REGIONAL TRANSIT AUTHORITY

Financial Statements and Schedules

December 31, 1999 and 1998

With Independent Auditors' Report Thereon

REGIONAL TRANSIT AUTHORITY

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Independent Auditors' Report

Board of Commissioners
Regional Transit Authority:

We have audited the accompanying balance sheet of Regional Transit Authority (RTA) as of December 31, 1999, and the related statements of revenues, expenses and changes in accumulated deficit, and cash flows for the year then ended. These financial statements are the responsibility of the RTA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The 1998 financial statements and other supplementary information, before restatement, were audited by other auditors whose report was qualified due to the inability to examine evidence relating to the Year 2000 disclosures. We also audited the adjustment described in note 14 that was applied to restate the 1998 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

We conducted our audit in accordance with generally accepted auditing standards and *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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the RTA as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 19, 2000 on our consideration of the RTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 audit.

Our audit was made for the purpose of forming an opinion on the 1999 basic financial statements. 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

May 19, 2000

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REGIONAL TRANSIT AUTHORITY

Balance Sheets

December 31, 1999 and 1998

Assets	1999	1998
Current assets:		
Cash (note 2)	$ 2,802,012	938,944
Accounts receivable, net (note 3)	14,672,781	13,300,203
Investments, unrestricted (note 2)	5,909,915	-
Inventories	1,778,244	1,660,421
Prepaid expenses and other assets	62,830	39,592
Total current assets	25,225,782	15,939,160
Restricted assets, cash and investments (note 2):		
1999 sales tax anticipation trustee accounts (note 5)	1,450,941	-
1998 Series bond trustee accounts (note 5)	445,783	259,477
1991 series bond trustee accounts (note 5)	3,660,189	3,983,133
Cross border lease escrow (note 5)	142,881	136,496
Self-insurance and legal claims (note 10)	4,638,241	1,931,193
Capital lease escrow (note 9)	-	12,495,949
Total restricted assets	10,338,035	18,806,248
Deferred charges - bond issue costs (note 5)	2,747,265	3,021,180
Property, buildings and equipment, net (note 4)	197,074,779	201,119,829
	$ 235,385,861	238,886,417

Liabilities and Fund Equity	1999	1998
Current liabilities (payable from current assets):		
Accounts payable, accrued expenses, and deferred credits	$ 8,529,988	9,829,285
Amounts due to Transit Management of Southeast Louisiana, Inc. (TMSEL)	17,015,910	17,997,218
Sales tax anticipation note payable (note 5)	5,000,000	-
Current portion of capital lease (note 9)	2,815,374	2,628,943
	33,361,272	30,455,446
Current liabilities (payable from restricted assets):		
Legal and small claims (note 10)	19,230,716	17,423,442
Current portion of accrued bond interest	765,116	266,358
Current portion of bonds (note 5)	1,970,000	1,850,000
	21,965,832	19,539,800
Total current liabilities	55,327,104	49,995,246
Long-term liabilities:		
Employee benefits payable (note 8)	7,330,000	7,330,000
Accrued bond interest, less current portion	5,950,121	5,016,375
Bonds payable, less current portion (note 5)	45,183,302	47,567,326
Capital lease payable (note 9)	43,551,454	46,366,828
Deferred revenue	3,292,000	-
Total long-term liabilities	105,306,877	106,280,529
Total liabilities	160,633,981	156,275,775
Fund equity (note 6):		
Accumulated deficit	(54,405,385)	(52,744,338)
Contributed capital:		
Local government	22,216,032	22,216,032
Federal government	220,857,024	213,649,229
	243,073,056	235,865,261
Accumulated amortization	(113,915,791)	(100,510,281)
	129,157,265	135,354,980
Total fund equity	74,751,880	82,610,642
Commitments and contingencies (notes 7, 8, 9 and 10)		
	$ 235,385,861	238,886,417

See accompanying notes to financial statements.

REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Accumulated Deficit

For the years ended December 31, 1999 and 1998

		1999	1998
Operating revenues:			
Passenger fares	$	37,340,688	33,872,814
Sales tax		49,218,485	47,497,608
Other		1,160,732	1,624,407
Total operating revenues		87,719,905	82,994,829
Direct operating expenses:			
Labor and fringe benefits (note 1(a))		58,723,399	63,453,438
Materials, fuel and supplies		5,157,678	5,293,830
Contract services		13,462,851	10,505,830
Insurance and self-insured costs		7,514,761	6,325,154
Utilities		1,543,773	1,456,849
Taxes, other than payroll		803,032	883,954
Rent		358,625	188,358
Purchased transportation		2,790,117	2,911,485
Miscellaneous		552,067	572,891
Total direct operating expenses		90,906,303	91,591,789
Depreciation expense:			
Owned premises and equipment		4,442,461	4,993,739
Contributed premises and equipment		13,405,510	10,748,268
Total depreciation expense		17,847,971	15,742,007
Loss from operations		(21,034,369)	(24,338,967)
Nonoperating revenues (expenses):			
Investment income		776,982	1,106,834
Interest expense		(7,280,546)	(5,744,222)
Government operating grants:			
Federal subsidy		9,645,143	3,701,751
State Department of Transportation		2,236,387	2,579,022
Planning and technical study grants		589,846	814,775
Total nonoperating revenues		5,967,812	2,458,160
Net loss		(15,066,557)	(21,880,807)
Accumulated deficit:			
Balance, beginning of year		(52,744,338)	(41,611,799)
Credits arising from amortization of contributed premises and equipment		13,405,510	10,748,268
Balance, end of year	$	(54,405,385)	(52,744,338)

See accompanying notes to financial statements.

REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Cash received from operations	$ 36,996,710	34,099,157
Cash received from sales tax	47,869,607	46,573,820
Cash received from other sources	4,670,537	1,173,469
Cash paid to employees and for related expenses	(59,704,707)	(57,580,160)
Cash paid to suppliers	(25,119,027)	(17,922,325)
Cash paid for legal claims	(5,722,031)	(4,553,952)
Net cash (used in) provided by operating activities	(1,008,911)	1,790,009
Cash flows from noncapital financing activities:		
Proceeds (payment) from sales tax anticipation note	5,000,000	(4,000,000)
Operating subsidies received from other governments	12,659,662	5,391,257
Net cash provided by noncapital financing activities	17,659,662	1,391,257
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(14,235,724)	(46,832,812)
Capital contribution	6,815,763	7,397,886
Interest paid	(5,848,042)	(3,332,521)
Repayment of bonds	(2,264,024)	(27,815,000)
Repayment of capital lease obligation	(2,628,943)	-
Bond issue costs	-	(1,388,037)
Payment of advance refunding	-	(2,918,093)
Proceeds from bond sale	-	29,896,593
Proceeds from capital lease	-	48,995,771
Net cash provided by (used for) capital and related financing activities	(18,160,970)	4,003,787
Cash flows from investing activities:		
Purchases of investment securities	-	(12,755,426)
Proceeds from sale and maturities of investment securities	2,358,298	3,493,808
Interest payments received	1,014,989	1,148,827
Net cash provided by (used for) investing activities	3,373,287	(8,112,791)
Net increase (decrease) in cash and cash equivalents	1,863,068	(927,738)
Cash and cash equivalents at beginning of year	938,944	1,866,682
Cash and cash equivalents at end of year	$ 2,802,012	938,944

(Continued)

REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 1999 and 1998

		1999	1998
Reconciliation of loss from operations to net cash used in operating activities:			
Loss from operations	$	(21,034,369)	(24,338,967)
Adjustments to reconcile loss from operations to net cash used in operating activities:			
Depreciation		17,847,971	15,742,007
Amortization of bond issue costs		273,915	99,916
Increase in allowance for doubtful accounts		282,756	-
Increase in accounts receivable		(1,489,595)	(1,248,293)
(Increase) decrease in prepaid assets		(23,238)	(2,875)
(Increase) decrease in inventory		(117,823)	233,665
(Decrease) increase in accounts payable and accrued expenses		(866,494)	3,908,115
Increase in deferred revenue		3,292,000	-
(Decrease) increase in amounts due to TMSEL		(981,308)	5,873,278
(Decrease) increase in the provision for legal and small claims liability		1,807,274	1,523,163
Net cash provided by (used in) operating activities	$	(1,008,911)	1,790,009

See accompanying notes to financial statements.

