

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services
Limited Partnership)

BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

Years Ended December 31, 2003 and 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 8/18/04

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INDEPENDENT AUDITOR'S REPORT

Westside Transit Lines

(A Division of ATC/Vancom Management Services Limited Partnership)

We have audited the accompanying basic financial statements of Westside Transit Lines (A Division of ATC/Vancom Management Services Limited Partnership) as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These basic financial statements are the responsibility of Westside Transit Lines' management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Westside Transit Lines 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 accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 4 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2004 on our consideration of Westside Transit Lines' 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 audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information is the responsibility of Westside Transit Lines' management. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes 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 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.

Reboue & Company

March 26, 2004

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2003

The Management's Discussion and Analysis (MD&A) of Westside Transit Lines' basic financial statements provides an overall review and an objective, easily readable analysis of Westside Transit Lines' financial activities for the year ended December 31, 2003. The intent of the MD&A is to examine Westside Transit Lines' overall financial performance and to assist readers in assessing its financial position as of December 31, 2003. Therefore, readers should read the MD&A in conjunction with the Basic Financial Statements, including the Notes.

The MD&A is an element of the Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain comparative information between the current year (2003) and the prior year (2002) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Total assets are as follows:

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 193,680	\$ 375,714
Accounts receivable	274,045	179,309
Prepaid expenses	<u>218,878</u>	<u>109,953</u>
Total Assets	<u>\$ 686,603</u>	<u>\$ 664,976</u>

Accounts receivable represents an operating subsidy due from Jefferson Parish. Prepaid expenses increased as a result of an increase in the fleet insurance premium for the 2003-2004 policy.

Total liabilities are as follows:

	<u>2003</u>	<u>2002</u>
Accounts payable and due to ATC/Vancom	\$ 56,923	\$ 50,793
Accrued expenses	616,715	601,218
Due to Jefferson Parish	<u>12,965</u>	<u>12,965</u>
Total Liabilities	<u>\$ 686,603</u>	<u>\$ 664,976</u>

Accounts payable and accrued expenses represent normal year end payables, accrued payroll and benefits, claims payable and amounts due to ATC/Vancom. Due to Jefferson Parish represents subsidy payments received from the Parish exceeding actual expenses.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2003

Total net assets of Westside Transit Lines are zero, because Westside Transit Lines operates at a break-even level.

There was a fare increase of 10 cents early in 2003. This along with an increase in ridership in the last quarter of 2003 helped to increase revenue for the year. Westside Transit Lines discontinued collecting advertising revenue during 2002. Advertising revenue is now collected by Jefferson Parish. Operating subsidies increased to cover the increase in operating expenses.

	<u>2003</u>	<u>2002</u>
Passenger revenue	\$2,189,201	\$2,103,949
Advertising revenue	<u>-</u>	<u>10,974</u>
Total revenues	<u>\$2,189,201</u>	<u>\$2,114,923</u>
Operating subsidies	<u>\$3,580,113</u>	<u>\$3,536,029</u>

There were increases in costs in the following areas:

1. There was the annual increase in wages of 4% agreed upon in the labor contract.
2. There was an increase in the cost of fuel and health insurance. This is reflective of the rising costs in these areas across all industries.
3. There was also an increase in parts and accident repair costs due to the age of the fleet and an increase in the number of non-preventable accidents.

In addition, there were also decreases in the costs of the following:

1. Sick pay for drivers decreased as a result of the implementation of a new attendance policy.
2. Overtime pay for maintenance employees decreased because additional personnel were hired to bring the department up to full staff.
3. Fleet insurance decreased due to a change in insurance coverage that was made during the second half of 2002.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2003

The following table gives the percentages of increases and decreases for the areas previously discussed.

