LOUISIANA TRANSIT COMPANY, INC.

BALANCE SHEETS

December 31, 1996 and 1995

ASSETS

	1996	1995
CURRENT ASSETS		
Cash	$ 426,355	$ 347,160
Certificate of deposit	100,000	100,000
Excise tax refund receivable	20,950	42,752
Other receivables	17,017	12,411
Fuel inventory	4,299	3,674
Prepaid expenses	71,124	84,406
TOTAL CURRENT ASSETS	639,745	590,403
PROPERTY, PLANT AND EQUIPMENT		
Land	12,479	12,479
Buildings	64,521	64,521
Furniture and fixtures	71,778	70,473
	148,778	147,473
Less accumulated depreciation	136,299	134,994
	12,479	12,479
OTHER ASSETS		
Cash surrender value of officer's life insurance	12,246	12,625
Deposits	36,990	36,990
	49,236	49,615
	$ 701,460	$ 652,497

LOUISIANA TRANSIT COMPANY, INC.

BALANCE SHEETS - CONTINUED
December 31, 1996 and 1995

LIABILITIES AND STOCKHOLDERS' EQUITY

	1996	1995
CURRENT LIABILITIES		
Accounts payable - trade	$ 123,938	$ 83,989
Accounts payable - Jefferson Parish	19,060	21,518
Accrued expenses	188,547	173,209
TOTAL CURRENT LIABILITIES	331,545	278,716
RESERVE FOR TOKENS	37,008	33,950
	368,553	312,666
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock, par value $100; 5,000 shares authorized, 1,750 shares issued and outstanding	175,000	175,000
Retained earnings	157,907	164,831
	332,907	339,831
	$ 701,460	$ 652,497

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

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December 31, 1996

LOUISIANA TRANSIT COMPANY, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended December 31, 1996 and 1995

	1996	1995
OPERATING REVENUES	$ 2,531,715	$ 2,334,918
DIRECT COSTS	2,222,960	2,162,148
GROSS PROFIT	308,755	172,770
GENERAL AND ADMINISTRATIVE EXPENSES	1,640,156	1,563,293
OPERATING LOSS	(1,331,401)	(1,390,523)
OPERATING SUBSIDY	1,093,295	1,165,693
	(238,106)	(224,830)
OTHER INCOME		
Management fees	306,291	289,175
Rental	57,000	56,000
Interest income	7,891	4,763
	371,182	349,938
NET INCOME	133,076	125,108
RETAINED EARNINGS AT BEGINNING OF YEAR	164,831	144,723
DISTRIBUTIONS TO STOCKHOLDERS	(140,000)	(105,000)
RETAINED EARNINGS AT END OF YEAR	$ 157,907	$ 164,831

See Notes to the Financial Statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 14 is presented for the purpose 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, except for the effects on employee pension costs as explained in the third paragraph of our report on page 1, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kushner, LaGraize & Moore, L.L.P.

Metairie, Louisiana
February 14, 1997

LOUISIANA TRANSIT COMPANY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996 and 1995

	1996	1995
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income	$ 133,076	$ 125,108
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,305	0
Loss on disposition of assets	0	2,300
Decrease (increase) in operating assets		
Accounts receivable - Jefferson Parish	0	33,822
Excise tax refund receivable	21,802	(22,086)
Other receivables	(4,606)	5,724
Fuel inventory	(625)	570
Prepaid expenses	13,282	(68,707)
Cash surrender value of officer's life insurance	379	323
Deposits	0	(36,145)
Increase (decrease) in operating liabilities		
Accounts payable - trade	39,949	17,620
Accounts payable - Jefferson Parish	(2,458)	21,518
Accrued expenses	15,338	(37,475)
Reserve for tokens	3,058	1,018
NET CASH PROVIDED BY OPERATING ACTIVITIES	220,500	43,590
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of equipment	(1,305)	0
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Dividend distributions to stockholders	(140,000)	(105,000)
NET INCREASE (DECREASE) IN CASH	79,195	(61,410)
CASH AT BEGINNING OF YEAR	347,160	408,570
CASH AT END OF YEAR	$ 426,355	$ 347,160

SUPPLEMENTAL DISCLOSURES

- There were no cash payments for interest expense or income taxes during 1996 and 1995.

See Notes to the Financial Statements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS - CONTINUED

The results of our audit procedures did not disclose any instances of noncompliance with the requirements referred to above.

In our opinion, the Company complied, in all material respects, with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program for the year ended December 31, 1996.

This report is intended for the information of management, the Jefferson Parish Council, and the U. S. Department of Transportation. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kushner, LaGraize & Moore, L.L.P.

