1,675,790
Interest cost		12,459,418		12,417,827
Plan participant's contributions		766,674		1,656,808
Actuarial loss (gain)		(1,551,964)		22,250,799
Benefits paid		(13,664,676)		(12,055,991)
Curtailments, settlements and special termination benefits		(13,011,982)		-
Benefit obligation at end of year	$	202,878,525	$	216,372,036
Change in Plan Assets				
Fair value of plan assets at beginning of year	$	126,657,388	$	159,213,787
Actual return on plan assets		24,973,216		(32,698,189)
Employer contributions		8,974,658		12,711,959
Plan participants' contributions		766,674		1,656,808
Benefits paid		(13,664,676)		(12,055,991)
Expenses paid		(1,502,298)		(2,170,986)
Fair value of assets at end of year		146,204,962		126,657,388
Funded status at end of year	$	(56,673,563)	$	(89,714,648)
Amounts recognized in the statement of financial position of TMSEL consist of:				
Non-current liabilities	$	(56,673,563)	$	(89,714,648)

(7) **TMSEL Pension Plan (continued)**

	2009	2008
Amounts recognized in accumulated other comprehensive income of TMSEL consist of:		
Transition obligation	$ -	$ -
Prior service cost	-	6,522,778
Net loss	60,898,077	97,433,823
Total recognized in accumulated other comprehensive income	$ 60,898,077	$ 103,956,601
Accumulated benefit obligation	$ 202,878,525	$ 202,612,783

Information for pension plans with accumulated benefit obligation in excess of plan assets	2009	2008
Projected benefit obligation	$ 202,878,525	$ 216,372,036
Accumulated benefit obligation	202,878,525	202,612,783
Fair value of plan assets	146,204,962	126,657,388
Net Periodic Benefit Cost		
Service cost	$ 2,461,769	$ 2,808,790
Interest cost	12,459,418	12,417,827
Expected return on plan assets	(9,524,751)	(12,990,231)
Amortization of transition asset	-	-
Amortization of prior service cost	1,973,318	2,200,747
Amortization of net loss	7,072,883	3,078,076
Recognition due to settlement or curtailment	4,549,460	-
Net periodic benefit cost	$ 18,992,097	$ 7,515,209
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income of TMSEL		
New net loss	$ (29,462,863)	$ 68,977,205
Amortization of prior service cost	(1,973,318)	(2,200,747)
Amortization of net loss	(7,072,883)	(3,078,076)
One-time ASC 715-30 recognition of prior service (cost)/credit	(4,549,460)	-
Total recognized in net periodic benefit cost and other comprehensive income	$ (43,058,524)	$ 63,698,382
Total recognized in net periodic benefit cost and other comprehensive income	$ (24,066,427)	$ 71,213,591

(7) **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 and $4,320,237, respectively.

	2009	2008
Weighted-average assumptions used to determine benefit obligation as of December 31		
Discount rate	6.00%	6.00%
Rate of compensation increase	2.50%	2.50%

	2009	2008
Weighted-average assumptions used to determine net benefit cost for years ended December 31		
Discount rate	6.00%	6.00%
Rate of compensation increase	2.50%	2.50%
Expected long-term return on plan assets	7.50%	8.00%

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 8.0% 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%

(7) 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 $10,386,892 and $11,130,414 in 2009 and 2008, 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. On May 7, 2003, the Internal Revenue Service approved a change in funding method for the TMSEL Retirement Plan which was effective retroactively to January 1, 2002. Under the new funding method, the actuarial value of assets is determined using a method with a smoothing period of five years.

Assets Allocation

The Plan's weighted-average asset allocations at December 31, 2009, and 2008, by asset category are as follows:

Asset Category	2009	2008
Equity securities	59.82%	47.19%
Debt securities	34.07%	40.12%
Other	6.11%	12.69%
Total	100.00%	100.00%

Cash Flows

Contributions – Expected employer contributions for 2010 are $12,056,591.