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>
Labor Cost	\$3,278,853	\$3,129,134	4.79%
Maintenance and Operations	237,565	260,434	(8.79%)
Pass Through Costs	1,909,250	1,922,275	(0.68%)
Management and Incentive Fee	<u>343,646</u>	<u>339,109</u>	1.34%
Total expenses	<u>\$5,769,314</u>	<u>\$5,650,952</u>	2.09%

While this report is designed to provide disclosure of the financial condition and operations of Westside Transit Lines, citizens groups, taxpayers, other Parish officials, and creditors may need further details. To obtain such details, please contact Westside Transit Lines at (504) 367-7433.

BASIC FINANCIAL STATEMENTS

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
STATEMENTS OF NET ASSETS
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 193,680	\$ 375,714
Due from Jefferson Parish	274,045	179,309
Prepaid expenses	<u>218,878</u>	<u>109,953</u>
TOTAL CURRENT ASSETS	<u>686,603</u>	<u>664,976</u>
TOTAL ASSETS	<u>686,603</u>	<u>664,976</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	56,273	50,704
Accrued expenses	616,715	601,218
Due to Jefferson Parish	12,965	12,965
Due to ATC/Vancom Management Services Limited Partnership	<u>650</u>	<u>89</u>
TOTAL CURRENT LIABILITIES	<u>686,603</u>	<u>664,976</u>
TOTAL LIABILITIES	<u>686,603</u>	<u>664,976</u>
NET ASSETS		
TOTAL NET ASSETS	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2003 and 2002

	2003	2002
OPERATING REVENUES		
Passenger revenue	\$ 2,189,201	\$ 2,103,949
Advertising revenue	-	10,974
	2,189,201	2,114,923
OPERATING EXPENSES		
Management fee	342,996	339,020
Labor costs	3,278,853	3,129,134
Maintenance and operations costs	237,565	260,434
Pass-through costs	1,909,250	1,922,275
Incentive fee	650	89
	5,769,314	5,650,952
LOSS FROM OPERATIONS	(3,580,113)	(3,536,029)
OPERATING SUBSIDIES	3,580,113	3,536,029
CHANGE IN NET ASSETS	-	-
NET ASSETS		
Beginning of Year	-	-
End of Year	\$ -	\$ -

See accompanying notes to the basic financial statements.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from operations	\$ 2,189,201	\$ 2,114,923
Cash paid to employees and for related expenses	(3,258,342)	(3,059,538)
Cash paid to suppliers	<u>(2,693,006)</u>	<u>(2,482,926)</u>
Net cash used by operating activities	<u>(3,762,147)</u>	<u>(3,427,541)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating subsidy received from other governments	<u>3,580,113</u>	<u>3,536,029</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(182,034)	108,488
Cash and Cash Equivalents at Beginning of Year	<u>375,714</u>	<u>267,226</u>
Cash and Cash Equivalents at the End of Year	<u>\$ 193,680</u>	<u>\$ 375,714</u>
RECONCILIATION OF EXCESS OF EXPENSES OVER REVENUES TO NET CASH PROVIDED (USED) BY OPERATIONS:		
Excess of expenses over revenues	<u>\$ (3,580,113)</u>	<u>\$ (3,536,029)</u>
Adjustments to reconcile excess of expenses over revenue to net cash provided (used) by operating activities:		
(Increase) decrease in due from Jefferson Parish	(94,736)	(113,886)
(Increase) decrease in prepaid expenses	(108,925)	220,552
Increase (decrease) in accounts payable	5,569	2,422
Increase (decrease) in accrued expenses	15,497	28,249
Increase (decrease) in due to Jefferson Parish	-	(4,415)
Increase (decrease) in deferred operating subsidy	-	(23,507)
Increase (decrease) in due to ATC/Vancom Management Services Limited Partnership	<u>561</u>	<u>(927)</u>
Total Adjustments	<u>(182,034)</u>	<u>108,488</u>
Net Cash Used by Operating Activities	<u>\$ (3,762,147)</u>	<u>\$ (3,427,541)</u>

See accompanying notes to the basic financial statements.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002

NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Westside Transit Lines is a division of ATC/Vancom Management Services Limited Partnership. ATC/Vancom Management Services Limited Partnership is 99% owned by Van Der Aa Holdings, Inc., and 1% owned by ATC/Vancom, Inc. which was purchased by a stock purchase by Nexus Investment General Partnership on December 30, 1999. As a division of ATC/Vancom, Westside Transit Lines operates a public bus transportation system in Jefferson Parish, Louisiana. The system is currently operated under a management agreement between ATC/Vancom and Jefferson Parish.