Metairie, Louisiana
February 14, 1997

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LOUISIANA TRANSIT COMPANY, INC.

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years Ended December 31, 1996 and 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date APR 16 1997

LOUISIANA TRANSIT COMPANY, INC.

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December 31, 1996 and 1995

Kushner, LaGraize & Moore, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER, CPA*
WILSON A. LaGRAIZE, JR., CPA
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Directors & Stockholders
Louisiana Transit Company, Inc.
Harahan, Louisiana

We have audited the basic financial statements of Louisiana Transit Company, Inc. (the Company), for the year ended December 31, 1996, and have issued our report thereon dated February 14, 1997, except as discussed in paragraph 3 of that report.

We have also audited the Company's compliance with the requirements governing types of services allowed or unallowed; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance for the year ended December 31, 1996. The management of the Company is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS - CONTINUED

This report is intended for the information of management, Jefferson Parish Council and the U. S. Department of Transportation. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kushner, LaGraize & Moore, L.L.P.

Metairie, Louisiana
February 14, 1997

NOTE 7 - COLLECTIVE BARGAINING AGREEMENT

The Company has executed a collective bargaining agreement with Amalgamated Transit Union, Division 1535 (Union) effective February 1, 1994 through January 31, 1998. Under this agreement, Union workers are entitled to a 3 percent wage increase each year after their first year of service through January 31, 1997. As of February 1, 1997, Union workers are entitled to a 2 percent wage increase and a 2 percent increase in pension contributions to be made by the Company each year through January 31, 1998. As of December 31, 1996 and 1995, 85 percent of the work force was employed under this agreement.

SUPPLEMENTAL INFORMATION

Kushner, LaGraize & Moore, L.L.P.

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INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors & Stockholders
Louisiana Transit Company, Inc.
Harahan, Louisiana

We have audited the basic financial statements of Louisiana Transit Company, Inc. (the Company) for the year ended December 31, 1996, and have issued our report thereon dated February 14, 1997, except as discussed in paragraph 3 of that report.

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 basic financial statements are free of material misstatement.

The management of the Company is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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LOUISIANA TRANSIT COMPANY, INC.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Year Ended December 31, 1996

LOUISIANA TRANSIT COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 1996 and 1995

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary is presented to assist in understanding Louisiana Transit Company, Inc. (the Company's) financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform with generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Business Activity

The Company's principal operations consist of managing and operating mass transit facilities for the East Bank of the Parish of Jefferson, Louisiana. The Company is presently under contract with the Parish of Jefferson, Louisiana (the Parish), to provide these services through December 31, 1997.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Receivables

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account. No allowances were established at December 31, 1996 and 1995, because all accounts receivable were considered to be collectible.

Inventory

The Company's inventory of fuel is stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

LOUISIANA TRANSIT COMPANY, INC.

SCHEDULES OF REVENUES AND EXPENSES

For the Years Ended December 31, 1996 and 1995

	1996	1995
OPERATING REVENUES		
Sales	$ 2,462,580	$ 2,285,736
Advertising	66,656	46,999
Other	2,479	2,183
	$ 2,531,715	$ 2,334,918
DIRECT COSTS		
Fuel	$ 283,750	$ 258,832
Tires	4,164	6,986
Salaries and wages	1,058,070	1,024,749
Employee benefits	189,835	175,174
Lubrication	19,294	17,284
Insurance	512,810	541,153
Repairs and maintenance	153,732	137,970
Depreciation	1,305	0
	$ 2,222,960	$ 2,162,148
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries - officers'	$ 180,520	$ 170,460
Salaries - other	657,914	622,608
Advertising	211	204
Automobile and truck expenses	1,737	2,092
Conventions	3,849	1,683
Contributions	1,960	1,575
Dues and subscriptions	9,760	9,583
Employee pension costs	178,696	161,911
Insurance - group health and life	292,515	308,572
Insurance - other	12,635	13,388
Legal and professional	56,049	37,145
Maintenance and repairs	16,670	11,464
Miscellaneous	8,797	10,070
Office	11,367	12,960
Other	0	2,516
Printing	12,480	9,209
Safety material	3,393	2,248
Taxes - payroll	159,268	154,332
Taxes - other	12,152	12,050
Travel and entertainment	502	590
Utilities and telephone	17,828	16,832
VIP passes	1,853	1,801
	$ 1,640,156	$ 1,563,293

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Directors & Stockholders
Louisiana Transit Company, Inc.
Harahan, Louisiana

We have audited the basic financial statements of Louisiana Transit Company, Inc. (the Company), for the year ended December 31, 1996, and have issued our report thereon dated February 14, 1997, except as discussed in paragraph 3 of that report.