(7) TMSEL Pension Plan (continued)

Estimated Future Benefit Payments

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

2010	12,591,709
2011	12,992,491
2012	13,323,710
2013	13,888,762
2014	14,720,850
2015-2019	85,205,449

(8) Other Post Employment Retirement Benefits

TMSEL Retirees

Plan Description

TMSEL pursuant to a management contract with RTA provided for medical and dental benefits through a comprehensive medical plan and are made available to employees upon actual retirement.

TMSEL employees, represented by collective bargaining agreement with ATU Division 1560 and IBEW Local 1700-4, are eligible to retire at age 55 and completion of 5 years of service. Non-contract employees are eligible to retire at completion of 30 years of service. The employer does not pay for retiree medical benefits after Medicare eligibility (normally age 65) except for retirees who live out of the local service area, which is approximately 30% of retirees. We have assumed in this valuation that this percentage applies to future retirees (that is, currently active) as well. 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 above 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.

(8) Other Post Employment Retirement Benefits (continued)

Contribution Rates

TMSEL 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 Regional Transit Authority recognized the cost of providing post-employment medical and life benefits (Regional Transit Authority's portion of the TMSEL retiree medical and life 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. Effective with the Fiscal Year beginning January 1, 2007, Regional Transit Authority implemented Government Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In 2009, Regional Transit Authority's portion of health care funding cost for retired TMSEL employees totaled $3,828,952, and the life insurance totaled $882,428. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution

Regional Transit Authority's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). 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 total ARC for the fiscal year beginning January 1, 2009 is $2,770,985 for medical, and $981,606 for life, as set forth below:

	Medical	Life
Normal Cost	$ 286,967	$ 7,405
30-year UAL amortization amount	2,484,018	974,201
Annual required contribution (ARC)	$ 2,770,985	$ 981,606

(8) Other Post Employment Retirement Benefits (continued)

<u>Net Post Employment Benefit Obligation (Asset)</u>

The table below shows Regional Transit Authority's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2009:

		Medical		Life
Beginning Net OPEB Obligation, January 1, 2009	$	176,708	$	(230,745)
Annual required contribution		2,770,985		981,606
Interest on Net OPEB Obligation (Asset)		7,068		(9,230)
ARC Adjustment		(10,219)		13,344
OPEB Cost		2,767,834		985,720
Contribution		-		-
Current year retiree premium		3,828,952		882,428
Change in Net OPEB Obligation		(1,061,118)		103,292
Ending Net OPEB Obligation	$	(884,410)	$	(127,453)

The following table shows Regional Transit Authority's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	December 31, 2009	$2,767,834	138.34%	$(884,410)
Life	December 31, 2009	$985,720	89.52%	$(127,453)

(8) Other Post Employment Retirement Benefits (continued)

Funded Status and Funding Progress

In the fiscal year ending December 31, 2009, Regional Transit Authority made no contributions to TMSEL's post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2009, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was $42,953,752 (medical) and $16,845,908 (life), which is defined as that portion, as determined by a particular actuarial cost method (Regional Transit Authority uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2009, the entire actuarial accrued liability of $42,953,752 (medical) and $16,845,908 (life) was unfunded.

	Medical	Life
Actuarial Accrued Liability (AAL)	$ 42,953,752	$ 16,845,908
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accrued Liability (UAAL)	42,953,752	16,845,908
Funded Ratio (Act. Val. Assets/AAL)	0%	0%
Covered Payroll (active plan members)	16,794,581	16,794,581
UAAL as a percentage of covered payroll	255.8%	100.3%

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 Regional Transit Authority and TMSEL's employee plan members) at the time of the valuation and on the pattern of sharing costs between Regional Transit Authority and TMSEL's 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 Regional Transit Authority and TMSEL 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

(8) Other Post Employment Retirement Benefits (continued)

Actuarial Methods and Assumptions (continued)

actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the 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 no plan assets. It is anticipated that in future valuations a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 14%. The rates for each age are below:

Age	Percent Turnover
18 - 25	20.0%
26 - 40	18.0%
41 - 54	16.0%
55+	12.0%

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. Both contract and non-contract employees are eligible to retire at age 55 and completion of 5 years of service. Contract employees covered under the collective bargaining agreements with ATU Division 1560 and IBEW Local 1700-4 are eligible to retire at completion of 30 years of service. The employer does not pay for retiree medical benefits after Medicare eligibility (normally age 65) except for retirees who live out of the local service area, which is approximately 30% of retirees. We have assumed in this valuation that this percentage applies to future retirees (that is, currently active) as well.