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(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, 1999 and 1998, one position on the Commission was 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. The RTA conducts 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). The labor, fringe benefits and other similar costs reflected in the statements of revenues, expenses and changes in accumulated deficit 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) Basis of Accounting

The accounting policies of the RTA conform to generally accepted accounting principles as applicable to governments. 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 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 net income is appropriate for capital maintenance.

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Accordingly, the RTA maintains its records on the accrual basis of accounting. Revenue from operations, investments and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

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 and investments, are segregated and classified as restricted assets which may not be used except in accordance with contractual terms, under certain conditions, or for specific board-designated purposes.

(d) *Investments*

Investments are stated at fair value and generally consist of U.S. Government and Agency securities, repurchase agreements 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 years
Furniture and fixtures	3-10 years
Leasehold improvements	3-5 years

The amount of depreciation and amortization of assets acquired with capital contributions is reflected as a charge to contributed capital since replacement and/or expansion has been financed from sources other than operating funds.

(g) Federal and State Grants

Federal and state grants are made available to the RTA for the acquisition of public transit facilities, planning studies, buses and other transit equipment. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenditures of funds, are recognized at that point in time when the right to the funds becomes irrevocable. Where the expenditure of funds is the prime factor for determining the eligibility for the grant proceeds, the grant is recognized at the time when the expense is incurred. Operating grants are credited to income, and capital grants are credited to fund equity. Depreciation and other costs financed by government capital grants are charged to operating expenses and transferred from the accumulated earnings category of fund equity to the contributed capital category of fund equity.

(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, 1999 and 1998, included in current liabilities, was approximately $4 million and $3.5 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 generally accepted accounting principles (GAAP). 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

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. 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 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 generally accepted accounting principles. Actual results could differ from those estimates.

(2) Cash and Investments

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

		December 31, 1999		December 31, 1998	
		Restricted	Unrestricted	Restricted	Unrestricted
Cash and money market	$	4,474,619	2,802,012	811,743	938,944
Investments, at fair value-					
U.S. Government Treasury and Agency securities		5,399,928	5,909,915	17,541,872	-
Certificates of deposit		463,488	-	452,633	-
		5,863,416	-	17,994,505	-
	$	10,338,035	8,711,927	18,806,248	938,944

Actual cash in banks and certificates of deposit as of December 31, 1999 and 1998, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was $3,534,078 and $2,327,051, respectively. Of the total bank balances at December 31, 1999 and 1998, all amounts were covered by federal depository insurance or by collateral held in the RTA's name.

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.

Repurchase agreements and securities purchased and sold during 1998 totaled $66,890,000; there were no repurchase agreements purchased or sold during 1999.

As of December 31, 1999 and 1998, approximately $1,100,000 and $600,000 of restricted assets was pledged as collateral to the Louisiana Office of Workman's Compensation.

(3) **Accounts Receivable**

Accounts receivable consist of the following as of December 31:

		1999	1998
Sales tax	$	8,784,569	7,435,329
Federal capital grants		3,783,003	3,390,971
State operating subsidy		198,734	387,020
Passenger (transpass and visitor)		871,159	682,504
Property damage		168,241	153,697
Orleans Parish School Board		734,521	614,466
Kenner operating subsidy		302,895	184,703
Due from lease escrow		25,000	25,000
Other		363,972	703,070
		15,232,094	13,576,760
Less allowance for uncollectible amounts		(559,313)	(276,557)
	$	14,672,781	13,300,203

(4) **Property, Buildings and Equipment**

A summary of changes in fixed assets follows:

		January 1, 1999	Additions	Deletions	December 31, 1999
Land	$	9,220,312	-	-	9,220,312
Buildings		86,021,417	-	-	86,021,417
Equipment, primarily transportation vehicles		161,054,078	10,149,144	(4,905,840)	166,297,382
Furniture and fixtures		16,398,851	-	-	16,398,851
Construction in progress		7,930,631	5,695,438	(1,706,946)	11,919,123
		280,625,289	15,844,582	(6,612,786)	289,857,085
Accumulated depreciation and amortization		(79,505,460)	(17,847,971)	4,571,125	(92,782,306)
	$	201,119,829			197,074,779

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	January 1, 1998	Additions	Deletions	December 31, 1998
Land	$ 9,220,312	-	-	9,220,312
Buildings	86,006,967	22,950	(8,500)	86,021,417
Equipment, primarily transportation vehicles	129,958,717	52,002,287	(20,906,926)	161,054,078
Furniture and fixtures	16,374,998	23,853	-	16,398,851
Construction in progress	13,917,804	13,048,361	(19,035,534)	7,930,631
	255,478,798	65,097,451	(39,950,960)	280,625,289
Accumulated depreciation and amortization	(83,514,642)	(15,742,007)	19,751,189	(79,505,460)
	$ 171,964,156			201,119,829

At December 31, 1999 and 1998, equipment includes transportation vehicles under capital lease with a net book value of $38,766,845 and $34,634,141.

Construction in progress is composed of the following as of December 31, 1999:

Desire Corridor	$ 1,867,775
Canal Street Corridor	8,565,975
Other	1,485,373
	$ 11,919,123

(5) Long-term Debt

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

		1999	1998
1998 Series, Sales Tax Refunding Bonds, interest rates between 6.8% and 8%, due in annual principal debt service requirements ranging from $915,000 to $2,815,000, final payment due December 2013	$	25,100,000	26,080,000
1991 Series, Sales Tax Revenue Bond, 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		18,650,733	19,520,733
		43,750,733	45,600,733
Plus unamortized premium		3,402,569	3,816,593
Less current maturities		1,970,000	1,850,000
Long-term debt less current maturities	$	45,183,302	47,567,326

1998 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 $3,402,569 and $3,816,593 at December 31, 1999 and 1998, 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.

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, 2004. The interest for the capital appreciation bonds is due and payable in series in 2012, 2015 and 2021. Bond issue 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, 1999 and 1998.

Cross-Border Sales Leaseback Agreement

In December 1994, the RTA entered into a sales-leaseback agreement for 73 buses included in fixed assets. The term of the lease is for approximately seven years with a purchase option of $23,500 per bus in March 2002. The purchase option cost was included in the financing arrangement. RTA anticipates no liability with this agreement.

