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REGIONAL TRANSIT AUTHORITY

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2005

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation

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REGIONAL TRANSIT AUTHORITY

Table of Contents

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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, 2005 and 2004, 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 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, 2005 and 2004, 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.

The Management's Discussion and Analysis on pages 3 through 12 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2007 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 read in conjunction with this report in considering the results of our audits.

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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

February 28, 2007

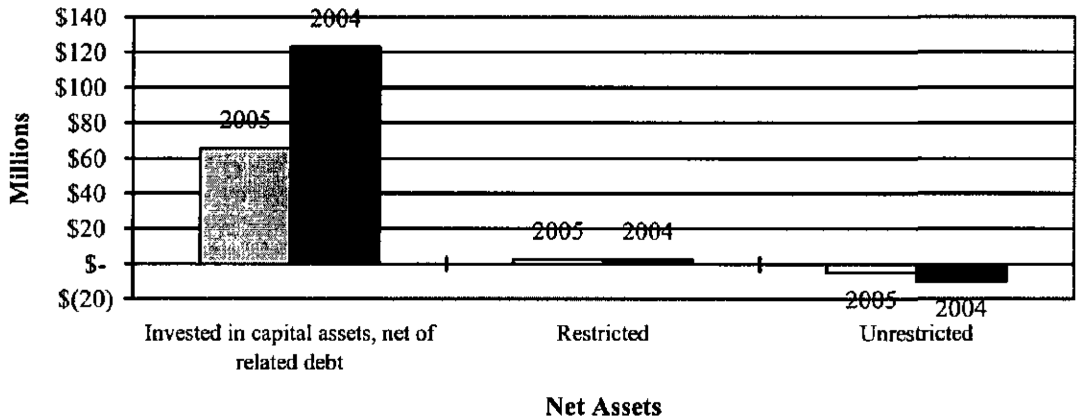
This section of the RTA's annual financial report presents a discussion and analysis of the RTA's financial performance during the fiscal year that ended December 31, 2005. Please read it in conjunction with the RTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

2005

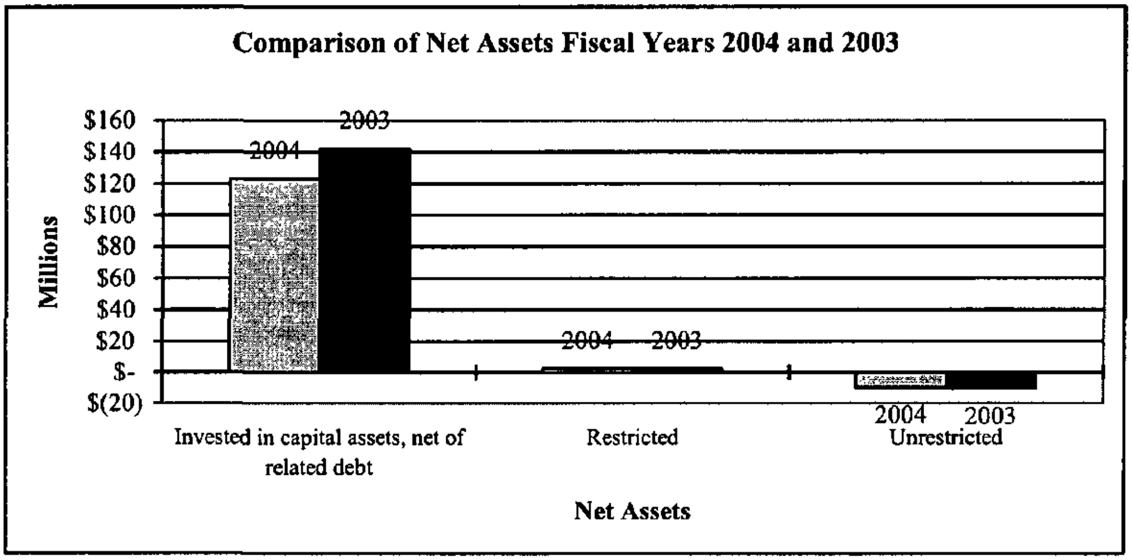
Hurricane Katrina and the resulting flooding was the most significant event to occur during 2005. This event resulted in severe damage to assets resulting in a loss of $37.8 million, net of insurance proceeds of $10.8 million, and significant decreases in RTA's tax revenues. Capital grants for the construction and acquisition of property and equipment decreased by 72.2% to $7.6 million due to the completion in 2004 of the Canal Street Streetcar Line.

Comparison of Net Assets Fiscal Years 2005 and 2004



2004

The RTA continued its construction for the Canal Street Streetcar Line and preliminary engineering for the Desire Street Streetcar Line during 2004. The RTA opened the Canal Street Streetcar Line for revenue service on April 18, 2004. Construction expenditures during 2004 totaled $10.8 million. The Hotel/Motel tax collected by RTA generated $4.5 million of revenues in 2005. Capital grants for the construction and acquisition of property and equipment decreased by 46.6% to $27.5 million.



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, 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 decrease in the RTA's net assets during 2005 is an indicator of its financial health. The decrease is largely attributed to the losses caused by Hurricane Katrina, including property losses, net of insurance proceeds, of $37.8 million and a decrease in tax revenues of $7.3 million.

FINANCIAL ANALYSIS OF THE RTA

2005 Net Assets

The RTA's total net assets at December 31, 2005 declined to approximately $63.5 million, a 45.1% decrease from December 31, 2004 (See Table A-1). Total assets decreased 18.4% to $262.0 million, and total liabilities decreased 3.3% to $198.5 million.

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

	2005	2004	Increase (Decrease)
Current assets	$ 60,232	$ 54,064	11.4%
Restricted assets	2,577	2,475	4.1%
Capital assets	196,702	261,512	(24.8)%
Long-term assets	2,458	2,844	(13.6)%
Total assets	**261,969**	**320,895**	**(18.4)%**
Current liabilities	40,764	38,150	6.9%
Long-term liabilities	157,738	167,143	(5.6)%
Total liabilities	**198,502**	**205,293**	**(3.3)%**
Net assets:			
Invested in capital assets, net of related debt	65,577	123,042	(46.7)%
Restricted	2,577	2,475	4.1%
Unrestricted (deficit)	(4,687)	(9,915)	(52.7)%
Total net assets	**63,467**	**115,602**	**(45.1)%**
Total liabilities and net assets	**$ 261,969**	**$ 320,895**	**(18.4)%**

2004 Net Assets

The RTA's total net assets at December 31, 2004 reached approximately $115.6 million, a 13.6% decrease over December 31, 2003 (See Table A-2). Total assets decreased 1.8% to $320.9 million, and total liabilities increased 6.4% to $205.3 million.

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

	2004	2003	Increase (Decrease)
Current assets	$ 54,064	$ 51,900	(9.6)%
Restricted assets	2,475	2,434	3.3%
Capital assets	261,512	268,296	18.5%
Long-term assets	2,844	4,049	(1.0)%
Total assets	**320,895**	**326,679**	**12.6%**
Current liabilities	38,150	43,282	(8.5)%
Long-term liabilities	167,143	149,629	3.0%
Total liabilities	**205,293**	**192,911**	**0.2%**
Net assets:			
Invested in capital assets, net of related debt	123,042	141,955	31.3%
Restricted	2,475	2,434	3.3%
Unrestricted (deficit)	(9,915)	(10,621)	(17.8)%
Total net assets	**115,602**	**133,768**	**37.1%**
Total liabilities and net assets	**$ 320,895**	**$326,679**	**12.6%**

2005 Changes in Net Assets

The change in net assets at December 31, 2005 was approximately $52.1 million or 187.0% less than at December 31, 2004. The RTA's total operating revenues decreased by 5.4% to approximately $34.1 million, and total operating expenses decreased by 21.0% to approximately $112.6 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.