(8) Other Post Employment Retirement Benefits (continued)

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. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

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. Zero trend has been assumed for valuing life insurance.

Future Cost Increase (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.

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 the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above 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.

(8) Other Post Employment Retirement Benefits (continued)

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 applicable both before and after age 65 are "blended" rates. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" rates for three broad groups: active, retired before Medicare eligibility and retired after Medicare eligibility. It has been assumed that the retiree rate before Medicare eligibility is 130% of the blended rate and that the retiree rate after Medicare eligibility is 80% of the blended rate.

(9) Commitments and Contingencies

(a) Operating Leases

The RTA is obligated under various operating leases for radio communications antenna space, record storage space and copy machines. The operating leases contain renewal options for varying periods at equal or increased annual rentals. Future operating lease payments for 2010 are $312,500. Total lease and rental payments for the years ended December 31, 2009 and 2008 were $750,000 and $153,267, respectively.

(b) Capital Leases

The RTA entered into a lease agreement to acquire 175 buses. The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of December 31, 2009:

	Present value of minimum lease payments	Interest	Total minimum lease payments
2010	6,415,000	$ 93,552	$ 6,508,552
Plus unamortized premium	28,068		
Less unamortized refunding loss	(62,272)		
Less current portion	(6,380,796)		
Long-term portion	$ -		

(c) 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

(9) Commitments and Contingencies (continued)

(c) *Contingencies (continued)*

might be subject to disallowance upon final audit, if any, would not have a material effect on the RTA's financial position.

(d) *Grant Commitments*

As of December 31, 2009 and 2008, 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. The outstanding federal share of grants at December 31, 2009 and 2008 totals approximately $41,149,000 and $38,095,000, 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.

(10) 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. The RTA is also exposed to various risks of loss related to torts, damage to and destruction of assets, errors and omissions, injuries to TMSEL employees and natural disasters. The RTA is self-insured for general liability claims up to $1,000,000 prior to April 1, 1996, $2,000,000 through January 25, 2002, $500,000 through April 15, 2004, $1,000,000 beginning May 27, 2005 through September 1, 2007, and $1,000,000 beginning November 15, 2007 through December 31, 2009. Commercial insurance for general liability covers annual claims in excess of up to $14,000,000 prior to April 1, 1996, $10,000,000 through April 15, 2004, and $25,000,000 beginning May 27, 2005 through September 1, 2006, and $25,000,000 beginning November 15, 2006 through December 31, 2009. The RTA was fully self-insured for general liability claims for the period from April 15, 2004 through May 26, 2005 and from September 2, 2006 through August 31, 2009. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years. 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, 2009 and 2008, $20,519,222 and $24,206,711, 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, 2009 and 2008, were $16,933,213 and $21,827,261, 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

(10) Self-insurance and Legal Claims (continued)

31, 2009 and 2008.

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
2006	$	28,767,453	$	2,534,535	$	(1,648,181)	$	29,653,807
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

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 $3,014,902 and $3,119,087 as of December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, approximately $1,404,000 of restricted assets was pledged as collateral to the Louisiana Office of Workman's Compensation to maintain RTA/TMSEL's self-insurance certificate.

(11) 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 2009 and 2008.

The members of the Board of Commissioners who were paid a per diem for the attendance at board meetings in calendar years 2009 and 2008 are listed below. Some commissioners elect not to receive a per diem.