Debt Service Requirements

The following represents the debt service requirements for both the 1991 and the 1998 Bond issues as of December 31, 1999:

	Total principal	Total Interest
2000	$ 1,970,000	2,666,568
2001	2,105,000	2,533,668
2002	2,245,000	2,389,443
2003	2,405,000	2,233,313
2004	2,575,000	2,059,613
2005-2009	14,854,324	8,318,867
2010-2014	12,581,950	10,590,162
2015-2019	3,824,399	19,350,607
2020-2022	1,190,060	8,079,997
	$ 43,750,733	58,222,238

Sales Tax Anticipation Note

In September 1999, RTA entered into a sales tax anticipation note arrangement for $5,000,000 with a local bank to assist RTA in meeting its operating requirements. The note bares a fixed interest rate of 4.40% and is collateralized by a pledge of sales tax collections. The sales tax anticipation note matures in September 2000.

(6) **Fund Equity**

(a) Accumulated Deficit and Working Capital Deficit

As of December 31, 1999, the RTA's accumulated deficit and working capital deficit were $54,405,385 and $8,135,490, respectively.

The Authority's Board of Commissions is committed to improving the financial condition of the Authority, through both increasing revenues and decreasing expenses. A brief discussion of certain of the steps the Authority is taking to accomplish these goals follows.

Revenues - In order to increase operating revenues and local match, the Authority has implemented a fare increase and authorized collection of a 1% tax on hotel and motel room charges.

Expenses - The RTA plans to reduce expenses through headway adjustments, administrative position elimination and medical benefit plan changes. The medical benefit plan changes are expected to occur by June 1, 2000.

The Authority is also examining individual route productivity and considering alternative methods of delivery of transportation services.

Also, the Authority is in the process of developing a long-term operating and capital plan to provide it with alternative financing plans.

(b) Contributed Capital

The following summarizes the changes in contributed capital accounts, net of accumulated amortization, as of and for the years ended December 31:

		Local Government	Federal Government	Total
Balance at December 31, 1997, net	$	19,560,527	121,555,873	141,116,400
Capital grants earned		-	4,986,848	4,986,848
Transfer of depreciation on capital purchases		-	(10,748,268)	(10,748,268)
Balance at December 31, 1998, net		19,560,527	115,794,453	135,354,980
Capital grants earned		-	7,207,795	7,207,795
Transfer of depreciation on capital purchases		-	(13,405,510)	(13,405,510)
Balance at December 31, 1999, net	$	19,560,527	109,596,738	129,157,265

(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, 1999, the TMSEL Pension Plan was amended to increase the multiplier from 1.60% to 1.80% 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 1.80% to 1.90%. To fund these benefits, the Members of ATU Division 1560 began contributing 3.00% of their bi-weekly gross wages. As of January 1, 1999, the total amount the operators contribute to the Plan is 5.15% of total salary, which reflects the original 3.00% plus the impact of the changes in the multiplier and change in the age of participation.

Members of Amalgamated Transit Union 1611, effective April 18, 1996, received "30 and Out" Pension Service and contribute 2.45% of gross wages.

Members of International Brotherhood of Electrical Workers (IBEW) Local 1700-, 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 Union 1700-4 contribute 1.27% of gross wages. Since July 1, 1998, the total amount the Members of IBEW Local Union 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.

TMSEL contributes such amounts as are necessary to provide assets sufficient to meet the benefits to be paid to Plan participants. The contributions of TMSEL and eligible employees are made in amounts, determined by an enrolled actuary, sufficient to fund the Plan's current service cost plus amortization of any unfunded amounts over 25 years.

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

	1999	1998
Actuarial present value of benefit obligation:		
Vested benefit obligation	$ 83,915,029	72,490,180
Nonvested benefit obligation	9,878,056	6,267,065
Accumulated benefit obligation	93,793,085	78,757,245
Effect of projected future compensation Levels	21,982,174	20,312,908
Projected benefit obligation for service rendered to date	115,775,259	99,070,153
Plan assets at fair value	102,223,000	97,562,000
Excess (deficiency) in plan assets over projected benefit obligation	(13,552,259)	(1,508,153)
Unrecognized prior service cost	13,091,915	3,173,895
Unrecognized net loss from past experience different from that assumed	(3,162,577)	(1,353,565)
Unrecognized net asset	(546,675)	(630,650)
Accrued pension cost	$ (4,169,546)	(318,473)

Net periodic pension cost included the following components for the years ended December 31 and are as follows:

	1999	1998
Service cost - benefits earned during the period	$ 2,814,492	2,256,609
Interest cost on projected benefit obligation	8,156,123	6,470,942
Actual return on plan assets	(6,914,600)	(4,150,237)
Net amortization and deferral	439,508	(2,589,707)
Net periodic pension cost prior to change in estimate	$ 4,495,523	1,987,607

The most recent projected pension benefit obligation was computed based on the actuarial valuation performed as of January 1, 1999. Significant actuarial assumptions of 1998 used in the valuation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) a discount rate of 7.25%, and (c) projected salary increases including an inflation component of 4.25%. At the August 20, 1999 Board of Trustees meeting, the Plan's Board approved the change in the Plan's investment assumptions from 7.5% to 8.0%, effective January 1, 1998, as a result of the Plan's financial experience. This assumption change impacted the previously reported January 1, 1999 Plan financial statements requiring an employer contribution for 1998 of $644,400, instead of the previously reported employer contribution amount of approximately $3,500,000. This change in estimated has been included in the 1999 financial statements.

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 ($718,737) and $4,241,044 in 1999 and 1998, 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.

As of December 31, 1999, the ERISA funding requirement for the plan year 1999 of approximately $2,867,000 is included in amounts due to TMSEL on the balance sheet.

(8) 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%.

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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 1999 and 1998, total TMSEL expense relating to the above plan for retirees was $723,735 and $1,116,898, respectively. As of December 31, 1999, no actuarial evaluation of the plan has been performed.

(9) Commitments and Contingencies

(a) *Operating Leases*

The RTA is obligated under various operating leases for office and storage space. The operating leases contain renewal options for varying periods at equal or increased annual rentals.

Future operating lease payments for the five years following December 31, 1999 are as follows:

2000	$	350,844
2001		297,294
2002		297,294
2003		297,294
2004		297,294

Total lease and rental payments for the years ended December 31, 1999 and 1998 were $358,625 and $188,358, respectively.

(b) *Capital Leases*

The RTA has entered into a lease agreement to acquire 175 buses. As of December 31, 1999, the RTA has received the 175 buses. The term of the lease is 12 years. The lease is recorded at the present value of the future minimum lease payments as of the date of inception. The lease is payable over 12 years, with the last payment due on May 1, 2010. Semiannual payments are $2,999,462 with a balloon payment of $7,554,336 due on May 1, 2010. 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 contributed capital. The interest rate on the capital lease is 6.97%.

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, 1999:

	Present value of minimum lease payments	Interest	Total minimum lease payments
2000	$ 2,815,374	3,183,550	5,998,924
2001	3,015,025	2,983,899	5,998,924
2002	3,228,834	2,770,090	5,998,924
2003	3,457,805	2,541,119	5,998,924
2004	3,703,013	2,295,911	5,998,924
2005-2009	22,846,845	7,147,775	29,994,620
Thereafter	7,299,932	254,403	7,554,336
	46,366,828		
Less current portion	2,815,374		
Long-term portion	$ 43,551,454		

(c) *Contingencies*

The RTA receives financial assistance directly from Federal agencies which are 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, 1999 and 1998, the RTA is committed to using earnings to fund local matching requirements under grants for which a contractual obligation existed at the end of each year. The outstanding federal share of grants at December 31, 1999 and 1998 totals approximately $50,000,000 and $39,000,000, respectively, and requires commitments of local matching funds totaling approximately $13,613,086 and $7,926,589, respectively.