(Continued)

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

	2005	2004	Increase (Decrease)
Operating Revenues:			
Passenger fares	$ 22,589	$ 34,720	(34.9)%
Federal emergency bus transportation contract	10,251	-	100%
Other	1,241	1,316	(5.7)%
Total operating revenues	**34,081**	**36,036**	**(5.4)%**
Operating Expenses:			
Operating expenses	92,810	120,796	(23.2)%
Depreciation and amortization	19,793	21,653	(8.6)%
Total operating expenses	**112,603**	**142,449**	**(21.0)%**
Operating loss	(78,522)	(106,413)	(26.2)%
Non-operating revenues-net	18,740	60,768	(69.2)%
Capital contributions	7,647	27,479	(72.2)%
Change in net assets	**(52,135)**	**(18,166)**	**187.0%**
Total net assets, beginning of the year	**115,602**	**133,768**	**(13.6)%**
Total net assets, end of the year	**$ 63,467**	**$115,602**	**(45.1)%**

Operating revenues declined by 5.4% to $34.1 million. The decrease in revenue resulted from a decline in regular passenger ridership following Hurricane Katrina, which was offset by a federal emergency bus transportation contract funded by the Federal Emergency Management Agency (FEMA).

Non-operating revenues decreased by 69.2% to $18.7 million. Federal and State of Louisiana grants and subsidies increased $3.7 million or 21.6%. Sales tax revenue decreased $6.5 million or 14.4% and Hotel/Motel tax decreased $0.8 million or 18.1%. Non-operating revenues-net included a charge of $37.8 million in 2005 as a result of damages sustained to property, equipment, and inventory. The recorded charges were reduced by $10.8 million in insurance proceeds applicable to these losses.

Capital contributions decreased by 72.2% to $7.6 million due to the decrease in grants earned on construction of the Canal Street Streetcar project which was opened for revenue service in April 2004.

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

	2005	2004	Increase (Decrease)
Labor and fringe benefits	$ 65,172	$ 77,169	(15.5)%
Depreciation	19,793	21,653	(8.6)%
Contract services	11,852	15,108	(21.6)%
Insurance and self-insured costs	4,969	14,662	(66.1)%
Materials, fuel, and supplies	8,018	9,508	(15.7)%
Utilities	1,540	1,942	(20.7)%
Purchased transportation	13	1,122	(98.8)%
Taxes, other than payroll	542	770	(29.6)%
Rent	166	250	(33.6)%
Miscellaneous	538	265	103.0%
Total operating expenses	**$112,603**	**$142,449**	**(21.0)%**

Labor and fringe benefits; contract services; materials, fuel, and supplies; utilities; taxes, other than payroll; and rent decreased due to the loss and/or decrease in transit services, the damage to RTA facilities and assets, and the displacement of the majority of the population of New Orleans and its surrounding areas, including most RTA/TMSEL employees due to the devastation caused by Hurricane Katrina.

Depreciation expenses decreased by 8.6% to $19.8 million due to impairments recognized as a result of losses caused by the hurricane.

Insurance and self-insured costs decreased by 66.1% to $5.0 million due to a decrease in estimates on previously existing claims and a reduction in the number and amount of new claims incurred in 2005 as compared to prior years offset by new claims.

Purchased transportation decreased by 98.8% to $13,000 due to the assumption of paratransit operations by in-house operations, including all lift van and sedan services, during the fall of 2004.

Miscellaneous expense increased by 103.0% to $538,000 primarily due to a $250,000 increase in the reserve for bad debt.

2004 Changes in Net Assets

The change in net assets at December 31, 2004 was approximately $18.2 million or 150.2% less than at December 31, 2003. The RTA's total operating revenues decreased by 0.1% to approximately $36.0 million, and total operating expenses increased by 18.3% to approximately $142.4 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)

	2004	2003	Increase (Decrease)
Operating Revenues:			
Passenger fares	$ 34,720	$ 34,941	(2.4)%
Other	1,316	1,123	(31.0)%
Total operating revenues	**36,036**	**36,064**	**(3.6)%**
Operating Expenses:			
Operating expenses	120,796	103,070	2.0%
Depreciation and amortization	21,653	17,382	(0.2)%
Total operating expenses	**142,449**	**120,452**	**1.6%**
Operating loss	(106,413)	(84,388)	4.1%
Non-operating revenues-net	60,768	69,172	11.9%
Capital contributions	27,479	51,425	38.8%
Change in net assets	**(18,166)**	**36,209**	**103.3%**
Total net assets, beginning of the year	**133,768**	**97,559**	**22.3%**
Total net assets, end of the year	**$115,602**	**$133,768**	**37.1%**

Operating revenues declined by 0.1% to $36.0 million. The decrease in revenue resulted from a decline in regular passenger ridership and student ridership offset by an increase in paratransit ridership. The decline in passenger fares was accompanied by an increase in other operating revenues which increased by 17.2% to $1.3 million.

Non-operating revenues decreased by 12.1% to $60.8 million. Federal and State of Louisiana grants and subsidies increased $0.9 million or 5.8%. Sales tax revenue decreased $8.8 million or 16.3% and Hotel/Motel tax increased $0.1 million or 3.3%.

Capital contributions decreased by 46.6% to $27.5 million due to the decrease in grants earned on construction of the Canal Street Streetcar project which was opened for revenue service in April 2004.

(Continued)

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

	2004	2003	Increase (Decrease)
Labor and fringe benefits	$ 77,169	$68,191	10.4%
Depreciation	21,653	17,382	(0.2)%
Contract services	15,108	14,497	2.0%
Insurance and self-insured costs	14,662	7,848	(38.2)%
Materials, fuel, and supplies	9,508	7,863	8.8%
Utilities	1,942	1,614	16.1%
Purchased transportation	1,122	1,771	(5.2)%
Taxes, other than payroll	770	747	(7.8)%
Rent	250	169	(15.1)%
Miscellaneous	265	370	(60.5)%
Total operating expenses	**$142,449**	**$120,452**	**1.6%**

Labor and fringe benefits increased by 13.2% from 2003 to $77.2 million due to an increase in the pension plan actuarial minimum contribution, increases in medical insurance and workers' compensation, the hiring of additional operators and contractual wage increases.

Depreciation expenses increased by 24.6% to $21.7 million due to the Canal Street Streetcar Line being placed in service in April 2004.

Insurance and self-insured costs increased by 86.8% to $14.7 million due to current year claims and changes in estimates on previously existing claims.

Materials, fuel and supplies expense increased by 20.9% to $9.5 million due to increases in the price of fuel for revenue and non-revenue vehicles and an increase in revenue vehicle parts needed for an aging fleet. Utilities expense increased by 20.3% to $1.9 million due to an increase in fuel costs.

Purchased transportation decreased by 36.6% to $1.1 million due to a decrease in service hours provided by contracted van and sedan services. These service hours were assumed by in-house operations, including all lift van and sedan services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

2005 Capital Assets

As of December 31, 2005, the RTA had invested approximately $344.8 million in capital assets. Net of accumulated depreciation, the RTA's net capital assets at December 31, 2005 totaled approximately $196.7 million. This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately $64.8 million or 24.8% under December 31, 2004. This decrease includes net book value of property losses and impairments of approximately $48.6 million due to Hurricane Katrina damages and $19.8 million of current year depreciation expense.

2004 Capital Assets

As of December 31, 2004, the RTA had invested approximately $436.9 million in capital assets. Net of accumulated depreciation, the RTA's net capital assets at December 31, 2004 totaled approximately $261.5 million. This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately $6.8 million or 2.5% under December 31, 2003.