We have also applied procedures to test the Company's compliance with the following requirements applicable to its federal financial assistance program, which is identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1996; political activity, civil rights, cash management, federal financial reports, allowable costs/cost principles, Drug-free Workplace Act, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the compliance of the Company with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Company had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any instances of noncompliance with those requirements.

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Kushner, LaGraize & Moore, L.L.P.

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INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

To the Board of Directors & Stockholders
Louisiana Transit Company, Inc.
Harahan, Louisiana

We have audited the basic financial statements of Louisiana Transit Company, Inc. (the Company), as of and for the year ended December 31, 1996, and have issued our report thereon dated February 14, 1997, except as discussed in paragraph 3 of that report. These basic financial statements are the responsibility of the Company management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Kushner, LaGraize & Moore, L.L.P.
Metairie, Louisiana
February 14, 1997

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LOUISIANA TRANSIT COMPANY, INC.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

For the Year Ended December 31, 1996

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Period From	Grant Period Through	Grant Amount
Passed through Jefferson Parish Council, Jefferson Parish, Louisiana, Federal Transit Administration Operating Assistance	20.507	LA-90-X152	01/01/96	12/31/96	$1,093,295

Due From (To) Jefferson Parish December 31, 1995	Cash Received During Year Grant	Other	Due From (To) Jefferson Parish December 31, 1996	Total Revenue Recognized	Expenditures Federal	Other	Total Expenditures
$ (21,518)	$1,090,837	$ 0	$ (19,060)	$1,093,295	$1,093,295	$ 0	$ 1,093,295

NOTE 5 - FEDERAL OPERATING SUBSIDY (Continued)

The contract also contains deductive/additive factors which allow the Parish to appropriately reduce/increase the budget in the event of a reduction/increase in the actual service hours provided by the Company. Accordingly, the Company reduced its operating budget by a deductive factor of $32.29 and $31.80 per hour, respectively, for service hours of less than 81,000 during the years ended December 31, 1996 and 1995. During 1996 the Company operated the buses for 80,716 hours, resulting in a budget reduction of $9,170. During 1995 the Company operated the buses for 80,067 hours, resulting in a budget reduction of $29,669.

The Company received monthly management fees of $25,524 in 1996 and $24,098 in 1995. The Company received monthly rental fees of $4,750 in 1996 and $4,667 in 1995.

Incentive fees earned for the years ended December 31, 1996 and 1995, were $6,624 and $7,507, respectively. These amounts are offset against Accounts Payable - Jefferson Parish at December 31, 1996 and 1995.

Operating subsidies earned during the years ended December 31, 1996 and 1995, totaled $1,093,295 and $1,165,693, respectively, exclusive of the monthly management and rental fees noted above.

NOTE 6 - COMMITMENTS

The Company has executed an irrevocable standby letter of credit in favor of Jefferson Parish for a maximum amount of $100,000 at December 31, 1996 and 1995, in lieu of obtaining a performance bond for the management contract. The letter of credit is secured by a certificate of deposit in the amount of $100,000 which is being held by the issuing bank.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less applicable depreciation. Provisions for depreciation are computed over the estimated useful lives of the depreciable assets using the straight-line method or various accelerated depreciation methods. All property, plant and equipment were fully depreciated at December 31, 1996 and 1995.

Statement of Cash Flows

The Company considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 - OFF BALANCE SHEET RISK

Carrying amounts of the Company's deposits (checking accounts and certificate of deposit) were $574,993 and $446,335 and the bank balances were $534,746 and $497,314 at December 31, 1996 and December 31, 1995, respectively. Of the bank balances, $165,924 and $199,974 were covered by federal depository insurance and $368,822 and $297,340 were uninsured and uncollateralized at December 31, 1996 and December 31, 1995, respectively.

NOTE 3 - INCOME TAXES

The Company elected by unanimous consent of its stockholders to be taxed under the provisions of subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal and state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Company has two employee benefit plans as follows:

A.T.U. Pension Plan

The A.T.U. Pension Plan (a defined contribution money purchase pension plan) provides coverage for all hourly employees who have attained the age of 20½ years and are employed by the Company on January 1 of each year. Employees are 100 percent vested after 5 years. The employer and employee contributions are mandatory based upon the Employee Collective Bargaining Agreement. Employer and employee contributions were 7 percent of gross pay from January 1,1995 through December 31, 1996. The Company's contributions totaled $109,687 and $98,829 for 1996 and 1995, respectively.