(10) Self-insurance and Legal Claims

The RTA is 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 and $2,000,000 thereafter; commercial insurance for general liability covers annual claims in excess of up to $14,000,000 prior to April 1, 1996 and $10,000,000 thereafter. 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, 1999 and 1998, $19,230,716 and $17,423,442, respectively, of accrued general liability and small claim estimates were recorded to cover such claims. 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, 1999 and 1998.

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
1997	$ 17,201,085	3,220,551	(4,521,357)	15,900,279
1998	15,900,279	4,718,798	(3,195,635)	17,423,442
1999	17,423,442	7,529,305	(5,722,031)	19,230,716

Restricted assets in the amount of $4,638,241 and $1,931,193 at December 31, 1999 and 1998, respectively, are available to fund current portions of the aforementioned accrued liabilities.

TMSEL's self-insured reserves for workers' compensation and health benefits are included in amounts due to TMSEL on the balance sheets and total $9,023,872 and $9,195,853 as of December 31, 1999 and 1998, respectively.

(11) Management Fees and Other Reimbursed Expenditures

Through the competitive procurement process, a new five-year contract between the RTA and METRO became effective November 1, 1997. METRO is to provide management and supervision of the transit system's operations. Management fees, reimbursement of expenses and expenses including professional consulting services paid under the current contract to METRO for the years ended December 31, 1999 and 1998 were $1,038,559 and $1,258,406, respectively. A portion of these expenses related to capital items are capitalized.

(12) 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 related receivables in 1999 and 1998.

The members of the Board of Commissioners were paid a per diem for the attendance at board meetings in calendar years 1999 and 1998 and are also reimbursed for out-of-pocket expenses resulting from their participation in RTA activities. The amounts received by each Commissioner for the years ended December 31, 1999 and 1998 were as follows:

	Per Diem	Expense Reimbursement	Total
1999:			
Daniel Alfortish	$ 825	793	1,618
Charlotte Burnell	825	-	825
Dennis DiMarco	600	-	600
Ronald Gardner	900	-	900
Connie Goodly	-	-	-
Earline Roth	900	-	900
Dana Pecorara	150	-	150
Robert Tucker	-	3,795	3,795
	$ 4,200	4,588	8,788

	Per Diem	Expense Reimbursement	Total
1998:			
Daniel Alfortish	$ 825	706	1,531
Charlotte Burnell	750	1,766	2,516
Dennis DiMarco	825	3,815	4,640
Ronald Gardner	600	-	600
Nat Lacour	600	1,577	2,177
Earline Roth	825	3,493	4,318
Robert Tucker	-	1,626	1,626
	$ 4,425	12,983	17,408

(13) Rate Increase and Memorandum of Understanding

Effective September 19, 1999, the RTA and the City Council of the City of New Orleans entered into a Memorandum of Understanding whereby the Council granted a $.25 rate increase in the basic fares of the RTA and the RTA implemented a service and cost reduction plan. In accordance with the Memorandum, the RTA must request by August 15, 2000 any extension of the rate increase beyond December 31, 2000.

(14) Prior Period Adjustment

The financial statements for 1998 have been restated for the effect of $1,658,190 of other operating revenue recognized in 1997 which was refunded under the terms of the trust fund release agreement relating to the 1991 Bonds.

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Fund Equity

For the years ended December 31, 1999 and 1998

		Accumulated Deficit-Reserved and Unreserved	Net Contributed Capital - Local Government	Net Contributed Capital - Federal Government	Total
Balance at December 31, 1997	$	(41,611,799)	19,560,527	121,555,873	99,504,601
Capital grants earned		-	-	4,986,848	4,986,848
Net loss		(21,880,807)	-	-	(21,880,807)
Transfer of depreciation on contributed capital purchases		10,748,268	-	(10,748,268)	-
Balance at December 31, 1998		(52,744,338)	19,560,527	115,794,453	82,610,642
Capital grants earned		-	-	7,207,795	7,207,795
Net loss		(15,066,557)	-	-	(15,066,557)
Transfer of depreciation on contributed capital purchases		13,405,510	-	(13,405,510)	-
Balance at December 31, 1999	$	(54,405,385)	19,560,527	109,596,738	74,751,880

See accompanying independent auditors' report.

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 1999 and 1998

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

	Sales Tax Bond	Sales Tax Capital	Sales Tax Contingency	Sales Facility	Total
Cash receipts:					
Interest income	$ 661	57,282	11,606	46,561	116,110
Bond proceeds	99,487	28,226,293	200,813	1,370,000	29,896,593
Transfer for principal and interest	-	638,853	100,000	-	738,853
Total cash receipts	100,148	28,922,428	312,419	1,416,561	30,751,556
Cash disbursements:					
Principal and interest payments	(80,154)	(27,514,833)	(32,882)	(100,656)	(27,728,525)
Transfer for debt service	-	(1,405,104)	(47,084)	(1,311,366)	(2,763,554)
Total disbursements	(80,154)	(28,919,937)	(79,966)	(1,412,022)	(30,492,079)
Ending balance - December 31, 1998	19,994	2,491	232,453	4,539	259,477
Cash receipts:					
Interest income	336	776,206	8,574	(2,110)	783,006
Transfer for principal and interest	-	-	(29,810)	-	(29,810)
Total cash receipts	336	776,206	(21,236)	(2,110)	753,196
Cash disbursements:					
Principal and interest payments	(18,527)	(7,031)	(89,360)	-	(114,918)
Transfer for debt service	(38)	(501,771)	(971)	(11)	(502,791)
Total disbursements	(18,565)	(508,802)	(90,331)	(11)	(617,709)
Ending balance - December 31, 1999	$ 1,765	269,895	120,886	2,418	394,964

See accompanying independent auditors' report.

Schedule 2

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 1999 and 1998

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

	Cost of Issuance	Debt Service	Disbursement	Total
Cash receipts:				
Interest income	$ 26,260	1,171,707	-	1,197,967
Bond proceeds	-		5,018,971	5,018,971
Transfer for principal and interest	-	3,941,577	-	3,941,577
Total cash receipts	26,260	5,113,284	5,018,971	10,158,515
Cash disbursements:				
Principal and interest payments	(18,275)	(5,103,139)	(4,055,369)	(9,176,782)
Transfer for debt service	(6,028)	(1,074)	(923,813)	(930,914)
Total disbursements	(24,303)	(5,104,212)	(4,979,182)	(10,107,697)
Ending balance - December 31, 1999	1,957	9,072	39,790	50,819

See accompanying independent auditors' report.