The approximate $134.4 million decrease in construction work in progress is primarily the result of the Canal Street Streetcar Line being placed in service in April 2004.

2005 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 2005, $2,760,000 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 2005, $917,500 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 can 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.

All bond debt and lease covenants have been met.

2004 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 2004, $2,575,000 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 2004, $1,076,500 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 can 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.

All bond debt and lease covenants have been met.

ECONOMIC FACTORS

RTA ridership was on the rise during 2005 and anticipation was for it to continue to rise due to the new Canal Street Streetcar Line placed in service in April 2004. However, the economic picture changed with Hurricane Katrina when the hurricane and its aftermath caused a total loss in service initially. A contract with the Federal Transit Administration funded by FEMA for emergency bus transportation services subsidized the return of service in October 2005. With the reinstatement of regular fare rates in August 2006, the RTA has begun its road to recovery; however, it is unknown at this time what impact the substantial decrease in population of the City of New Orleans will have on the RTA.

In post Katrina, there are significant other revenues and expenses, which impact RTA. State and federal grants related to the disaster have a significant impact on 2006. Total FEMA debris removal, mitigation, and capital replacement grants are expected to exceed $60.0 million. Of these approximately $486,000 has been recognized in 2005. FEMA revenues will be recognized as buildings, buses, streetcars, and other reimbursable assets are repaired or replaced. In 2006, RTA will recognize a significant portion of these revenues but much of the construction and replacement will not have been completed and the revenues although measurable may not be available due to the slowness of actual receipts of FEMA funds.

In July 2006, RTA and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement (the Agreement) whereby the State agreed to lend up to $35.9 million to RTA 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 2006. This loan is to assist in payment of debt service requirements for 2006 to 2008 due to disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita. No principal or interest is payable during the initial five year period of the loan. After the expiration of the initial five-year period, the loan bears interest at a fixed rate of 4.64%.

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 Dwight Duplessis, Deputy General Manager of Finance, at (225) 929-8372.

REGIONAL TRANSIT AUTHORITY

Statements of Net Assets

December 31, 2005 and 2004

Assets	2005	2004
Current assets:		
Cash (note 2)	$ 6,720,503	6,485,196
Accounts receivable, net (note 3)	43,463,797	40,093,492
Investments, unrestricted (note 2)	8,816,469	5,157,983
Inventories	669,944	2,057,667
Prepaid expenses and other assets	561,888	269,804
Total current assets	60,232,601	54,064,142
Restricted assets, cash and investments (note 2):		
1991 series bond trustee accounts (note 6)	672,577	668,886
1998 series bond trustee accounts (note 6)	258,796	258,965
2000 and 2000A series bond trustee accounts (note 6)	223,496	146,793
Self-insurance (note 11)	1,231,442	1,218,484
Capital lease escrow (note 10)	190,421	181,830
Total restricted assets	2,576,732	2,474,958
Deferred charges - bond issue costs (note 6)	2,457,691	2,843,970
Property, buildings and equipment, net (note 4)	196,702,198	261,511,651
	$ 261,969,222	320,894,721

Liabilities and Net Assets	2005	2004
Current liabilities (payable from current assets):		
Accounts payable, accrued expenses, and deferred credits	$ 8,214,584	10,374,742
Current portion of legal and small claims (note 11)	1,400,708	4,717,094
Current portion of amounts due to Transit Management of Southeast Louisiana, Inc. (TMSEL)	18,775,193	11,600,732
Current portion of capital lease (note 10)	5,355,000	5,100,000
Due to City of New Orleans, current	1,683,194	1,683,194
	35,428,679	33,475,762
Current liabilities (payable from restricted assets):		
Current portion of accrued bond interest	432,599	525,325
Current portion of bonds payable (note 6)	4,903,200	4,148,600
	5,335,799	4,673,925
Total current liabilities	40,764,478	38,149,687
Long-term liabilities:		
Employee benefits payable (note 9)	7,330,000	7,330,000
Accrued bond interest, less current portion	13,155,157	11,736,649
Legal and small claims, less current portion (note 11)	27,366,745	26,860,816
Amounts due to TMSEL, less current portion	363,000	470,000
Bonds payable, less current portion (note 6)	84,171,661	88,899,989
Capital lease payable, less current portion (note 10)	23,107,381	28,058,908
Due to City of New Orleans, less current portion	2,244,258	3,787,185
Total long-term liabilities	157,738,202	167,143,547
Total liabilities	198,502,680	205,293,234
Net assets:		
Invested in capital assets, net of related debt	65,577,200	123,042,180
Restricted	2,576,732	2,474,958
Unrestricted (deficit)	(4,687,390)	(9,915,651)
Total net assets	63,466,542	115,601,487
Commitments and contingencies (notes 9, 10, 11 and 12)	-	-
	$ 261,969,222	320,894,721

See accompanying notes to financial statements.

REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets

For the years ended December 31, 2005 and 2004

		2005	2004
Operating revenues:			
Passenger fares	$	22,589,208	34,720,356
Federal emergency bus transportation contract		10,251,300	-
Other		1,240,331	1,315,940
Total operating revenues		34,080,839	36,036,296
Operating expenses:			
Labor and fringe benefits (note 1(a))		65,171,902	77,169,459
Depreciation		19,792,537	21,653,238
Contract services		11,851,603	15,108,051
Insurance and self-insured costs		4,968,895	14,661,851
Materials, fuel and supplies		8,017,629	9,508,119
Utilities		1,540,482	1,941,709
Purchased transportation		13,551	1,121,515
Taxes, other than payroll		541,796	769,940
Rent		166,186	250,212
Miscellaneous		537,699	265,280
Total operating expenses		112,602,280	142,449,374
Loss from operations		(78,521,441)	(106,413,078)
Nonoperating revenues (expenses):			
Tax revenues:			
Sales tax		38,522,111	45,015,180
Hotel/Motel tax		3,651,635	4,459,567
Government operating grants:			
Federal subsidy		18,433,842	13,925,831
Federal Emergency Management Agency		486,399	-
State Department of Transportation		1,992,355	1,828,040
State training grant		160,525	526,347
Planning and technical study grants		(107,276)	961,532
Hurricane loss		(37,814,650)	-
Investment income		439,503	212,815
Interest expense		(7,024,589)	(6,161,659)
Total nonoperating revenues		18,739,855	60,767,653
Net loss before capital revenues		(59,781,586)	(45,645,425)
Capital contributions		7,646,641	27,479,429
Increase (decrease) in net assets		(52,134,945)	(18,165,996)
Net assets:			
Balance, beginning of year		115,601,487	133,767,483
Balance, end of year	$	63,466,542	115,601,487

See accompanying notes to financial statements.

REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 2005 and 2004

		2005	2004
Cash flows from operating activities:			
Cash received from operations	$	27,951,973	34,689,554
Cash received from other sources		1,410,422	1,122,297
Cash paid to employees and for related expenses		(58,104,441)	(78,290,770)
Cash paid to suppliers		(23,687,698)	(30,631,816)
Cash paid for insurance, legal claims and related costs		(7,781,149)	(10,374,636)
Net cash used in operating activities		(60,210,893)	(83,485,371)
Cash flows from noncapital financing activities:			
Cash received from sales tax		40,638,440	50,305,840
Cash received from hotel/motel tax		4,485,674	5,192,279
Operating subsidies received from other governments		20,398,580	16,932,106
Net cash provided by noncapital financing activities		65,522,694	72,430,225
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(3,616,458)	(20,570,897)
Capital revenues from federal grants		12,179,783	21,975,000
Interest paid		(5,591,562)	(4,721,825)
Repayment of bonds		(3,677,500)	(3,651,500)
Repayment of capital lease obligation		(5,100,000)	(4,905,000)
Proceeds from property insurance		4,050,000	-
Proceeds from bond sale		-	19,244,975
Net cash provided by (used in) capital and related financing activities		(1,755,737)	7,370,753
Cash flows from investing activities:			
Purchases of investment securities		(22,184,360)	(11,352,017)
Proceeds from sale and maturities of investment securities		18,512,916	13,059,733
Interest payments received		439,503	212,815
Net cash provided by (used in) investing activities		(3,231,941)	1,920,531
Net increase (decrease) in cash and cash equivalents		324,123	(1,763,862)
Cash and cash equivalents at beginning of year		7,741,670	9,505,532
Cash and cash equivalents at end of year	$	8,065,793	7,741,670

REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 2005 and 2004

		2005	2004
Reconciliation of loss from operations to net cash used in operating activities:			
Loss from operations	$	(78,521,441)	(106,413,078)
Adjustments to reconcile loss from operations to net cash used in operating activities:			
Depreciation		19,792,537	21,653,238
Amortization of bond issue costs		386,279	532,579
Increase in allowance for doubtful accounts		250,727	95,455
Increase in accounts receivable		(4,720,241)	(221,873)
Decrease (increase) in prepaid assets		(292,084)	741,069
Increase in inventory		(64,557)	(650,138)
Decrease in accounts payable and accrued expenses		(1,299,117)	(2,388,527)
Increase (decrease) in amounts due to TMSEL		7,067,461	(1,121,311)
Increase (decrease) in the provision for legal and small claims liability		(2,810,457)	4,287,215
Net cash used in operating activities	$	(60,210,893)	(83,485,371)
Reconciliation to statement of net assets:			
Cash and cash equivalents for cash flow statement include:			
Cash	$	6,720,503	6,485,196
Restricted assets:			
1991 series bond trustee accounts		672,577	668,886
1998 series bond trustee accounts		258,796	258,965
2000 and 2000A series bond trustee accounts		223,496	146,793
Capital lease escrow		190,421	181,830
Total cash and cash equivalents	$	8,065,793	7,741,670

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. At December 31, 2005 and 2004, two positions and one position, respectively, on the Commission were vacant.

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 December 2002, the RTA conducted substantially all of its transit and related operations through Transit Management of Southeast Louisiana, Inc. (TMSEL), pursuant to the management contract between RTA, TMSEL and Metro New Orleans Transit (METRO). Effective December 17, 2002, the contract with METRO was terminated, but the contract as to TMSEL continued with no disruption in transit service. The contract provided for a payout to METRO of $504,000, which was disputed by RTA and was unaccrued as of December 31, 2003 pending final settlement. In addition, the RTA disputed $675,000 in charges by METRO, which was also unaccrued as of December 31, 2003. During February 2005, a settlement was agreed to and was paid in full in the amount of $650,000, all of which was accrued as of December 31, 2004. In a later settlement, the President of METRO agreed to pay the RTA $550,000 in three installments. 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 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. As a result of Hurricane Katrina, from October 2005 to December 2005, the RTA had a free fare policy for bus, streetcar, and paratransit services. Fares were subsidized by a federal emergency bus transportation contract funded by the Federal Emergency Management Agency (FEMA).

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.

(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, and lease maintenance services. 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***

RTA is obligated to reimburse TMSEL for vacation when earned by TMSEL employees, either in accordance with TMSEL's general personnel policy or under certain TMSEL union agreements. The total liability for accrued vacation at December 31, 2005 and 2004, included in current liabilities, was approximately $2.4 million and $3.4 million, respectively.

(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.

(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 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.

(m) Deferred Revenue

Revenue collected more than one year in advance for interior and exterior bus and streetcar advertising is deferred.

(n) Use of Estimates

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

(2) Cash and Investments

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

	December 31, 2005		December 31, 2004	
	Restricted	Unrestricted	Restricted	Unrestricted
Cash and money market	$ 1,345,290	6,720,503	1,256,474	6,485,196
Investments, at fair value:				
U.S. Government Treasury and Agency securities	1,231,442	8,458,176	1,218,484	4,802,647
Certificates of deposit	-	358,293	-	355,336
	1,231,442	8,816,469	1,218,484	5,157,983
	$ 2,576,732	15,536,972	2,474,958	11,643,179

Actual cash in banks and certificates of deposit as of December 31, 2005 and 2004, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was $2,112,717 and $4,875,492, respectively. Of the total bank balances at December 31, 2005 and 2004, all amounts were covered by federal depository insurance ($300,000 and $300,000, respectively) or by collateral held in the RTA's name by its agent ($14,409,369.20 and $6,614,102 respectively), except for amounts at one bank in which deposits in excess of federal depository insurance and collateral held in the RTA's name by its agent amounted to $93,406 as of December 31, 2004. Actual cash in money market accounts was $7,108,982 and $6,908,631, respectively, and is included in cash and money market above. These money market balances are uncategorized.

Investments are held in the name of the RTA by its agent and are classified as category 1 investments under GASB 3 requirements. 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, 2005 and 2004, approximately $1,231,000 and $1,218,000, respectively, of restricted assets was pledged as collateral to the Louisiana Office of Workman's Compensation to maintain RTA/TMSEL's self-insurance certificate.

(3) Accounts Receivable

Accounts receivable consist of the following as of December 31:

		2005	2004
Sales tax	$	6,487,811	10,147,067
Hotel/motel tax		330,724	1,164,763
Federal capital grants		21,368,268	25,242,234
State operating subsidy		510,751	429,885
Emergency bus transportation contract		7,141,175	-
Federal Emergency Management Agency		486,399	-
Property insurance		6,702,584	-
Passenger (transpass and visitour)		847,989	1,168,459
Orleans Parish School Board		-	1,932,170
Kenner operating subsidy		107,278	84,725
Other		269,010	461,654
		44,251,989	40,630,957
Less allowance for uncollectible amounts		(788,192)	(537,465)
	$	43,463,797	40,093,492

(4) Property, Buildings and Equipment

A summary of changes in fixed assets follows:

		January 1, 2005	Additions	Deletions	December 31, 2005
Land	$	6,988,812	-	-	6,988,812
Buildings		96,524,226	342,356	(7,487,274)	89,379,308
Equipment, primarily transportation vehicles		301,518,948	815,513	(87,899,740)	214,434,721
Furniture and fixtures		27,572,022	1,091,393	(3,648,309)	25,015,106
Equipment not in use		-	3,889,331	-	3,889,331
Construction in progress		4,289,551	1,234,726	(434,044)	5,090,233
		436,893,559	7,373,319	(99,469,367)	344,797,511
Accumulated depreciation and amortization		(175,381,908)	(19,792,537)	47,079,132	(148,095,313)
	$	261,511,651			196,702,198

	January 1, 2004	Additions	Deletions	December 31, 2004
Land	$ 6,988,812	-	-	6,988,812
Buildings	85,247,283	11,276,943	-	96,524,226
Equipment, primarily transportation vehicles	165,668,651	136,062,897	(212,600)	301,518,948
Furniture and fixtures	25,584,638	1,987,384	-	27,572,022
Construction in progress	138,705,309	10,809,842	(145,225,600)	4,289,551
	422,194,693	160,137,066	(145,438,200)	436,893,559
Accumulated depreciation and amortization	(153,898,749)	(21,653,238)	170,079	(175,381,908)
	$ 268,295,944			261,511,651

At December 31, 2005 and 2004, equipment includes transportation vehicles under capital lease with a net book value of $2,422,445 and $19,116,969, respectively. During 2004, interest capitalized was $422,242.

