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LOUISIANA TRANSIT COMPANY, INC.

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years Ended December 31, 2003 and 2002

LOUISIANA TRANSIT COMPANY, INC.

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December 31, 2003 and 2002

Kushner LaGraize, L.L.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Louisiana Transit Company, Inc.
Metairie, Louisiana

We have audited the accompanying balance sheets of Louisiana Transit Company, Inc. (an S corporation), as of December 31, 2003 and 2002 and the related statements of income and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 5 to the financial statements, the Company has not determined the cost of its defined benefit pension plan in accordance with U.S. generally accepted accounting principles, which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. The effects of that departure on the financial statements are not reasonably determinable.

In our opinion, except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Transit Company, Inc., as of December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2004, on our consideration of Louisiana Transit Company, Inc.'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 audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 15 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 audits 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, L.L.C.

Metairie, Louisiana
February 20, 2004

LOUISIANA TRANSIT COMPANY, INC.

BALANCE SHEETS

December 31, 2003 and 2002

ASSETS

	2003	2002
CURRENT ASSETS		
Cash	$ 398,947	$ 400,974
Certificate of deposit	100,000	100,000
Excise tax refund receivable	17,709	41,270
Other receivables	31,934	51,496
Accounts receivable - Jefferson Parish	94,212	105,491
Accrued interest receivable	1,250	1,955
Fuel inventory	2,376	9,612
Prepaid expenses	1,016,516	1,092,866
TOTAL CURRENT ASSETS	1,662,944	1,803,664
OTHER ASSETS		
Deposits	596	10,449
	$ 1,663,540	$ 1,814,113

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

BALANCE SHEETS - CONTINUED

December 31, 2003 and 2002

LIABILITIES AND STOCKHOLDERS' EQUITY

	2003	2002
CURRENT LIABILITIES		
Accounts payable - trade	$ 66,506	$ 87,709
Accrued expenses	285,918	265,028
Notes payable	800,000	977,759
Refundable deposits	2,000	2,000
TOTAL CURRENT LIABILITIES	1,154,424	1,332,496
LONG-TERM LIABILITIES		
Reserve for tokens	14,837	16,717
	1,169,261	1,349,213
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock, par value $100; 5,000 shares authorized, 1,750 shares issued and outstanding	175,000	175,000
Retained earnings	319,279	289,900
	494,279	464,900
	$ 1,663,540	$ 1,814,113

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended December 31, 2003 and 2002

	2003	2002
OPERATING REVENUES	$ 2,730,614	$ 2,574,388
DIRECT COSTS	3,358,712	3,441,048
GROSS PROFIT	(628,098)	(866,660)
GENERAL AND ADMINISTRATIVE EXPENSES	2,216,824	1,922,188
OPERATING LOSS	(2,844,922)	(2,788,848)
OPERATING SUBSIDY	2,538,236	2,491,154
	(306,686)	(297,694)
OTHER INCOME (EXPENSES)		
Management fees	439,506	427,218
Interest income	1,559	3,410
	441,065	430,628
NET INCOME	134,379	132,934
RETAINED EARNINGS AT BEGINNING OF YEAR	289,900	261,966
DISTRIBUTIONS TO STOCKHOLDERS	(105,000)	(105,000)
RETAINED EARNINGS AT END OF YEAR	$ 319,279	$ 289,900

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2003 and 2002

	2003	2002
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income	$ 134,379	$ 132,934
Adjustments to reconcile net income to net cash provided by operating activities		
Decrease (increase) in operating assets		
Accounts receivable - other/excise tax	23,561	(1,614)
Accounts receivable - Jefferson Parish	11,279	(105,491)
Other receivables	19,562	1,279
Accrued interest receivable	705	3,259
Fuel inventory	7,236	(7,315)
Prepaid expenses	76,350	(1,090,128)
Deposits	9,853	47,867
Increase (decrease) in operating liabilities		
Accounts payable	(21,203)	(16,912)
Accounts payable - Jefferson Parish	0	(5,876)
Accrued expenses	20,890	32,499
Refundable deposits	0	(6,000)
Reserve for tokens	(1,880)	(3,445)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	280,732	(1,018,943)

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

STATEMENTS OF CASH FLOWS - CONTINUED

For the Years Ended December 31, 2003 and 2002

	2003	2002
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Net proceeds from borrowings to fund insurance premiums	$ (177,759)	$ 977,759
Dividend distributions to stockholders	(105,000)	(105,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(282,759)	872,759
NET INCREASE (DECREASE) IN CASH	(2,027)	(146,184)
CASH AT BEGINNING OF YEAR	400,974	547,158
CASH AT END OF YEAR	$ 398,947	$ 400,974

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2003	2002
Cash paid during the year for:		
Interest - financing of insurance premiums	$22,453	$18,975
Income taxes	0	0

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2003 and 2002

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 U.S. 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 operates under contract with the Parish of Jefferson, Louisiana (the Parish), to provide these services.