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Schedule 2

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 1999 and 1998

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

		Capital	Debt Service	Reserve	Total
Ending balance - December 31, 1997	$	149,649	73,524	3,876,123	4,099,296
Cash receipts:					
Transfer for principal and interest		-	31,251,528	-	31,251,528
Investment income		10,037	84,713	361,686	456,436
Total cash receipts		10,037	31,336,241	361,686	31,707,964
Cash disbursements:					
Transfer for debt service		-	(30,869,119)	(946,489)	(31,815,608)
Capital acquisitions and construction cost		(8,519)	-	-	(8,519)
Total disbursements		(8,519)	(30,869,119)	(946,489)	(31,824,127)
Ending balance - December 31, 1998		151,167	540,646	3,291,320	3,983,133
Cash receipts:					
Transfer for principal and interest		-	1,160,898	-	1,160,898
Gain/Loss		-	-	614	614
Investment income		4,290	75,466	(112,892)	(33,136)
Total cash receipts		4,290	1,236,363	(112,278)	1,128,375
Cash disbursements:					
Transfer for debt service		(33,722)	(1,409,819)	(7,779)	(1,451,320)
Total disbursements		(33,722)	(1,409,819)	(7,779)	(1,451,320)
Ending balance - December 31, 1999	$	121,735	367,190	3,171,263	3,660,189

See accompanying independent auditors' report.

Schedule 2

REGIONAL TRANSIT AUTHORITY

Schedule of Changes in Restricted Asset Bond Accounts

For the years ended December 31, 1999 and 1998

The following summarizes the activity in the 1999 Sales Tax Anticipation Note trustee accounts:

	Cost of Issuance	Disbursement	Total
Cash receipts:			
Interest income	$ 13,510	-	13,510
Note proceeds	-	5,000,000	5,000,000
Other	-	6,106	6,106
Total cash receipts	13,510	5,006,106	5,019,616
Cash disbursements:			
Expense payments	(6,848)	(3,561,827)	(3,568,675)
Total disbursements	(6,848)	(3,561,827)	(3,568,675)
Ending balance - December 31, 1999	$ 6,662	1,444,279	1,450,941

See accompanying independent auditors' report.

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

The Board of Commissioners
Regional Transit Authority
New Orleans, Louisiana::

We have audited the financial statements of the Regional Transit Authority (the RTA) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 19, 2000, which was unqualified. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Authority'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 over financial reporting 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 misstatements 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 May 19, 2000.

This report is intended solely for the information and use of the Board of Commissioners, management and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

May 19, 2000

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REGIONAL TRANSIT AUTHORITY
NEW ORLEANS, LOUISIANA

SINGLE AUDIT REPORTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Under provisions of state law, this report is a public document. A [illegible] submitted to the entity and [illegible] officials. The report is [illegible] at the Baton Rouge office [illegible] Auditor and, where appropriate, at the [illegible] of the parish clerk of court.

Release Date________________

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CERTIFIED PUBLIC ACCOUNTANT

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NEW ORLEANS, LOUISIANA 70130
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INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Commissioners
Regional Transit Authority

I have audited the accompanying Schedule of Expenditures of Federal Awards of the Regional Transit Authority (the RTA) for the year ended December 31, 1999. This Schedule of Expenditures of Federal Awards is the responsibility of the management of the RTA. My responsibility is to express an opinion on this Schedule of Expenditures of Federal Awards based on my audit. The accompanying Schedule of Expenditures of Federal Awards is a supplementary schedule and is not a part of the RTA's general purpose financial statements. Those statements were audited by other auditors whose report has been furnished to me; and in my opinion, insofar as it relates to the amounts included from the general purpose financial statements, is based solely on the report of the other auditors.

I conducted my audit in accordance with generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was conducted for the purpose of forming an opinion on the Schedule of Expenditures of Federal Awards of the RTA taken as a whole. This Schedule of Expenditures of Federal Awards is not a required part of the RTA's general purpose financial statements and is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and, in my opinion, based on my audit and the report of other auditors, the Schedule of Expenditures of Federal Awards is fairly presented, in all material respects in relation to the general purpose financial statements taken as a whole.

Curtis A. Moret

Curtis A. Moret
April 13, 2000

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 1999

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT CONTRACT NUMBER	FEDERAL SHARE OF TOTAL AUTHORIZED AMOUNT	GRANT RECEIVABLE AT 12/31/98	FEDERAL SHARE OF EXPENDITURES	FEDERAL FUNDS RECEIVED	ADJUSTMENTS	GRANT RECEIVABLE AT 12/31/99
DEPARTMENT OF TRANSPORTATION								
FEDERAL TRANSIT ADMINISTRATION (FTA)								
Capital Improvement Grants:								
	20-500	LA-03-0049	18,600,000	10,281	-	27,878	17,597	-
	20-500	LA-03-0052	9,643,943	2,073	6,329	6,054	(784)	1,564
	20-500	LA-03-0053	2,000,000	22,382	64,125	60,122	-	26,385
	20-500	LA-03-0054	14,235,000	3,070	-	-	-	3,070
	20-500	LA-03-0055	2,354,728	37,137	-	(2,890)	(36,948)	3,079
	20-500	LA-03-0056	2,943,618	51,479	95,166	95,146	(51,499)	-
	20-500	LA-03-0060	2,720,085	25,048	(17,868)	21,703	14,523	-
	20-500	LA-03-0061	3,763,200	155,841	139,177	214,508	(80,510)	-
	20-500	LA-03-0062	1,970,462	4,423	2,638	2,639	(4,422)	-
	20-500	LA-03-0070	2,125,226	240	(1)	-	(239)	-
	20-500	LA-03-0071	2,000,000	(10,900)	60,406	(17,182)	3,339	70,027
	20-500	LA-03-0072	12,674,702	764,889	3,016,927	2,069,932	50,060	1,761,944
	20-500	LA-03-0074	1,986,046	505,611	253,460	1,163,897	577,903	173,077
	20-500	LA-03-0078	851,190	4,832	289,329	408,275	172,800	58,686
	20-500	LA-03-0079	2,977,500	-	4,104,904	6,091,450	2,578,627	592,081
			80,845,700	1,576,406	8,014,592	10,141,532	3,240,447	2,689,913
Capital and Operating Assistance Grants:								
	20-507	LA-26-7000	240,000	49,008	49,510	57,877	-	40,641
	20-507	LA-90-0154	9,580,295	123,442	-	43,303	1,047	81,186
	20-507	LA-90-0161	3,520,000	864	-	-	-	864
	20-507	LA-90-0171	2,505,000	26,825	31,499	6,593	-	51,731
	20-507	LA-90-2171	620,000	131,330	21,579	50,648	(8,489)	93,772
	20-507	LA-90-0186	7,552,000	1,349,006	1,381,591	648,801	(1,989,461)	92,335
	20-507	LA-90-2186	460,000	3,551	25,130	20,130	-	8,551

The accompanying notes are an integral part of this schedule.

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 1999

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT CONTRACT NUMBER	FEDERAL SHARE OF TOTAL AUTHORIZED AMOUNT	GRANT RECEIVABLE AT 12/31/98	FEDERAL SHARE OF EXPENDITURES	FEDERAL FUNDS RECEIVED	ADJUSTMENTS	GRANT RECEIVABLE AT 12/31/99
	20-507	LA-90-2197	680,000	4,769	30,636	34,030	7,820	9,195
	20-507	LA-90-0197	8,089,236	-	6,803,434	5,408,946	(1,087,279)	307,209
	20-507	LA-90-0210	10,417,800	-	795,109	762,778	-	32,331
	20-507	LA-90-2210	97,600	-	6,921	17,695	17,696	6,922
	20-507	LA-90-2154	40,000	22,351	-	-	-	22,351
	20-507	LA-90-2161	200,000	1,552	840	839	-	1,553
	20-507	LA-90-0113	13,614,750	99,028	444,504	201,924	-	341,608
	20-507	LA-90-0103	2,683,148	2,839	-	-	-	2,839
			60,299,829	1,814,565	9,590,753	7,253,564	(3,058,666)	1,093,088
			141,145,529	3,390,971	17,605,345	17,395,096	181,781	3,783,001

The accompanying notes are an integral part of this schedule.