As part of that agreement, Jefferson Parish subsidizes the operation of the bus system, in amounts necessary for the system to operate at break-even on an annual basis, using a combination of local and federal funds.

Westside Transit Lines adopted as of January 1, 2002 the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting policies of Westside Transit Lines conform to accounting principles generally accepted in the United States of America as applicable to governments. The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Westside Transit Lines has no governmental or fiduciary funds. Westside Transit Lines' accounts are organized into a single enterprise fund. The enterprise fund (a proprietary fund) is used to account for operations that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense) of providing goods and services to the general public is financed or recovered primarily through user charges or where the governing body had decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

Westside Transit Lines' principal operating revenues are the fares charged to passengers for service.

Westside Transit Lines applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended December 31, 2003 and 2002

**NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Cash Equivalents

Cash equivalents represent highly liquid investments with maturities of three months or less at the date of purchase.

Receivables

Westside Transit Lines uses the allowance method to account for uncollectible receivables. All receivables were fully collectible at year end; therefore, no allowance for uncollectible accounts has been provided.

Property and Equipment

All property and equipment used in the operation of Westside Transit Lines is the property of Jefferson Parish. Accordingly, those assets are included in the basic financial statements of the Parish.

Income Taxes

Westside Transit Lines' parent company, ATC/Vancom Management Services Limited Partnership, is not a taxpaying entity for purposes of federal and state income taxes, but is a pass-through entity, with each partner responsible for income taxes on its proportionate share of the partnership's income. As a division of ATC/Vancom, Westside Transit Lines is not a separate legal entity and, therefore, is not a taxpaying entity. Accordingly, these statements contain no provision for federal or state income taxes.

Concentrations of Credit Risk

Financial instruments that potentially subject Westside Transit Lines to concentrations of credit risk consist principally of cash deposits. Westside Transit Lines at times has cash on deposit at financial institutions that is in excess of federally insured limits.

Estimates

The preparation of basic 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 basic financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended December 31, 2003 and 2002

NOTE 2 - MANAGEMENT AGREEMENT

ATC/Vancom Management Services Limited Partnership has an agreement with the Parish of Jefferson under which it will manage the operation of the public transit system on the West Bank of Jefferson Parish from January 1, 2002 through December 31, 2005. This agreement requires payment of management fees from Jefferson Parish to ATC/Vancom Management Services Limited Partnership of \$338,000 in the first year, and increasing each year to \$353,000 in 2005 plus actual accounting service fees. As compensation for the management of the transit system, ATC/Vancom Management Services Limited Partnership received the following fees from Westside Transit Lines for the years ended December 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u>
Management Fee	<u>\$ 342,996</u>	<u>\$ 339,020</u>
Accounting Services	<u>\$ 41,274</u>	<u>\$ 80,652</u>

In addition to the amounts above, ATC/Vancom Management Services Limited Partnership earned the following incentive fees under the terms of its contract with Jefferson Parish for the years ended December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Incentive Fee	<u>\$ 650</u>	<u>\$ 89</u>

NOTE 3 - SUBSIDIES

Jefferson Parish subsidizes Westside Transit Lines in amounts necessary to operate the system at break-even. For the years ended December 31, 2003 and 2002, the Parish provided operating subsidies of \$3,580,113 and \$3,536,029, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

Due From ATC/Vancom Management Services Limited Partnership

Incentives are paid directly to Westside Transit Lines who in turn remit them to ATC/Vancom. For the years ended December 31, 2003 and 2002, the incentive earned by Westside Transit Lines and payable to ATC/Vancom was \$650 and \$89, respectively.