Equipment not in use included $3,552,421 of rail transportation cars expected to be repaired and $336,910 of salvaged vehicles and equipment expected to be sold.

5) Due to City of New Orleans

The RTA has 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, 2005. This amount is inclusive of an offset of the amounts due from the City as of December 31, 2004 of $807,692. The repayments are to be made in monthly installments ending April 2008 of $140,266 deducted from sales tax remittances from the City. Deductions from sales tax remittances totaled $1,542,927 and $420,798 for the years ended December 31, 2005 and 2004, respectively. The balance remaining as of December 31, 2005 and 2004 was $3,927,451 and $5,470,379, respectively.

(6) Long-term Debt

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

		2005	2004
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	$	17,475,000	18,995,000
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		12,215,733	13,455,733
2000 Series, LCDA Revenue Bonds, variable interest rate of 5.11% as of December 31, 2005, due in annual principal debt service requirements ranging from $844,600 to $2,372,500, final payment due February 2025		28,928,213	29,455,113
2000A Series, LCDA Revenue Bonds, variable interest rate of 4.77% as of December 31, 2005, due in annual principal debt service requirements ranging from $622,500 to $1,970,600, final payment due November 2029		29,134,256	29,524,856
		87,753,202	91,430,702
Plus unamortized premium		1,321,659	1,617,887
Less current maturities		4,903,200	4,148,600
Long-term debt less current maturities	$	84,171,661	88,899,989

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 $1,321,659 and $1,617,887 at December 31, 2005 and 2004, 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. 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. The RTA is in compliance with its bond covenants as of December 31, 2005 and 2004.

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, 2005 and 2004 was $31,149,000. The principal balance as of December 31, 2005 and 2004 is $28,928,213 and $29,455,113, respectively, of which $1,115,700 is due in 2006. For the 2000A Series, the amount drawn down under this agreement as of December 31, 2005 and 2004 was $29,848,156. The principal balance as of December 31, 2005 and 2004 is $29,134,256 and $29,524,856, respectively, of which $822,500 is due in 2006. 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.

REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 2005

Debt Service Requirements

The following represents the debt service requirements for the bond issues as of December 31, 2005:

		1991 and 1998A Bonds Principal	1991 and 1998A Bonds Interest	2000 and 2000A Bonds Principal	2000 and 2000A Bonds Interest	Total Principal	Total Interest
2006	$	2,965,000	1,671,218	1,938,200	2,811,741	4,903,200	4,482,959
2007		3,180,000	1,453,818	1,550,700	2,737,003	4,730,700	4,190,821
2008		3,415,000	1,220,492	1,639,100	2,657,985	5,054,100	3,878,477
2009		2,534,324	2,099,922	1,731,200	2,574,490	4,265,523	4,674,412
2010		2,668,527	1,965,399	1,830,500	2,486,264	4,499,027	4,451,663
2011-2015		10,796,436	12,376,748	10,835,800	10,921,462	21,632,236	23,298,210
2016-2020		3,557,169	19,617,897	14,286,600	7,827,057	17,843,769	27,444,954
2021-2025		574,277	4,060,723	16,739,313	3,394,930	17,313,590	7,455,653
2026-2029		-	-	7,511,056	870,265	7,511,056	870,265
	$	29,690,733	44,466,217	58,062,469	36,281,197	87,753,202	80,747,414

Changes in long-term debt

Long-term debt activity for the year ended December 31, 2005 and 2004 are as follows:

		January 1, 2005	Additions	Payments	December 31, 2005	Due Within One Year
1998A Series, Sales Tax Refunding Bonds	$	18,995,000	-	(1,520,000)	17,475,000	1,645,000
1991 Series, Sales Tax Revenue Bonds		13,455,733	-	(1,240,000)	12,215,733	1,320,000
2000 Series, LCDA Revenue Bonds		29,455,113	-	(526,900)	28,928,213	1,115,700
2000A Series, LCDA Revenue Bonds		29,524,856	-	(390,600)	29,134,256	822,500
	$	91,430,702	-	(3,677,500)	87,753,202	4,903,200

	January 1, 2004	Additions	Payments	December 31, 2004
1998A Series, Sales Tax Refunding Bonds	$ 20,405,000	-	(1,410,000)	18,995,000
1991 Series, Sales Tax Revenue Bonds	14,620,733	-	(1,165,000)	13,455,733
2000 Series, LCDA Revenue Bonds	30,208,313	-	(753,200)	29,455,113
2000A Series, LCDA Revenue Bonds	10,603,181	19,244,975	(323,300)	29,524,856
	$ 75,837,227	19,244,975	(3,651,500)	91,430,702

(7) TMSEL Pension Plan

The RTA provides for the pension expense of TMSEL employees pursuant to the management contract. 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 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, 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 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.

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

	2005	2004
Accumulated benefit obligation	$ 185,513,610	175,430,040
Projected future compensation levels effect	29,639,085	23,577,748
Projected benefit obligation for service rendered to date	215,152,695	199,007,788
Plan assets at fair value	124,616,949	124,995,105
Deficiency in plan assets over projected benefit obligation	(90,535,746)	(74,012,683)
Accrued benefit cost	(60,896,661)	(50,434,935)
Unrecognized prior service cost	13,251,175	15,515,000
Unrecognized net liability	34,884,614	27,743,643
Accrued pension cost	$ (12,760,872)	(7,176,292)

Benefits cost included the following components for the years ended December 31 and are as follows:

	2005	2004
Benefit cost	$ 10,223,801	9,800,144
Employer contributions	4,639,221	9,430,438
Plan participants' contributions	1,320,135	2,055,731
Benefits paid	10,378,692	8,620,123

The most recent projected pension benefit obligation was computed based on the actuarial valuation performed as of January 1, 2005. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.00% per year compounded annually, (b) a discount rate of 5.75%, and (c) projected salary increases including an inflation component of 2.25%

The expected long-term rate of return on assets assumption is 8.00%. As defined in FAS 87, 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 $10,049,536 and $10,232,445 in 2005 and 2004, 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.

As of December 31, 2005 and 2004, the ERISA funding requirement of approximately $9,474,612 and $10,205,903 is included in amounts due to TMSEL on the statements of net assets.
The Plan's weighted-average asset allocations at December 31, 2005, and 2004, by asset category are as follows:

Asset Category	**2005**	**2004**
Equity securites	38.42%	50.51%
Debt securities	52.72%	35.66%
Other	8.86%	13.83%
Total	100.00%	100.00%

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

2006	$ 9,568,385
2007	9,538,977
2008	9,852,820
2009	10,323,886
2010	10,856,636
2011-2015	50,140,704

(8) 401(K) Plan

TMSEL employees participate in a 401(K) profit sharing and savings plan (the Plan) sponsored by TMSEL. Employees who have elected to participate, and have 1000 hours of service and are 21 years of age or older, or were employed as of the effective date of the Plan of April 1, 2002 are eligible to participate. The Plan is subject to the provisions of the Employee Retirement Security Act of 1974 (ERISA). The Plan provides for discretionary matching contributions in an amount determined by TMSEL on an annual basis. The Plan also provides for annual profit-sharing contributions if approved by the sponsor. Matching contributions are allocated only to participants who defer compensation under the Plan. Profit sharing contributions are allocated to each participant in the ratio that such participant's compensation bears to the compensation of all participants. TMSEL did not make any matching or profit sharing contributions in 2005 or 2004.