REGIONAL TRANSIT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 1999

NOTE 1- Summary of Significant Accounting Policies

The Schedule of Expenditures of Federal Awards for the Regional Transit Authority of New Orleans, Louisiana (RTA) has been prepared on the accrual basis in accordance with generally accepted accounting principles. The major programs of the RTA are the Federal Transit Capital Improvement Grants and the Federal Transit Capital and Operating Assistance Grants.

NOTE 2- Adjustments

The adjustments primarily represent expenditures made by the RTA which were recorded as receivables in current and prior years, but not reimbursed by the Federal Transit Administration (FTA). Additionally, similar project costs have been transferred between various grants.

CURTIS A. MORET
CERTIFIED PUBLIC ACCOUNTANT

616 GIROD STREET, SUITE 100S
NEW ORLEANS, LOUISIANA 70130
(504) 523-1028

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Regional Transit Authority

I have audited the Schedule of Expenditures of Federal Awards of the Regional Transit Authority (the RTA) for the year ended December 31, 1999, and have issued my report thereon dated April 13, 2000. The general purpose financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion expressed herein, insofar as it relates to the general purpose financial statements, is solely based on the report of other auditors.

Compliance

I have audited the compliance of 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 each of its major federal programs for the year ended December 31, 1999. The RTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the RTA's management. My responsibility is to express an opinion on the RTA's compliance based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the RTA's compliance with those requirements.

In my opinion, the RTA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999. However, the results of my auditing procedures disclosed instances of non-compliance with those requirements, which 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.

Internal Control Over Compliance

The management of RTA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Curtis A. Moret

Curtis A. Moret
April 13, 2000

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 1999

Summary of Auditor's Results:

Federal Awards

Internal control over major programs: Material weaknesses identified	No
Reportable conditions identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs.	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes
Major programs	Federal Transit Capital and Operating Assistance Grants CFDA number 20-507; Federal Transit Capital Improvement Grants CFDA number 20-500
Dollar threshold used to distinquish between Type A and Type B programs	\$528,160
Auditee qualified as low risk auditee	Yes

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 1999

	Program/Requirements	Findings/Noncompliance	Questioned Costs
99-1	Federal Transit Capital Improvement Grant CFDA Number 20-500; Federal Transit Capital and Operating Assistance Grants CFDA Number 20-507	During 1999, the RTA requested reimbursement for indirect cost and fringe benefit cost incurred with respect to allowable labor costs. However, the RTA determined the amount of indirect and fringe benefit costs based on rates computed using 1997 financial data. I recommend that the RTA update its indirect and fringe benefit cost rate on a timely basis to insure that the proper charges are being submitted to the FTA.	-0-

REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 1999

Status of prior year findings

There were no prior year findings.

RTA
CORRECTIVE ACTION PLAN
TO A-133 AUDIT

RTA is currently assessing its indirect and fringe benefit costs and will adjust the rates currently being used as needed. In addition, future updates will be requested when considered necessary.

P&N
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May 19, 2000

Board of Commissioners
Regional Transit Authority
6700 Plaza Drive
New Orleans, Louisiana 70127-2677

Dear Commissioners:

We have audited the financial statements of the Regional Transit Authority (RTA) for the year ended December 31, 1999, and have issued our report thereon dated May 19, 2000. 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, are intended to improve internal control or result in other operating efficiencies and are summarized in Appendix A. Appendix B contains a list of the status of prior year comments. Appendix C contains management's response to the comments and recommendations which were 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

Appendix A

CURRENT YEAR MANAGEMENT LETTER COMMENTS

RECEIVABLES

The RTA has numerous receivables from various sources of revenues and/or reimbursements. The data and collection/follow-up processes vary by the nature of the receivable. Some of the data from the source department is reviewed and monitored; others are not. To ensure that the source departments are accountable for follow-up on delinquent accounts and completeness of the data, the RTA should review the flow of each receivable category to determine if improvements should be made to increase cash flow, efficiency of processing and effectiveness of monitoring.

HEALTH INSURANCE

As part of the implementation of a new health insurance plan, RTA employees were required to be recertified. To date, significant variances in enrollment data has been indicated. RTA should investigate unusual changes and determine if amounts have been properly claimed by the employee in prior years.

PAYABLES

Various RTA departments submit invoices and bills for processing by the Accounting Department for review and payment. Delays have occurred in the information flowing to the Accounting Department. RTA should review the accumulation process to determine improvements that can be made to more timely obtain payment information from its departments, thereby maintaining a more accurate payment listing.

In addition, the general ledger account used to record advances should be reviewed and updated as necessary. Several old transactions exist which should be investigated, adjusted as necessary and monitored.

INVESTMENTS

The investments of RTA are reconciled to the general ledger primarily at the end of the year. We recommend that investments be reconciled at least quarterly to ensure proper recording of transactions and market value as appropriate.

INSURANCE RESERVES

Similar to investments, reserves for health, legal, small claims and workers' compensation are primarily recorded during the year-end close out process. We recommend that these reserves be analyzed and adjusted at least quarterly, because of the severity of fluctuation that may occur during the year.

Appendix B

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
Self-Insured Reserves			
As part of the current year financial statement audit, we noted the following:			
• third-party administrator's report for January was not complete, with significant changes occurring in February and March of 1998;	Concur	Resolved	• This was an isolated incident in 1998 which occurred because the Third Party Administrator made reserve changes without consulting RTA/TMSEL. This problem no longer exists. This was an isolated incident.
• reporting inaccuracies that resulted in reporting issues for litigated claims, year-to-date activity and cumulative claim history,	Concur	Resolved	• This problem was corrected in 1998. The litigated claim report for 1999 was accurate.
• signed copy of the contract with the workers' compensation third-party administrator could not be located, and	Concur	Resolved	• Presently, there is a signed contract with Creative Risk. This contract expired 10/99. Since then, 3 month extensions have been signed and issued.
• small claim payment documentation was not always present, such as signature on settlement forms, settlement check copies, signed releases, and reserve support documentation.	Concur	Resolved	• Management has in place a periodic review process to identify and correct these deficiencies. Actions are still in place.
In addition, with increased reserve setting authority, the Legal department should retain the final documentation on reserve support. These matters should be followed-up by management to ensure that the documentation procedures are being followed.	Concur	Resolved	Documentation for legal case reserves is kept in the master file in the Legal Department. Individual legal files also include reserve information. This practice is still being followed.
In addition, we recommend that third-party administrator reserves be reviewed monthly to determine the completeness of reserves and investigate unusual changes and/or amounts.	Concur	In-Process	Reserves had not been set on Worker's Comp files. Presently, the TPA is reviewing files for reserve setting.

Appendix B,cont.