Use of Estimates

The presentation of financial statements in conformity with U.S. 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.

Receivables

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account. No allowances were established at December 31, 2003 and 2002, because all accounts receivable were considered to be collectible. The Company generally does not require collateral regarding receivables.

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.

Property, Plant and Equipment

Property, plant and equipment are owned by the Parish, and are not included on the Company's balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserve for Tokens

The Company recognizes a liability for tokens sold but not redeemed. The Company periodically recognizes income for the estimated value of tokens sold that management believes will not be redeemed for use due to the passage of time. The Company recognized $2,400 and $9,600 of such revenues in 2003 and 2002, respectively.

Advertising Costs

Advertising costs are expensed as incurred. In 2003 and 2002, the Company recognized $305 and $292, respectively, of such costs which are included in general and administrative expenses.

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 $498,947 and $500,974, and the bank balances were $502,514 and $500,864 at December 31, 2003 and December 31, 2002, respectively. Of the bank balances, $200,000 was covered by federal depository insurance for each year and $302,514 and $300,864 were uninsured and uncollateralized at December 31, 2003 and December 31, 2002, respectively.

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following at December 31, 2003.

Note payable of $800,000 to First Insurance Funding Corporation bearing interest at 5.25 percent. The Company is to make 9 monthly payments of principal and interest totaling $90,845 beginning January 31, 2004 with a final payment due September 30, 2004. The note is unsecured and the proceeds were used to pay for certain 2004 insurance premiums.

Note payable of $977,759 to First Insurance Funding Corporation bearing interest at 5.50 percent. The Company was to make 9 monthly payments of principal and interest totaling

$111,145 beginning January 31, 2003, with a final payment due September 30, 2003. The note was unsecured and the proceeds were used to pay for certain 2003 insurance premiums.

NOTE 4 - 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 5 - 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. Employee contributions were 7 percent of gross pay for 2003 and 2002. Employer contributions were 13 percent of gross pay for 2003 and 2002. The Company's contributions totaled $261,179 and $247,213 for 2003 and 2002, 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 Plan was amended in 2002 to be in compliance with ERISA and Department of Labor requirements.

The amount of employer contributions, $155,231 and $154,306 in 2003 and 2002, respectively, are computed by plan actuaries using the methods of accruing benefits as described above.

NOTE 5 - EMPLOYEE BENEFIT PLANS (Continued)

Employee Benefit Plan for Salaried Employees (continued)

As of the latest actuarial valuation date of January 30, 2003, the actuarial present value of vested and nonvested accumulated plan benefits totaled $359,675, utilizing a 6.09 percent assumed rate of return. Net assets available for benefits totaled $560,976.

The Company is required under U.S. 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 and, as such, the information necessary for implementation of SFAS 87 was not available. The effects of this departure from U.S. generally accepted accounting principles are therefore not reasonably determinable.

NOTE 6 - OPERATING SUBSIDY

On December 29, 1997, 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, 1998 through December 31, 2001. On September 24, 2001, the Company renewed its contract with Jefferson Parish to operate the transit system on essentially the same terms through December 31, 2005. Under these contracts, 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, bus parts 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 10 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.

NOTE 6 - 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 decreased its operating budget by a deductive factor of $38.29 per hour, for service hours less than 88,000 during the year ended December 31, 2003 and the Company increased its operating budget by an additive factor of $59.98 per hour for service hours greater than 85,000 during the year ended December 31, 2002. During 2003, the Company operated the buses for 86,870 hours, resulting in a budget deduction of $43,268. During 2002, the Company operated the buses for 85,494 hours, resulting in a budget addition of $29,630.

The Company received management fees of $439,506 in 2003 and $427,218 in 2002.

Incentive fees earned for the years ended December 31, 2003 and 2002, were $14,876 and $13,008, respectively.

Operating subsidies earned during the years ended December 31, 2003 and 2002, totaled $2,538,236 and $2,491,154, respectively, exclusive of the monthly management fees noted above.

NOTE 7 - 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, 2003 and 2002, 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 8 - COLLECTIVE BARGAINING AGREEMENT

The Company operates under a collective bargaining agreement with Amalgamated Transit Union, Division 1535 (Union). From February 1, 1998 through January 31, 2002, union workers were entitled to a 3 percent wage increase each year after their first year of service and a 1 percent increase in pension contributions to be made by the Company each year through January 31, 2002. From February 2002 through January 31, 2006, union workers are entitled to a 4 percent wage increase each year after their first year, and a 13 percent pension contribution to be made by the Company each year through January 31, 2006. As of December 31, 2003 and 2002, 85 and 87 percent of the work force, respectively, was employed under this agreement.