NOTE 5 - PENSION PLAN

Westside Transit Lines has a defined contribution pension plan covering substantially all employees who have completed one year of service. Employee contributions to the plan are based on a

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended December 31, 2003 and 2002

NOTE 5 - PENSION PLAN (CONTINUED)

percentage of earnings. Westside Transit Lines contributes 150% of each participant's mandatory employee contributions to the plan. The Plan is administered by Gulf Coast Bank and Trust.

Although it has expressed no intent to do so, Westside Transit Lines has the right to terminate the Plan, subject to certain limitations established in its collective bargaining agreement with the Amalgamated Transit Union. Upon termination, the rights of each participant to the amounts in his employer contribution account would become fully vested.

The total pension cost charged to operations approximated \$214,000 and \$232,000 in 2003 and 2002, respectively.

NOTE 6 – UNION AGREEMENT

Westside Transit Lines entered into an agreement with the Amalgamated Transit Union, Division No. 1400, which represents its operators, mechanics, and support personnel, effective from June 1, 2001 through May 31, 2005.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Westside Transit Lines carries commercial insurance for all types of risk of loss, including, auto, workers' compensation, employee health and general liability. During the year ended December 31, 2002, the auto insurance policy changed from a dollar for dollar coverage to a \$500,000 deductible per occurrence. This change in insurance policy was approved by Jefferson Parish. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. The claims liability at December 31, 2003 and 2002 totaled \$41,999 and \$85,476, respectively, and is included in accrued expenses.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

Westside Transit Lines provides certain continuing health care and life insurance benefits for its employees. Substantially all of Westside Transit Lines' employees become eligible for these benefits if they reach normal retirement age while working for Westside Transit Lines. Life and health insurance benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by Westside Transit Lines. Any increase in medical insurance is paid by Westside Transit Lines and the employee. Westside Transit Lines pays 80% of the increase and the employee pays 20% of the increase. Westside Transit Lines pays benefits for retirees in full. Westside Transit Lines recognizes the cost of providing these benefits as an expenditure when paid during the year. At December 31, 2003, 16 retirees were eligible and receiving such health care benefits. Total premiums paid by Westside Transit Lines on behalf of retirees amounted to approximately \$108,561 for the year ended December 31, 2003.

SUPPLEMENTAL INFORMATION

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
SCHEDULES OF OPERATING REVENUES AND EXPENSES
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>Operating Revenues</u>		
Passenger revenue	\$ 2,189,201	\$ 2,103,949
Advertising revenue	<u>-</u>	<u>10,974</u>
Total Operating Revenues	<u>\$ 2,189,201</u>	<u>\$ 2,114,923</u>
<u>Operating Expenses</u>		
Management fee	\$ <u>342,996</u>	\$ <u>339,020</u>
Labor costs:		
Employee benefits	314,637	351,327
Employee pension cost	213,542	232,335
Salaries and wages	2,517,304	2,332,753
Taxes – payroll	<u>233,370</u>	<u>212,719</u>
	<u>3,278,853</u>	<u>3,129,134</u>
Maintenance and operations costs:		
Dues and subscriptions	928	41
Education	10,065	9,038
Legal and professional fees	41,397	81,836
Miscellaneous	26,942	44,490
Office expenses	52,804	48,044
Shop expenses	24,031	21,832
Travel and entertainment	10,834	6,272
Uniforms	44,246	34,583
Utilities and telephone	<u>26,318</u>	<u>14,298</u>
	<u>237,565</u>	<u>260,434</u>
Pass-through costs:		
Automobile and truck expense	512,317	418,507
Insurance – group health and life	636,639	581,933
Insurance – other	614,030	786,658
Maintenance and repairs	65,069	54,487
Miscellaneous	<u>81,195</u>	<u>80,690</u>
	<u>1,909,250</u>	<u>1,922,275</u>
Incentive fee	<u>650</u>	<u>89</u>
Total Operating Expenses	<u>\$ 5,769,314</u>	<u>\$ 5,650,952</u>

See independent auditor's report.