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
Investments and Cash			
As noted in prior years, reconciliation of investment documentation to the general ledger is not occurring routinely during the year. We recommend the following:			
• receipt of all bank statements and trustee statements by the Accounting Department first, with copies being forwarded within a reasonable time period to the Treasurer;	Concur	Implemented	On a monthly basis, all bank and trustee statements are forwarded directly to the Accounting Department and required copies are provided to the Treasurer This practice is still performed.
• receipt of all supporting bank notices by the Accounting Department for recording transactions on the general ledger;	Concur	Implemented	All supporting bank notices are forwarded to the Accounting Department for recordation of transactions in the general ledger. This practice is still performed.
• recording of accrued interest on a periodic basis during the year;	Concur	Implemented	Beginning in 1999, the trust statements reflecting accrued interest were forwarded directly to the Accounting Department.
• review of all NSF and other bank charges on all bank accounts for cause of insufficient funds and develop procedures to reduce the incurrence of such charges;	Concur	Implemented	In 1999, bank transfers to cover payrolls and transfers to fund manual checks between pay periods were made timely.
• reconciliation of all TMSEL and RTA bank accounts within 30 days after month-end, and	Concur	Implemented	The Accounting Department has automated the reconciliation of TMSEL and RTA bank accounts and will complete reconciliations within 30 days after month-end. Furthermore, the Accounting Department has provided the Treasurer with copies of all bank reconciliations.

Appendix B,cont.

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
• preparation of a monthly cash and investment report by Accounting to be submitted to the Treasurer for his review and approval. Because of the volume of activity in these accounts, we recommend that investments and all cash accounts be balanced monthly and the Internal Audit Department review the reconciliation process on a test-basis during the year.	Concur	In-Process	In 1999, schedules were prepared to indicate the allocation and break down of funds transferred. These schedules were agreed to the activity in the general ledger. However, monthly schedules need to be developed to reconcile outstanding investment balance between Treasurer's schedules and the general ledger.
Financial Statement Adjustments			
Over thirty adjustments were posted by RTA after the trial balance was closed for December 31, 1997. To reduce this large volume of adjustments and to ensure more accurate financial information on a timely basis during the year, we recommend: • reconciliation of all balance sheet accounts to supporting documentation on a monthly basis; • review of reconciliations by supervisors on a timely basis; • providing for known and expected events on a monthly basis (e.g., pension accruals, unusual litigation changes, etc.), and • documented analytical review of balance sheets on a quarterly basis and of the income statements on a monthly basis. The recommendations should be considered by the Board and management and may require additional efforts and/or more experienced staff. However, these or similar changes would provide the Board and management with more accurate interim data.	Concur	Implemented	There were fourteen adjustments posted to the RTA trial balance for 1999 after trial balances were closed. The Accounting department lacks two supervisory positions which are crucial in the review process of monthly account reconciliations. Five of the additional postings for 1998 were adjustments resulting from information available after the trial balance was closed. Therefore, they will continue to be posted in this manner. There have been significant improvements by the Accounting staff to record as many known adjustments as possible so that the number of adjustments posted after the trial balance closes is very minimal.

Appendix B, cont.

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
Internal Audit			
During 1997, Internal Audit issued several reports on various subjects including personnel, inventory, construction payments, grant compliance, claims documentation, investments, insurance matters and other excellent topics. These reports identified several corrective actions and numerous recommendations. These reports provided recommendations that are of benefit to RTA. We recommend that a monthly report be issued by the respective departments as to the status of their resolution of the issues identified with deadlines for 100% implementation. This report should be circulated to Internal Audit and the General Manager, with other management members receiving the status reports as needed.	Concur	Implemented	In 1998, the Internal Audit Department performed follow-up actions on internal audits and external audits. A Status Summary Form was created and circulated to all departments to document the status and actions taken to correct or improve deficiencies noted. These reports were issued to the General Manager, the respective Deputy General Managers and the Chief Financial Officer. However, due to the staffing level of Internal Audit, departments will be required to submit status reports on a quarterly basis. Upon receipt of reports, Internal Audit will verify the corrective actions taken to determine comment status. Performing follow-up actions allowed Internal Audit to track status of corrective actions and close several audits, both internal and external.
Year 2000			
With the Year 2000 quickly approaching, organizations throughout the country are assessing the technology-readiness. To better ensure that the RTA is ready for the year 2000, the following steps should be undertaken and the results documented: • updating list of software and purpose • performing an assessment of readiness of the software systems for the year 2000			

Appendix B,cont.

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
Year 2000, Continued			
• confirming with commercial vendors that the systems are 2000 ready • developing internal schedules to ensure timeframes on conversions, if necessary, are adequate • determine the amount of funding that may be necessary and when the funds may be needed to address any issues. While this list is not intended to be a complete list of tasks, by documenting its approach to the above and formalizing a plan to ensure that all systems have been considered and addressed, the RTA will be better assured of continued operations on January 1, 2000.	Concur	Implemented	The RTA has completed updating its list of computer and communication software and hardware; replaced non Y2k hardware and software; and tested the readiness of its Y2K remediation efforts. Confirmed with hardware and software vendors the status of their installed products in use at the RTA regarding Year 2000.
The Deficit and Cash Flow Projections and Budgeting			
With the increasing deficit and decreasing cash and investments balances, RTA should develop a plan of action of what additional funds are needed to meet matching requirements and to fund working capital on a day-to-day basis. Management has discussed developing cash flow projections and budgets to monitor cash needs and has also taken initial steps to reduce cash outflow and expenses for 1997. We applaud these actions and recommend formalizing these processes into written and communicated documents that can be used by upper management and the Board to monitor the progress toward deficit reduction and increased cash and investments balances.	Concur	Implemented	During 1999 route adjustments and administrative personnel adjustments were initiated. The 2000 budget shows in excess of $13 million of deficit reduction without inclusion of any hotel/motel sales tax proceeds. The financial plan developed and is being implemented. Operation of the financial plan is being transferred to TMSEL staff. The financial plan shows a systematic improvement of working capital over time. Cost reduction efforts are generally consistent with the plan and exceptions have been approved by the City Council.

Appendix B, cont.

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
Other Audit Reports and Findings			
During 1997, the RTA was reviewed by FTA in the Financial Management Oversight and Procurement Reviews and State of Louisiana Department of Labor and Office of Worker's Compensation. Each review resulted in a report, the majority of which required corrective actions and strong recommendations. It is our understanding that management is monitoring the progress of these reports; therefore, inclusion herein is not considered necessary.	Concur	Completed	At the October 1999 Quarterly Review Meeting, the FTA accepted the RTA's response. This review is a closed item with the FTA.
Sales Tax Documentation			
To better understand the allocation of sales taxes to debt, capital and operations, a report should be prepared annually by management to summarize the uses of the sales tax proceeds and to summarize the RTA's compliance with the provisions of the sales tax ordinance. Accounting information may need to be reorganized to reflect these changes. A report summarizing the above mentioned items would document the RTA's compliance with the sales tax ordinances.	Concur	Implemented	Both, the 1999 and 2000 budgets have an allocation of sales tax for operation, capital, and debt service.

Appendix B,cont.