(9) Other Post Employment Retirement Benefits

NOPSI Retiree Employees

As part of the Transfer Agreement among the RTA, NOPSI and the City, the RTA, through TMSEL, began providing benefits for health care and life insurance to retired and disabled transit employees of NOPSI. In addition, the RTA assumed liability for benefits payable to those employees who retired or became disabled prior to July 1, 1983. On July 1, 1983, the actuarially determined present value of such benefits was approximately $24,000,000. A preliminary actuarial valuation, performed in 1991, indicated that the present value of future benefits, as of December 31, 1991, was $20,500,000. In consideration for the assumption of liability under the terms of the Employee and Retiree Pension Benefits Agreement (the Agreement), NOPSI and the City of New Orleans agreed to reimburse the RTA for future health care and life insurance claims of retired and disabled transit employees of NOPSI in amounts of $13,000,000 and $11,000,000, respectively, plus an interest factor of 9%.

Also, NOPSI paid $7,330,000 to the RTA for indemnification against any unforeseen losses arising from the transaction, and this amount has been reflected by the RTA as employee benefits payable on behalf of TMSEL and former NOPSI employees.

TMSEL Retirees

The RTA, pursuant to the TMSEL management contract, underwrites benefits for health care and life insurance to TMSEL retirees who were NOPSI transit employees prior to July 1, 1983. These employees retain full retirement benefits under the plan. All other employees of TMSEL are not eligible to receive post-retirement health and life insurance under the plan benefits. The health care plan is self-insured and is financed on a pay-as-you-go-basis. During 2005 and 2004, total TMSEL expense relating to the above plan for retirees was $1,388,234 and $1,919,718, respectively. As of December 31, 2005, no actuarial evaluation of the plan has been performed.

(10) 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 the remaining lives of the leases following December 31, 2005 are as follows:

2006	$ 177,114
2007	93,600
2008	93,600

Total lease and rental payments for the years ended December 31, 2005 and 2004 were $166,186 and $250,212, respectively.

(b) Capital Leases

The RTA entered into a lease agreement to acquire 175 buses. As of December 31, 1999, the RTA received the 175 buses. RTA issued $43,205,000 of certificates of participation in 2002 with stated interest rates ranging from 3.0% to 5.0% to advance refund the capital lease. The amount of the certificates is net of premium of $2,183,493, which is being amortized over the life of the new debt. The lease is due May 1, 2010, however; it can be prepaid beginning May 1, 2005. The certificates of participation were issued at par and after paying issuance costs of $1,594,493, the net proceeds were $43,794,000. The net proceeds from the issuance of the certificates of participation were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the lease can be prepaid on May 1, 2005. The advance refunding met the requirements of an in-substance debt defeasance and the lease was removed from the RTA's financial statements. The reacquisition price exceeded the net carrying amount of the old lease by $4,844,338. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 8 years by $605,529 and resulted in an economic gain of $547,089. The RTA is reimbursed for 80% of its lease payments by federal grants from the Federal Transit Administration. The reimbursements are included as federal subsidy revenue to the extent of 80% of the interest expense on the capitalized lease; the remainder is credited to capital contributions.

As a result of Hurricane Katrina, 151 of the 175 leased buses were flooded and rendered non-operable. The Federal Transit Administration has suspended the 80% reimbursement of lease payments for these 151 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, 2005:

		Present value of minimum lease payments	Interest	Total minimum lease payments
2006	$	5,355,000	1,186,114	6,541,114
2007		5,625,000	908,801	6,533,801
2008		5,905,000	684,558	6,589,558
2009		6,105,000	409,781	6,514,781
2010		6,415,000	93,552	6,508,552
		29,405,000	3,282,806	32,687,806
Plus unamortized premium		773,514		
Less unamortized refunding loss		(1,716,133)		
Less current portion		(5,355,000)		
Long-term portion	$	23,107,381		

(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 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, 2005 and 2004, 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, 2005 and 2004 totals approximately $46,500,000 and $59,000,000, respectively, and requires commitments of local matching funds totaling approximately $10,700,000 and $16,500,000, 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.

(11) 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, and $1,000,000 beginning May 27, 2005. 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. The RTA was fully self-insured for general liability claims for the period from April 15, 2004 through May 26, 2005. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years. Pursuant to the TMSEL management contract, RTA reimburses 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.

At December 31, 2005 and 2004, $28,767,453 and $31,577,910, 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, 2005 and 2004, were $27,366,745 and $26,860,816, respectively. The accruals, which are based upon experience with previous claims, the advice of counsel, and actuarial evaluation are, in the opinion of management, sufficient to provide for all probable and reasonably estimable claims liabilities at December 31, 2005 and 2004.

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
2003	$ 31,298,843	2,710,976	(6,719,124)	27,290,695
2004	$ 27,290,695	12,676,557	(8,389,342)	31,577,910
2005	$ 31,577,910	2,548,112	(5,358,569)	28,767,453

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 $3,525,875 and $2,798,501 as of December 31, 2005 and 2004, respectively. As of December 31, 2005 and 2004, approximately $1,231,000 and $1,218,000, respectively, of restricted assets was pledged as collateral to the Louisiana Office of Workman's Compensation to maintain RTA/TMSEL's self-insurance certificate.

(12) Management Fees and Other Reimbursed Expenditures

For the first nine months of 2001, the RTA, METRO, and TMSEL were operating under a five-year contract dated November 1, 1997 under which METRO was to provide management and supervision of the transit system's operations, and TMSEL was to operate the system. A new contract among the RTA, METRO, and TMSEL provided for similar services beginning October 1, 2001. The Civil District Court later declared in a judgment that the effective date was not until October 1, 2002. Management fees, reimbursement of expenses and expenses, including professional consulting services, expensed under these contracts with METRO for the year ended December 31, 2002 were $758,874. A portion of the 2002 expenditures related to capital items. On December 17, 2002, the contract with METRO was terminated, but the contract as to TMSEL continued with no disruption in transit service. The October 1, 2001 METRO management services agreement provided for a payout to METRO of $504,000 which was disputed by RTA and was unaccrued as of December 31, 2003 pending final settlement. In addition, the RTA disputed $675,000 in charges by METRO, which was also unaccrued as of December 31, 2003. During February 2005, a settlement was agreed to and was paid in the amount of $650,000, all of which is accrued as of December 31, 2004. In a later settlement, the President of METRO agreed to pay the RTA $550,000 in three installments. During essentially all of the time during which the RTA had a contract with METRO and TMSEL, METRO was the sole shareholder of TMSEL. On December 16, 2002, the RTA designated Interregional Transit, Inc., a Louisiana non-profit corporation, to purchase the stock of TMSEL under a 1990 Buy-Out Agreement between METRO and RTA for the amount of $25. There were no expenses under these contracts with METRO and Interregional Transit, Inc. for the year ended December 31, 2003.

(13) 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 2005 and 2004.

The members of the Board of Commissioners who were paid a per diem for the attendance at board meetings in calendar years 2005 and 2004 and were also reimbursed for out-of-pocket expenses resulting from their participation in RTA activities as listed below. Some commissioners elect not to receive a per diem.

The amounts received by each commissioner for the years ended December 31, 2005 and 2004 were as follows:

2005:		**Per Diem**	**Expense Reimbursement**	**Total**
Daniel Alfortish	$	525	-	525
Walter Campbell		525	-	525
Dennis Dimarco		225	-	225
Connie Goodly		-	-	-
Barbara Major		600	-	600
Jeanne Monte		225	-	225
James Reiss, Jr.		-	-	-
Earline Roth		600	-	600
	$	2,700	-	2,700

2004:		Per Diem	Expense Reimbursement	Total
Daniel Alfortish	$	900	-	900
Charlotte Burnell		525	574	1,099
Walter Campbell		675	-	675
Dennis Dimarco		225	-	225
Connie Goodly		-	-	-
Barbara Major		825	-	825
James Reiss, Jr.		-	2,147	2,147
Earline Roth		975	-	975
	$	4,125	2,721	6,846

(14) Federal Emergency Bus Transportation Contract

Under the terms of a contract with the Federal Transit Administration (FTA) funded by the Federal Emergency Management Agency (FEMA), RTA provided free rides in the City of New Orleans since transit service resumed after Hurricane Katrina on October 2, 2005 through June 30, 2006. As part of the agreement between RTA, FTA, and FEMA signed on June 30, 2006 under which FEMA is continuing to partially subsidize the cost of running transit service in New Orleans, Baton Rouge and surrounding communities, RTA reinstated fares for buses and streetcars to the rates prior to Hurricane Katrina effective August 6, 2006. As of August 2005, the base fare for buses and streetcars was $1.25 per one-way ride. The base fare for paratransit was $2.00 per one-way ride.