(11) Related Parties (continued)

The amounts received by each commissioner for the years ended December 31, 2009 and 2008 were as follows:

2009:	Per Diem	Expense Reimbursement	Total
Ron Austin	$ 525	$ -	$ 525
Cesar R. Burgos	-	1,577	1,577
Charlotte Burnell	900	-	900
Jean-Guy Celestin	-	-	-
Connie Goodly	-	-	-
Barbara Major	750	-	750
Earline Roth	900	-	900
Mark Spears	225	-	225
Sharon Wegner	1,050	-	1,050
	$ 4,350	$ 1,577	$ 5,927

2008:	Per Diem	Expense Reimbursement	Total
Ron Austin	$ 825	$ -	$ 825
Cesar R. Burgos	-	-	-
Charlotte Burnell	975	-	975
Jean-Guy Celestin	-	-	-
Connie Goodly	-	-	-
Barbara Major	900	-	900
Earline Roth	1050	270	1,320
Sharon Wegner	1050	1,873	2,923
	$ 4,800	$ 2,143	$ 6,943

(12) 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, 2009, RTA has received cash reimbursements from FEMA totaling $45,251,526. Included in accounts receivable at December 31, 2009 and 2008 is $12,035,586 and $8,898,399, respectively, of reimbursements due from FEMA. Additional FEMA grants totaling in excess of $75.0 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, 2009 and 2008

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, 2008	$ 463,627	115,857	3,164,183	2,671,034	6,414,701
Cash receipts:					
Transfer for principal and interest	-	-	1,367,892	-	1,367,892
Sales tax receipts	-	-	-	55,630,249	55,630,249
Investment income	7,106	1,776	29,158	12,265	50,305
Total cash receipts	7,106	1,776	1,397,050	55,642,514	57,048,446
Cash disbursements:					
Principal and interest payments	-	-	(4,554,577)	-	(4,554,577)
Transfer for debt service and excess	-	-	-	(57,306,039)	(57,306,039)
Expense payments	(1,973)	(493)	(6,655)	(7,508)	(16,629)
Total disbursements	(1,973)	(493)	(4,561,232)	(57,313,547)	(61,877,245)
Beginning balance - January 1, 2009	$ 468,760	$ 117,140	$ 1	$ 1,000,001	$ 1,585,902
Cash receipts:					
Transfer for principal and interest	-	-	1,825,419	-	1,825,419
Sales tax receipts	-	-	-	49,289,470	49,289,470
Investment income	9	2	-	-	11
Total cash receipts	9	2	1,825,419	49,289,470	51,114,900
Cash disbursements:					
Principal and interest payments	(9)	(2)	(1,692,524)	-	(1,692,535)
Transfer for debt service and excess	-	-	-	(49,289,469)	(49,289,469)
Expense payments	-	-	-	-	-
Total disbursements	(9)	(2)	(1,692,524)	(49,289,469)	(50,982,004)
Ending balance - December 31, 2009	$ 468,760	$ 117,140	$ 132,896	$ 1,000,002	$ 1,718,798

(Continued)

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 2009 and 2008

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

	Sales Tax Capital	Debt Service	Total
Beginning balance - January 1, 2008	5,581,788	388	5,582,176
Cash receipts:			
Investment income	52,571	-	52,571
Transfer for principal and interest	2,865,332	-	2,865,332
Total cash receipts	2,917,903	-	2,917,903
Cash disbursements:			
Principal and interest payments	(8,247,621)	-	(8,247,621)
Expense payments	(12,138)	(388)	(12,526)
Total disbursements	(8,259,759)	(388)	(8,260,147)
Beginning balance - January 1, 2009	239,932	-	239,932
Cash receipts:			
Investment income	-	-	-
Transfer for principal and interest	3,053,131	-	3,053,131
Total cash receipts	3,053,131	-	3,053,131
Cash disbursements:			
Principal and interest payments	(3,039,794)	-	(3,039,794)
Expense payments	-	-	-
Total disbursements	(3,039,794)	-	(3,039,794)
Ending balance - December 31, 2009	$ 253,269	$ -	$ 253,269

See accompanying independent auditors' report.

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June 25, 2010

Board of Commissioners
Regional Transit Authority
2817 Canal Street
New Orleans, Louisiana 70119

Dear Commissioners:

We have audited the financial statements of the Regional Transit Authority (RTA) for the year ended December 31, 2009, and have issued our report thereon dated June 25, 2010. In planning and performing our audit of the financial statements of the RTA, we considered the RTA's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies and is summarized in Appendix A. Appendix A also contains management's response (management's corrective action plan) to the comments and recommendations. Appendix B contains a list of the status of prior year comments.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the RTA's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Commissioners, the Louisiana Legislative Auditor's Office, federal and state grantors, management, and others within the RTA.