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
Deficit			
The RTA has had an accumulated deficit for the past couple of years. In addition, available cash for operating purposes has been declining. The nature of RTA's operations is such that it is dependent on user fees, federal grants and sales taxes in order to finance operations and capital improvements. Short-term and long-term plans need to be developed by management in order to prepare the RTA for the next decade. The plans should consider potential areas of increased efficiency, monetary impact of any upcoming federal regulations, the demands on its cash flows for debt as well as operating costs, the RTA's capital needs, including expansion, replacement and maintenance needs, the market demands in the area, and the need to fund self insurance, retirement programs, etc. The short-term plan should address cash flow needs for the next 6 to 12 months, with the long-term plan addressing the next 1 to 10 years. Identification of the need for additional resources needs to be addressed early in order that the RTA can present the data which will be needed by the public and business community in order to support additional revenue sources. Cash flow is a significant issue for the RTA and needs to be addressed in the near term.	Concur	Implemented	During 1999 route adjustments and administrative personnel adjustments were initiated. The 2000 budget shows in excess of $13 million of deficit reduction. The plan for deficit elimination calls for a continuation of the September 1999 fare increase. The projections presented above do not include any proceeds from the hotel/motel sales tax.

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Appendix B,cont.

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
Performance Budgeting			
The RTA should consider developing a performance-based budget, expanding the current budget document to include the product/services that will be generated as a result of the expenditures provided to a department. This expanded process can be used to set performance standards that can be used by management to monitor their staff and their progress toward the RTA's goals. In addition, (1) before final distribution a draft of the proposed total detailed budget should be presented to all departments for final input and suggestions, particularly the Accounting Department, Grants and Risk Management, and (2) monthly explanations of budget to actual variances should be prepared and presented to the Board in a timely manner.	Concur	In-process	Increased emphasis has been placed on gathering statistical data necessary to generate a performance based budget. Required federal reporting currently completed on an annual basis contains many of the statistical amounts necessary. In order to accomplish reporting on an interim basis, the statistically based process used for federal reporting must be adapted for interim reporting. This must be considered a long- term project.
Investments			
To ensure timely recording of transactions and to assist with the reconciliation process, the RTA should maintain a monthly schedule of transfers between bank and investment accounts. The schedule should include the date, account, and amounts transferred in and out, in order to properly reconcile each account. In addition, investment schedules including interest income should be reconciled monthly to the general ledger balances and the Treasurer's outstanding investment reports.	Concur	In-Process	In 1999, schedules were prepared to indicate the allocation and break down of funds transferred. These schedules were agreed to the activity in the general ledger. However, monthly schedules need to be developed to reconcile outstanding investment balance between Treasurer's schedules and the general ledger.

Appendix B, cont.

DISPOSITION OF PRIOR YEARS' MANAGEMENT LETTER COMMENTS

PRIOR YEARS' RECOMMENDATION	MANAGEMENT RESPONSE	STATUS	COMMENT DISPOSITION
Worker's Compensation			
The Worker's Compensation area has made significant improvements in the current year regarding claims particularly in the absence of a Third Party Administrator (TPA) whose contract was terminated in June 1998. We recommend the Authority continue their efforts to get the current TPA on-line and functioning. In addition, we recommend that the Management Information Systems Department continue to develop a modem connection for the Worker's Compensation Department to connect to the TPA's files to enable the Authority to review the TPA's work. In the 1999, a temporary employee was hired to help process medical bills. At year-end, the process of paying medical bills was improved and medical bills were current. We commend the Authority for taking the measures to ensure proper payment of medical bills and recommend that the Authority keep the staffing level consistent with that at year-end in order to help process the flow of work. Currently, all medical invoices greater than $500 must be signed by the supervisor of Worker's Compensation, the Director of Worker's Compensation, General Counsel, the Chief Financial Officer, the General Manager, and a Metro representative. We noted one instance during test work where the proper authorities had not approved a batch of payments greater than $500. Due to the large volume of these medical invoices, we recommend the Authority reconsider its policy regarding the dollar limit for review of medical invoices and consider increasing the dollar limit for required review by the aforementioned individuals to $1,000.	Concur	Implemented	In order to better manage medical invoices, signature authority has been delegated to the Director of Worker's Compensation for all medical invoices up to $1,000. All invoices in excess of $1,000 will require the signatures of the Supervisor of Worker's Compensation, the Director of Worker's Compensation, General Counsel, the CFO, the General Manager and Metro. The Director of Worker's Compensation signature authority was increased to $1,000 in 1999.

Appendix C

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

RTA's response to open prior years' management letter comments and corrective action plan is included in Appendix C.

RECEIVABLES

The RTA has numerous receivables from various sources of revenues and/or reimbursements. The data and collection/follow-up processes vary by the nature of the receivable. Some of the data from the source department is reviewed and monitored; others are not. To ensure that the source departments are accountable for follow-up on delinquent accounts and completeness of the data, the RTA should review the flow of each receivable category to determine if improvements should be made to increase cash flow, efficiency of processing and effectiveness of monitoring.

RTA's Response

The collection process of third party property damage receivables was assigned to claims adjusters in May of 1999. This procedure change followed the loss of the recovery specialist position. Over the next twelve months, RTA will assess the benefit of hiring an independent collector on a performance-base arrangement.

In addition, the individual filling the open Supervisor of General Accounting position will be responsible for monitoring open receivables. The Accounting Department will provide the user departments with a monthly aging report to assist staff with collection efforts.

HEALTH INSURANCE

As part of the implementation of a new health insurance plan, RTA employees were required to be re-certified. To date, significant variances in enrollment data has been indicated. RTA should investigate unusual changes and determine if amounts have been properly claimed by the employee in prior years.

RTA's Response

In the past years, TMSEL did not have an accurate tracking procedure on employees and eligible dependents. This may have caused variances in the total employee and eligible dependent census, which exists with our current provider. However, with our new plan implementation, Human Resources developed a set of procedures that would allow TMSEL to better track our employee and dependent(s) records (i.e., birth certificates, marriage certificates, verification of full-time student enrollment status, proof of other medical coverage, and court documentation of non- biological children). Once the new plan is in effect, TMSEL will have more control on any unusual variances that may occur. Due to limited budget constraints, RTA will have to obtain additional resources to investigate improprieties of our employees for prior years. Human Resources will submit a request for additional resources.

PAYABLES

Various RTA departments submit invoices and bills for processing by the Accounting Department for review and payment. Delays have occurred in the information flowing to the Accounting Department. RTA should review the accumulation process to determine improvements that can be made to more timely obtain payment information from its departments, thereby maintaining a more accurate payment listing.

In addition, the general ledger account used to record advances should be reviewed and updated as necessary. Several old transactions exist which should be investigated, adjusted as necessary and monitored.

RTA's Response

The Accounting Department will request monthly information from the user departments similar to the request made at year-end. Non-compliance to the above request will be reported to the General Manager.

Also, the Accounting Department prepares an open advance report on a monthly basis. This information will be forwarded to the perspective individuals for their review. Failure to respond will result in disciplinary action. The old advances will be reviewed and resolved in the next year.

INVESTMENTS

The investments of RTA are reconciled to the general ledger primarily at the end of the year. We recommend that investments be reconciled at least quarterly to ensure proper recording of transactions and market value as appropriate.

RTA's Response

Management concurs with the auditors' recommendation. The Treasury and Accounting Departments will coordinate reconciling investments on a quarterly basis.

INSURANCE RESERVES

Similar to investments, reserves for health, legal, small claims and workers' compensation are primarily recorded during the year-end close out process. We recommend that these reserves be analyzed and adjusted at least quarterly, because of the severity of fluctuation that may occur during the year.

RTA's Response

The AS400 quarterly reserve report will reflect any change made in a reserve from quarter to quarter. This information will be provided to Accounting on a quarterly basis in order that the as needed changes are accounted for.