NOTE 9 - CONTINGENCY - EMPLOYEE BENEFIT PLAN FOR SALARIED EMPLOYEES

The Company's assets had been pledged as collateral for a letter of credit through June 1, 2002, in the amount of $482,387 executed in favor of the Company's Employee Benefit Plan for Salaried Employees (see Note 5). This arrangement was originally entered into on February 24, 1999, as a result of a lump-sum retirement distribution paid to the retiring president of the Company in 1999, and was designated to guarantee repayment of a portion of the lump sum to the plan and protect plan participants in the event of pension plan termination. As of December 31, 2003 and 2002, the letter of credit and related pledge of Company assets was no longer required.

NOTE 10 - RELATED-PARTY TRANSACTIONS

At December 31, 2003, $94,212 and $105,491 was due from Jefferson Parish relating to the operating subsidy, respectively.

SUPPLEMENTAL INFORMATION

LOUISIANA TRANSIT COMPANY, INC.

SCHEDULES OF REVENUES AND EXPENSES

For the Years Ended December 31, 2003 and 2002

	2003	2002
OPERATING REVENUES		
Sales	$ 2,729,781	$ 2,561,270
Advertising	0	12,398
Other	833	720
	$ 2,730,614	$ 2,574,388
DIRECT COSTS		
Fuel	$ 345,947	$ 295,469
Tires	1,208	2,031
Salaries and wages	1,451,386	1,460,361
Employee benefits	262,631	243,887
Lubrication	10,224	9,220
Insurance	1,160,037	1,147,407
Interest - insurance financing	22,453	18,975
Repairs and maintenance	104,826	263,698
	$ 3,358,712	$ 3,441,048
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries - officers	$ 186,450	$ 181,330
Salaries - other	770,394	624,297
Advertising	305	292
Automobile and truck expenses	2,093	1,957
Conventions	1,966	5,074
Contributions	1,450	1,140
Dues and subscriptions	2,326	2,778
Employee pension costs	422,668	420,474
Insurance - group health and life	451,166	335,103
Insurance - other	27,874	22,253
Legal and professional	51,241	42,382
Maintenance and repairs	29,562	32,029
Miscellaneous	23,296	20,551
Office	13,241	13,429
Printing	13,831	10,438
Safety material	2,286	4,744
Taxes - payroll	205,631	192,697
Taxes - other	6,044	4,129
Utilities and telephone	5,042	4,703
VIP passes	(42)	2,388
	$ 2,216,824	$ 1,922,188

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LOUISIANA TRANSIT COMPANY, INC.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Year Ended December 31, 2003

LOUISIANA TRANSIT COMPANY, INC.

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December 31, 2003

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

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

We have audited the basic financial statements of Louisiana Transit Company, Inc. (the Company), as of and for the year ended December 31, 2003, and have issued our report thereon dated February 20, 2004. Our opinion was qualified as explained in paragraphs 3 and 4 of our report. We conducted our audit in accordance with U.S. 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 Company'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 Company'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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - CONTINUED

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.

This report is intended for the information of management, the Jefferson Parish Council, and the U.S. Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
February 20, 2004

Kushner LaGraize, L.L.C.

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

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

Compliance

We have audited the compliance of Louisiana Transit Company, Inc. (the Company), 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, 2003. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Company's compliance with those requirements.

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In our opinion, the Company complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Company 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 our audit, we considered the Company's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Company as of and for the year ended December 31, 2003, and have issued our report thereon dated February 20, 2004. Our opinion was qualified as explained in paragraphs 3 and 4 of our report. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

This report is intended for the information of management, Jefferson Parish Council, and the U.S. Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
February 20, 2004

LOUISIANA TRANSIT COMPANY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2003

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Transportation			
Passed through Jefferson Parish Council	20.507	LA-37-X006	$10,112
Jefferson Parish, Louisiana		LA-90-X255	1,065,645
Federal Transit Formula Grant		LA-90-X245	7,872
		LA-90-X175	6,087

LOUISIANA TRANSIT COMPANY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2003

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Louisiana Transit Company, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LOUISIANA TRANSIT COMPANY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2003

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the financial statements of Louisiana Transit Company, Inc.

2. No reportable conditions relating to the audit of the financial statements are reported in the ***Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.***

3. No instances of noncompliance material to the financial statements of Louisiana Transit Company, Inc. were disclosed during the audit.

4. No reportable conditions relating to the audit of the major federal award program are reported in the ***Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Expenditures of Federal Awards.***

5. The auditors' report on compliance for ***Federal Transit Formula Grant*** expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award program for Louisiana Transit Company, Inc.

7. The program tested as a major program included the ***Federal Transit Formula Grant—CFDA #20.507.***

8. The threshold for distinguishing types A and B programs was $300,000.

9. Louisiana Transit Company, Inc., was determined to be a low-risk auditee.

FINDINGS — FINANCIAL STATEMENTS AUDIT

None.

FINDINGS AND QUESTIONED COSTS — MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

LOUISIANA TRANSIT COMPANY, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2003

There are no prior findings on which to report the status.