Sincerely,

Postlethwaite & Netterville

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CURRENT YEAR MANAGEMENT LETTER COMMENTS AND MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN TO CURRENT YEAR COMMENTS

Safeguarding of Farebox Revenues

Upon inspection of the RTA's facilities, the video from two cameras are not clear or close. The images are too small to recognize dollars from paper. The cash counting room supervisor (the Supervisor) cannot clearly see the counting procedures from the office and there is no camera in the Supervisor's office. There should be a Supervisor monitoring the cash counting room at all times and a plan should be in place to ensure that a back-up is available if the Supervisor needs a break. Additionally, it was noted that the Supervisor was not wearing a pocketless uniform. The RTA should ensure compliance with the security procedures in place over cash collection sites and the cash counting room. The RTA should also review and revise security procedures to strengthen internal controls over these areas.

RTA Response

The Regional Transit Authority is in the process of finalizing a comprehensive security system plan for its facilities. The Money Counting room is a component of the security plan. All hardware and software will be upgraded with the latest technology. The security contractor has proposed the optimum placement of cameras and remote live access into the counting room will be available to Transit Security. This project will be completed by December 31, 2010. The counting room manager is required to wear the appropriate attire (i.e. pocket-less lab coat, shirt and or trousers) while performing tasks in the counting room. The uniform contractor has provided staff with appropriate uniforms.

System Access Controls

During the audit it was noted that there were several employees who had access to post adjustments to the general ledger that should not have this access and one terminated employee still had access to the network. The RTA should formalize and document the process for assigning, modifying and revoking user access rights for systems. Access should be removed for the terminated employee immediately, and a review of active network users should be completed to ensure no other terminated employees still have access. It was also noted that several users have the ability to manually post journal entries, modify pay rates and modify sick and vacation accruals within the JD Edwards system. RTA management should review the employees with access to post journal entries, modify pay rates, and/or modify sick and vacation accruals and limit the access to only those employees who need it for their job function.

RTA Response

Upon reviewing the details of this audit finding, the appropriate correction will be made to limit system access to the appropriate staff. Staff functions will be limited based on assigned responsibilities. Additionally, we will implement controls over the granting and reviewing of access rights that will warrant periodic reviews by executive management to prevent the reoccurrence of this situation in the future.

RTA Oversight Committee

As a result of the management contract entered into with Veolia Transportation in 2009, an oversight committee was created to perform oversight related to the fees charged by Veolia to the RTA in connection with the contract. The oversight committee was outsourced to a consultant who is performing a monthly review of the variable and fixed rate fee invoices. Through discussions with the consultant it was noted that the process used to review the variable rate fees is by review of the supporting documentation received from RTA transportation department. It was noted that there is no review of transportation hours for validity. It was also noted that there is no formal process in reviewing the expenditures being paid by RTA to determine if expenses are properly RTA expenses or covered under the management contract. RTA should implement a formal process and designate one employee to perform a review of invoices paid by RTA to determine whether amounts are RTA or Veolia expenditures. There should also be an audit of the transportation hours on the variable rate invoices to determine hours are valid. To ensure the independence of the review, the review should not be conducted by a Veolia employee.

RTA Response

The Management Oversight Committee (MOC) is, in fact, made up of an RTA Board member, the Board's General Counsel, a consultant to the General Counsel, and the Board Secretary. The MOC is in the process of instituting periodic field audits of the transportation hours invoiced by Veolia for validity. Such periodic audits will be conducted in 2010. With regard to the appropriateness of expenditures paid by the RTA, the MOC has created a template of expenses that are the responsibility of the RTA under its Transit Management Agreement with Veolia. The Board Secretary currently uses the template to determine the appropriateness of each proposed RTA expenditure.

Fixed Asset Observations

During our audit procedures, there were assets identified in the fixed asset observation that were not in use, damaged by the hurricanes or stolen. These assets were still on the fixed asset subledger and being depreciated. RTA should perform a complete audit of the fixed asset subledger and determine that all assets exist and are in place.