Employee Benefit Plan for Salaried Employees

The Employee Benefit Plan for Salaried Employees (a defined benefit plan) provides retirement and disability benefits for all employees not covered under the A.T.U. Pension Plan who have attained the age of 21 years and who have been employed by the Company for one year. Benefits accrue evenly over all years of participation at a rate of 2 percent of compensation per year up to a maximum benefit of 40 percent of compensation plus 2 percent of average compensation for each year of service from January 30, 1991, to actual retirement, up to a maximum of 20 years.

The amount of employer contributions, $65,550 and $58,848 in 1996 and 1995, respectively, is computed by plan actuaries using the methods of accruing benefits as described above.

As of the latest actuarial valuation date of January 30, 1996, the actuarial present value of vested and nonvested accumulated plan benefits totaled $603,513, utilizing a 7 percent assumed rate of return. Net assets available for benefits totaled $547,966.

NOTE 4 - EMPLOYEE BENEFIT PLANS (Continued)

Employee Benefit Plan for Salaried Employees (continued)

The Company is required under generally accepted accounting principles to implement Statement of Financial Accounting Standards No. 87, with regard to the defined benefit plan described above, which requires certain disclosures. Under SFAS 87 the annual costs of providing for employees' pensions is to be recognized over the employees' respective service periods, and a liability is to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. In some instances, a pension plan asset is to be recognized when the fair value of plan assets exceeds the accumulated benefit obligation. Additionally, SFAS 87 requires certain disclosures regarding details on assets and liabilities within the plan. Actuarial methods utilized by the Company's actuary did not conform to methods prescribed by SFAS 87 due to excessive costs of producing this information relative to the benefits to be derived and, as such, the information necessary for implementation of SFAS 87 was not available. The effects of this departure from generally accepted accounting principles are therefore not reasonably determinable.

NOTE 5 - FEDERAL OPERATING SUBSIDY

On December 15, 1993, the Company signed a contract with the Parish to provide management services and facilities to operate the transit system for the East Bank of Jefferson Parish for the period January 1, 1994 through December 31, 1997. Under this contract, all revenues derived from operations are the property of the Parish, and reimbursements of most operating expenses are limited to predetermined maximum (budgeted) amounts. Insurance, materials and supplies, and fuel costs are fully reimbursed by the Parish, and certain expenses such as salaries and fringe benefits of management personnel are not reimbursed, as they are considered to be compensated through management fees paid to the Company. In addition, the Company receives an incentive fee of 8 percent of the difference between actual expenses incurred and related budgeted expenses included in the contract in the event that the actual expenses are less than budgeted amounts during the contract periods.

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS - CONTINUED

the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management, the Jefferson Parish Council, and the U. S. Department of Transportation. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kushner, LaGraize & Moore, L.L.P.

Metairie, Louisiana
February 14, 1997

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
- CONTINUED

In planning and performing our audit of the basic financial statements of the Company for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management, the Jefferson Parish Council, and the U.S. Department of Transportation. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kushner, LaGraize & Moore, L.L.P.

Metairie, Louisiana
February 14, 1997

Kushner, LaGraize & Moore, L.L.P.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors & Stockholders
Louisiana Transit Company, Inc.
Harahan, Louisiana

We have audited the basic financial statements of Louisiana Transit Company, Inc. (the Company), as of and for the year ended December 31, 1996, and have issued our report thereon dated February 14, 1997, except as discussed in paragraph 3 of that report.

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.

Compliance with laws, regulations, contracts, and grants applicable to the Company, is the responsibility of the management of the Company. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of an audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. 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*.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - CONTINUED

This report is intended for the information of management, Jefferson Parish Council, and the U. S. Department of Transportation. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kushner, LaGraize & Moore, L.L.P.

Metairie, Louisiana
February 14, 1997

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Directors & Stockholders
Louisiana Transit Company, Inc.
Harahan, Louisiana

We have audited the basic financial statements of Louisiana Transit Company, Inc. (the Company), for the year ended December 31, 1996, and have issued our report thereon dated February 14, 1997, except as discussed in paragraph 3 of that report. We have also audited Louisiana Transit Company, Inc.'s compliance with requirements applicable to major federal financial assistance programs, and have issued our report thereon dated February 14, 1997.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement and about whether the Company, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended December 31, 1996, we considered the internal control structures the Company in order to determine our auditing procedures for the purpose of expressing our opinions on the Company's financial statements and on its compliance with requirements applicable to major federal financial assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed

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internal control structure policies and procedures relevant to our audit of the basic financial statements in a separate report dated February 14, 1997.

The management of the Company, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories: cash receipts/revenues, purchases/cash disbursements/expenses, payroll, general requirements, and specific requirements. For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1996, the Company expended 100 percent of its total federal financial assistance under a major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements and general requirements that are applicable to the major federal financial assistance program of the Company which is identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion. Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in