(15) 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.

For the year ended December 31, 2005, losses totaling $37,814,650 were provided as follows. The net book value of damaged property was $47,113,157 and lost inventory amounted to $1,452,280, reduced by $10,750,787 of insurance proceeds. Included in Accounts Receivable as of December 31, 2005 is $6,700,787 representing insurance proceeds received subsequent to December 31, 2005. No additional insurance proceeds are expected to be recovered at this time. Additional insurance proceeds in excess of costs, if any, will be recognized in future years.

As of December 31, 2005, RTA has received no cash reimbursements from the Federal Emergency Management Agency (FEMA). Included in accounts receivable is $486,399 of reimbursements due from FEMA. Additional FEMA grants totaling in excess of $65 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.

(16) Subsequent Event

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 2006, 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. Drawdowns on the loan will be made as debt service payments become due. No principal or interest shall be payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan shall bear interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 beginning January 2012. The loan may be prepaid without penalty or premium. RTA has the right to request one extension of its obligation to begin payments under the loan not to exceed five years. Draw downs through February 2007 totaled $12,586,410.

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 2005 and 2004

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, 2004	419,333	104,787	137,296	-	661,416
Cash receipts:					
Transfer for principal and interest	-	-	1,593,752	-	1,593,752
Sales tax receipts	-	-	-	54,712,931	54,712,931
Investment income	3,121	737	6,075	-	9,933
Total cash receipts	3,121	737	1,599,827	54,712,931	56,316,616
Cash disbursements:					
Principal and interest payments	-	-	(1,593,620)	-	(1,593,620)
Transfer for debt service and excess	-	-	-	(54,709,431)	(54,709,431)
Expense payments	(2,096)	(480)	(3,519)	-	(6,095)
Total disbursements	(2,096)	(480)	(1,597,139)	(54,709,431)	(56,309,146)
Beginning balance - January 1, 2005	420,358	105,044	139,984	3,500	668,886
Cash receipts:					
Transfer for principal and interest	-	-	1,575,412	-	1,575,412
Sales tax receipts	-	-	-	47,666,438	47,666,438
Investment income	11,666	2,759	20,607	-	35,032
Total cash receipts	11,666	2,759	1,596,019	47,666,438	49,276,882
Cash disbursements:					
Principal and interest payments	-	-	(1,595,225)	-	(1,595,225)
Transfer for debt service and excess	-	-	-	(47,669,938)	(47,669,938)
Expense payments	(3,365)	(685)	(3,978)	-	(8,028)
Total disbursements	(3,365)	(685)	(1,599,203)	(47,669,938)	(49,273,191)
Ending balance - December 31, 2005	$ 428,659	107,118	136,800	-	672,577

(Continued)

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 2005 and 2004

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

	Sales Tax Capital	Debt Service	Total
Beginning balance - January 1, 2004	$ 254,868	388	255,256
Cash receipts:			
Investment income	15,799	-	15,799
Transfer for principal and interest	3,040,759	-	3,040,759
Total cash receipts	3,056,558	-	3,056,558
Cash disbursements:			
Principal and interest payments	(3,047,186)	-	(3,047,186)
Expense payments	(5,663)	-	(5,663)
Total disbursements	(3,052,849)	-	(3,052,849)
Beginning balance - January 1, 2005	258,577	388	258,965
Cash receipts:			
Investment income	30,266	-	30,266
Transfer for principal and interest	3,013,271	-	3,013,271
Total cash receipts	3,043,537	-	3,043,537
Cash disbursements:			
Principal and interest payments	(3,038,193)	-	(3,038,193)
Expense payments	(5,513)	-	(5,513)
Total disbursements	(3,043,706)	-	(3,043,706)
Ending balance - December 31, 2005	$ 258,408	388	258,796

See accompanying independent auditors' report.

REGIONAL TRANSIT AUTHORITY

SINGLE AUDIT REPORTS

DECEMBER 31, 2005

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REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Single Audit Reports

December 31, 2005

Table of Contents

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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, 2005, and have issued our report thereon dated February 28, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the RTA in a separate letter dated February 28, 2007.

Compliance and Other Matters

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

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This report is intended solely for the information of the RTA, the RTA's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and 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.

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February 28, 2007

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 program for the year ended December 31, 2005. The RTA's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 on 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 its major federal program for the year ended December 31, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-1, 05-2, and 05-3.

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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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the RTA as of and for the year ended December 31, 2005, and have issued our report thereon dated February 28, 2007. 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, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the 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.

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

February 28, 2007

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2005

Federal Grantor/Program Title	CFDA Number		Expenditures
United States Department of Transportation, Federal Transit Administration – Federal Transit cluster:			
Capital Investment Grants	20.500	$	24,870,349
Formula Grants	20.507		139,793
Total Federal Transit cluster			25,010,142
United States Department of Homeland Security, Federal Emergency Management Agency, passed through the State of Louisiana			
Disaster Assistance Grants	97.036		486,399
Total Federal Awards		$	25,496,541

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, 2005

(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, 2005. 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, 2005.

(3) Relationship to Financial Statements

Federal awards are included in statement of revenues, expenses and changes in net assets as follows:

Nonoperating revenues (expenses):	
Government operating grants:	
Federal subsidy	$ 18,433,842
Federal Emergency Management Agency	486,399
Planning and technical study grants	(107,276)
Capital contributions	7,646,641
	26,459,606
Less: Capital contribution from private source	(963,065)
	$ 25,496,541

REGIONAL TRANSIT AUTHORITY
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2005

(1) Summary of Auditors' Results

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

(b) Reportable conditions in internal control were disclosed by the audit of the financial statements: none reported; Material weaknesses: no

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

(d) Reportable conditions 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: yes

(g) Major program:

Federal Transit Administration – Federal Transit cluster:	
Capital Investment Grants	20.500
Formula Grants	20.507

(h) Dollar threshold used to distinguish between Type A and Type B programs: $764,896

(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*: None

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

INSTANCES OF NONCOMPLIANCE

05-1 REQUIRED ANNUAL PHYSICAL INVENTORY

Condition: The RTA did not conduct the required annual physical inventory during 2005 and the results of the inventory taken in September 2003 were not reconciled with equipment records.

Criteria: As required by the FTA Circular, a physical inventory of equipment must be taken and the results reconciled with equipment records at least once every two years. Any differences must be investigated to determine the cause of the difference.

Effect: The RTA is in violation of FTA requirements.

Cause: The RTA Accounting Department was understaffed since 2003 and did not have the resources to complete the reconciliation. Furthermore, a fixed asset count was initiated during August 2005 but was not completed due to the disruption caused by Hurricane Katrina.

Recommendation: The RTA should perform a physical inventory of its assets and reconcile it's the inventory to its equipment records on a timely basis. An investigation of any differences should be performed to determine the cause of the difference and adjustments should be made to the property ledger and general ledger as necessary.