RTA Response

The Federal Transit Authority mandates that a physical inventory of fixed assets take place every two years. The last inventory performed was in February 2008. In February 2010, RTA was prepared to undergo its physical inventory of fixed assets. However, due to the rehabilitation of the A. Philip Randolph Facility and the administrative employees' move to the facility, it was delayed. In March 2010, the inventory began and is expected to be completed by June 30, 2010. By this date, RTA will have identified all inaccuracies and make all necessary adjustments.

Internal Audit

Pre-Katrina, the internal audit department had a full time staff of three individuals. During fiscal 2009, the staff of the department is currently at one person. Unlike in prior periods, it was noted that there was no formalized internal audit plan for the 2009 fiscal year. A robust internal audit plan would include a formal calendar of reviews that might include a plan to observe accounting procedures, to confirm that appropriate controls are in place, including observation of cash counting procedures and spot checks of accounting records, reconciliations, grant procedures, etc. The RTA should consider the current staffing and the need for a formal internal audit plan.

RTA Response

Prior to a reduction in 2006 of audit staff, an audit plan was created at the end of the previous year and submitted to the General Manager. The areas cited above for review of appropriate controls were in the Financial Audit Section of the Plan. In addition, as a follow-up to the comments noted in the 2008 Management Letter and Single Audit reports, audit procedures were developed and performed to address the Corrective Action Plans (CAPs) that were provided by Management as a response to correct the deficiencies noted in these areas.

Appendix B

DISPOSITION OF PRIOR YEAR'S MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	STATUS	COMMENT DISPOSITION
Safeguarding of Farebox Revenues Discrepancies between the cash counting room records and the farebox collection records are not being investigated on a daily basis because a timely reconciliation is not prepared. A policy should be implemented to prepare reconciliations of farebox collection data to actual cash counts on a daily basis and investigate any discrepancies prior to the deposits being made.	Resolved	Effective March 2009 the RTA successfully replaced all of the fare boxes in our active bus and streetcar fleet. Prior to replacing the old fare boxes we were not able to obtain consistent reliable fare box data. For the past few months the RTA has been validating the fare box set up, training operators/maintenance staff, conducting an overview for administrative staff and performing test reconciliation to ensure the acceptable accuracy of the date. For the remainder of the year the cash count variances were within acceptable industry standards.

REGIONAL TRANSIT AUTHORITY

SINGLE AUDIT REPORTS

DECEMBER 31, 2009

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REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Single Audit Reports

December 31, 2009

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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, 2009, and have issued our report thereon dated June 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2009-1, 2009-2 and 2009-3 to be material weaknesses.

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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.*

We noted certain matters that we reported to management of the RTA in a separate letter dated June 25, 2010.

The RTA's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the RTA's response and accordingly, we express no opinion on it.

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 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 25, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, 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 compliance of the Regional Transit Authority (the RTA) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the RTA's internal control over compliance.

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Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the RTA's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the RTA's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 RTA as of and for the year ended December 31, 2009, and have issued our report thereon dated June 25, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

RTA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit RTA's response and, accordingly, we express no opinion on it.

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 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 25, 2010

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2009

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	$	11,636,920
Formula Grants	20.507		11,846,941
Total Federal Transit cluster			23,483,861
United States Department of Homeland Security:			
Federal Emergency Management Agency, passed through the State of Louisiana – Disaster Assistance Grants	97.036		35,475,139
Homeland Security and Emergency Preparedness, passed through the State of Louisiana – Transit Security Grant	97.056		40,416
Total United States Department of Homeland Security			35,515,555
Total Federal Awards		$	58,999,416
Total Special Community Disaster Loans - Outstanding		$	47,209,024

See accompanying notes to Schedule of Expenditures of Federal Awards.

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Notes to Schedule of Expenditures of Federal Awards

December 31, 2009

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the Regional Transit Authority (RTA). RTA's reporting entity is defined in note 1 to the financial statements for the year ended December 31, 2009. 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 RTA's financial statements for the year ended December 31, 2009.

(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	$15,938,562
Federal Emergency Management Agency	35,475,139
Planning and technical study grants	(121,291)
Capital contributions	7,707,006
Total expenditures of federal awards	$58,999,416

(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. The Loans accrue interest at rates between 2.93% and 3.00% annually to be repaid with the principal when the Loans become due beginning in 2011.