RTA Response: The reconciliation of fixed assets to the general ledger was not performed in a timely manner due to a lack of staffing and disruptions caused by Hurricane Katrina. However, the Accounting Department is presently seeking assistance and other resources to get this task completed. Upon completion, the Accounting Department will immediately adjust the general ledger and property ledger accordingly.

05-2 FINANCIAL STATUS REPORTS AND MILESTONE/PROGRESS REPORTS

Condition: The required Financial Status Reports and Milestone/Progress Reports for the third and fourth quarters of 2005 have not been submitted to the Federal Transit Administration.

Criteria: According to the grant agreements, the RTA is to provide Financial Status Reports and milestone/progress reports electronically via the electronic award and management (TEAM) system on a quarterly basis. The reports are due within 30 days after the end of each calendar quarter.

Effect: The RTA is in violation of FTA requirements.

Cause: The required reports were not filed because the financial information was not available from the J.D. Edwards system following Hurricane Katrina.

Recommendation: The required reports should be submitted as soon as accurate data is available.

RTA Response: The RTA has submitted milestone reports to FTA for the third and fourth quarters of 2005. However, the financial data cannot be submitted until the completion of the financial audit.

05-3 INDIRECT COST PLAN

Condition: The RTA did not prepare the indirect cost plans for 2004 and 2005.

Criteria: As required by FTA Circular 5010.1C, once the FTA has accepted a grantee's cost allocation plan or indirect cost rate proposal, the grantee must update it annually. The update should be retained and made available for review at the time of the grantee's organization-wide audit.

Effect: The RTA may not have charged the correct indirect cost rates during 2005.

Cause: The 2004 indirect cost plan was not prepared upon conclusion of the 2004 audit in June 2005 and was further delayed by the disruptions caused by Hurricane Katrina.

Recommendation: Indirect cost rate plans should be prepared for 2004 and 2005. Procedures should be established to ensure that an indirect cost plan is prepared and submitted upon conclusion of the annual financial statement audit.

RTA Response: The RTA will acquire a professional firm to develop a revised cost allocation plan for 2004 and 2005.

OTHER REPORTS

RTA received a final report dated September 21, 2006 from the Federal Transit Administration regarding the FY06 Triennial Review. This report noted several deficiencies and required corrective actions. RTA is in the process of addressing this report.

RTA received a draft report dated October 2006 from the Federal Transit Administration regarding a Technical Review of Grantee's Technical Capacity and Capability. This report noted several findings and recommendations. RTA is in the process of addressing this report.

RTA received a final report dated December 8, 2006 from the Federal Transit Administration regarding a Financial Management Oversight Review of the effectiveness of internal control over RTA's financial management system. This report noted several findings and recommendations. RTA is in the process of addressing this report.

Summary Schedule of Prior Audit Findings

04-1 DAVIS-BACON ACT

Condition: While the provisions are included in construction contracts for Davis-Bacon prevailing wages and for reporting by contractors, the RTA did not test compliance with the requirements of the Davis-Bacon Act of individual contractors during 2004.

Current Status: The RTA did not have any active construction contracts in which work was performed during 2005. The RTA has developed and implemented a procedure to monitor each of its contractors and subcontractors on contracts exceeding $2,000.00 to ensure that they are in compliance with the requirements of the Davis-Bacon Act.

04-2 PROPERTY LOCATIONS AND TAGGING

Condition: Of the thirty-four (34) items sampled by the Internal Audit Department for physical existence and appropriate safeguarding and maintenance, four (4) items could not be located, the location where three (3) items were found did not agree to the property ledger, two (2) items found could not be traced to the property ledger, two (2) items were not properly tagged or tag numbers did not agree to the property ledger, and the asset cost was not included on the property ledger for two (2) items. In addition, multiple instances were noted where the property ledger descriptions were not adequate to properly identify the assets. Exceptions generally relate to smaller moveable equipment.

Current Status: Since the Property Accountant's position is currently vacant, temporary help is being utilized to verify the inventory report, which is received from all the departments company-wide, to the fixed asset module, noting any discrepancies to be corrected later. On completion of this verification and necessary corrections, a report will be run and reconciled with the physical inventory to address the problems noted.

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February 28, 2007

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, 2005, and have issued our report thereon dated February 28, 2007. 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 B contains a list of the status of prior year comments. Appendix C contains management's response (management's corrective action plan) to the comment and recommendation which was summarized in Appendix A.

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 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.

Very truly yours,

Postlethwaite & Netterville

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CURRENT YEAR MANAGEMENT LETTER COMMENTS

There are no current year management letter comments.

Appendix B

DISPOSITION OF PRIOR YEAR'S MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	STATUS	COMMENT DISPOSITION
Legal Reserve Reconciliation A report of legal reserves which are maintained by a third party administrator was not reviewed by the RTA during the year. A reconciliation of these reserves to the general ledger was also not performed during the year. The RTA should develop procedures whereby the Accounting Department can adjust reserves as needed on at least a quarterly basis throughout the year and the RTA's management can better monitor the fluctuations of legal reserves during the year.	Unresolved	The current Third Party Administrator (TPA) administers claims and reports appropriate quarterly reserves to RTA's Accounting Department as well as the RTA's General Counsel. RTA's General Counsel manages all litigated matters and reports appropriate quarterly reserves to RTA's Accounting Department.
Investments Reconciliation Certain investments, for which statements are not received by the Accounting Department, are not reconciled to the general ledger. In order to ensure that transactions are properly recorded, the Accounting Department should receive statements directly and reconcile all investments, and record any changes in market value at least quarterly. The reconciliation should be reviewed by the Deputy General Manager of Finance and Administration for his concurrence.	Unresolved	Monthly investment statements are presently being forwarded to the Accounting Department. Quarterly reconciliations will be performed and reviewed by the Deputy General Manager of Finance.

PRIOR YEARS' RECOMMENDATION	STATUS	COMMENT DISPOSITION
Accounts Receivable Receipts The cash receipts for several large customers are not being posted accurately to the corresponding invoice in the accounts receivable sub ledger system. Therefore, the aging does not represent the transactions that have occurred. The RTA should ensure that all cash receipts are matched to corresponding invoices and posted accordingly. The Accounting and Treasury Departments should coordinate with each other to accomplish this.	Unresolved	The Accounting and Treasury Departments will investigate and resolve all discrepancies. The Treasury and Information Technology Departments are implementing the sales module of the JD Edwards system. Sales related data will be properly recorded; discrepancies investigated and resolved; and reported to management.
Parts Inventory Parts inventory related to the Canal SIS Streetcar Maintenance Storeroom was not properly coded to the general ledger. The RTA should review its procedures to ensure that all parts inventory is properly recorded in the general ledger.	Resolved	As result of Hurricane Katrina, an inventory of all of RTA's assets has been performed and results were recorded.
Property Inventory During property test work, several items were noted which could not be located, were found in a location other than what was listed on the property ledger, or which contained incomplete or inadequate descriptions. The RTA should review its procedures to determine processes to reduce or eliminate these discrepancies.	In Progress	As result of Hurricane Katrina, an inventory of all of RTA's assets has been performed and results will be recorded. Staffing vacant positions will be addressed in accordance with the appropriate labor contract.

PRIOR YEARS' RECOMMENDATION	STATUS	COMMENT DISPOSITION
Life Insurance Payroll Withholdings The calculation of the employee contributed portion of the company life insurance did not include the most current pay rates. The tables used in the calculation were not updated at the time that raises were implemented. The impact of this miscalculation was that the employer incurred excess expenses. All calculations dependent on current pay rates should be based on data that is centrally located and updated. These rates should be verified by the Human Resources department.	Unresolved	Upon successful negotiation with the three labor unions, this condition will be resolved.

Appendix C

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

There are no current year management letter comments.