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

(1) Summary of Auditors' Results

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

(b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: yes; Material weaknesses: yes

(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
United States Department of Homeland Security, Federal Emergency Management Agency,	
Special Community Disaster Loan	97.030

(h) Dollar threshold used to distinguish between Type A and Type B programs: $1,771,195

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

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

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

Criteria: All significant general ledger accounts should be reconciled and updated after the occurrence of subsequent period transactions that have an effect on the current year.

Effect: During the course of our audit procedures, we identified significant adjusting entries to the sales tax and hotel/motel tax receivable accounts. Due to the significance of the financial statement adjustments, this is an indication that the internal control over financial reporting of the RTA meets the definition of a significant deficiency and reaches the level of a material weakness.

Cause: The reconciliations were not reviewed by the appropriate level of management and not performed timely.

Auditor's Recommendation: All significant general ledger accounts should be reconciled in a timely manner and detail reviewed by the appropriate level of management. This review should be documented.

Management response: The RTA has a Sales Tax Collection Agreement with the City of New Orleans for the purpose of collecting the 1% sales tax and the hotel/motel tax. Specifically, during the first and second quarter of 2009 the City's remission of actual sales tax revenue collections to the RTA was not consistent, which required accruals for this period. The RTA will work closely with City's Finance Department to insure actual sales tax revenue collections are remitted timely in accordance with the agreement. Upon receipt of actual collections, the general ledger accounts related to sales tax and hotel/motel tax will be reconciled timely and a documented review performed by the appropriate level of management.

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.

Criteria: All significant general ledger accounts should be reconciled on a monthly or at least quarterly basis.

Effect: During the course of our audit procedures, we identified significant adjusting entries to the investment accounts. Due to the significance of the financial statement adjustments, this is an indication that the internal control over financial reporting of the RTA meets the definition of a significant deficiency and reaches the level of a material weakness.

2009-2 RECONCILIATION OF INVESTMENTS (Continued)

Cause: The reconciliations were not reviewed by the appropriate director and not performed timely.

Auditor's Recommendation: All significant general ledger accounts should be reconciled in a timely manner and detail reviewed by the appropriate level of management. This review should be documented.

Management response: The RTA will ensure that the Accounting Department receives monthly statements from all financial institutions that place RTA investments. Upon receipt of the statements all significant general ledger accounts will be reconciled timely and a documented management review performed.

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.

Criteria: All significant general ledger accounts should be reconciled on a monthly or at least quarterly basis.

Effect: During the course of our audit procedures, we identified significant adjusting entries to the legal reserve and insurance accounts. Due to the significance of the financial statement adjustments, this is an indication that the internal control over financial reporting of the RTA meets the definition of a significant deficiency and reaches the level of a material weakness.

Cause: The reconciliations were not reviewed by a director in financial management and not performed timely.

Auditor's Recommendation: All significant general ledger accounts should be reconciled in a timely manner and detail reviewed by the appropriate level of management. This review should be documented.

Management response: Staff will encourage legal counsel and the Third Party Administrators to provide the documentation required to perform the general ledger reconciliations on a quarterly basis ensuring that the process is conducted in a timely manner.

(3) Findings and Questioned Costs relating to Federal Awards: None.

OTHER REPORTS

RTA received a final report dated April 18, 2008 from the Federal Transit Administration regarding the Financial Management Oversight Review of the effectiveness of internal control over RTA's financial management system. This report noted several deficiencies and required corrective actions.

RTA received a final report dated October 21, 2009 from the Federal Transit Administration regarding a Follow Up Financial Management Oversight Review Closeout of the effectiveness of internal control over RTA's financial management system. This report noted several findings and recommendations, as detailed in the April 18, 2008 Financial Management Oversight Review. It was evidence in this report that the RTA has addressed the specific concerns that required corrective action.

RTA received a final report dated October 21, 2009 from the Federal Transit Administration regarding the FY09 Triennial Review. This report noted several deficiencies and required corrective actions. It was evidence in this report that the RTA has addressed the specific concerns that required corrective action.

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings

(1) **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: Unresolved. See repeat finding 2009-1.

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

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.

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.