COMPLIANCE SECTION

REBOWE & COMPANY

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

Westside Transit Lines

(A Division of ATC/Vancom Management Services Limited Partnership)

We have audited the basic financial statements of Westside Transit Lines (A Division of ATC/Vancom Management Services Limited Partnership) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 26, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Westside Transit Lines' basic 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 audits, we considered Westside Transit Lines' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Westside Transit Lines' ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial

statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 03-1.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We noted other matters involving the internal control over financial reporting, which we have reported to management of Westside Transit Lines in a separate letter dated March 26, 2004.

This report is intended solely for the information and use of management, Jefferson Parish, Louisiana, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Reboue & Company

March 26, 2004

SINGLE AUDIT SECTION

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Westside Transit Lines

(A Division of ATC/Vancom Management Services Limited Partnership)

Compliance

We have audited the compliance of Westside Transit Lines 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. Westside Transit Lines' 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 Westside Transit Lines' management. Our responsibility is to express an opinion on Westside Transit Lines' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Westside Transit Lines' 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 Westside Transit Lines' compliance with those requirements.

In our opinion, Westside Transit Lines 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, 2003.

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

A PROFESSIONAL CORPORATION

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Internal Control Over Compliance

The management of Westside Transit Lines is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Westside Transit Lines' 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 the 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.

This report is intended solely for the information and use of management, Jefferson Parish, Louisiana, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Rebowe & Company

March 26, 2004

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2003

A. SUMMARY OF AUDITOR'S RESULTS

1. The Independent Auditor's Report expresses an unqualified opinion on the basic financial statements of Westside Transit Lines.
2. One reportable condition in internal control over financial reporting relating to the audit of the basic financial statements is reported in the *Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. This condition is referred to as 03-1 in Section B of this report and is reported as a material weakness.
3. No instances of noncompliance material to the basic financial statements of Westside Transit Lines were disclosed during the audit.
4. No material weaknesses or reportable conditions in internal control relating to the audit of major federal award programs are reported in the *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. The Auditor's report on compliance for the major federal award programs administered by Westside Transit Lines expresses an unqualified opinion.
6. The Auditor's reports disclosed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The following program was identified as a major program:

U.S. Department of Transportation, Federal Transit Formula Grants – CFDA 20.507
8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. Westside Transit Lines did not qualify as a low-risk auditee under the provisions of Section 530 of OMB Circular A-133.
10. A management letter dated March 26, 2004 was issued.

(continued)

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2003

B. FINDINGS REQUIRED TO BE REPORTED – FINANCIAL STATEMENT AUDIT

03-1 Fare Box System

Condition:

As disclosed in the audit for the year ended December 31, 2002, Westside Transit Lines installed a new fare box system during mid-2002. This system is supposed to track both revenue and riders by route. It was discovered that the data produced by this system is not reliable. Therefore, Westside Transit Lines was unable to reconcile money counted from the fare boxes with the amount recorded by the fare box system. Although the fare box system was installed in mid-2002, the problem was not discovered until after year-end and was not corrected until December 2003.

Criteria:

The fare box system should accurately track the number of riders and the amount of fares collected. Such amounts should be reconciled with cash.

Cause:

A new system was installed during 2002 and has not worked properly. Management failed to notice the inaccurate data in a timely manner.

Effect:

Westside Transit Lines is unable to obtain accurate rider counts.

Recommendation:

Westside Transit Lines should take steps necessary to correct the system so that its data can be relied upon and reconciled with cash. In the future, Westside Transit Lines should investigate any discrepancies between physical cash counts and data reported by the fare box system immediately.

Response:

See Management's Corrective Action Plan for their response.

C. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS

There were no audit findings as defined in Section 510(a) of OMB Circular A-133 that are required to be reported in this section of the report.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2003

A. FINDINGS

02-1 Fare Box System

Condition:

Westside Transit Lines installed a new fare box system during mid-2002. This system is designed to track and report both revenue and riders by route. It was discovered that the data produced by this system is not reliable. Therefore, Westside Transit Lines was unable to reconcile money counted from the fare boxes with the amount recorded by the fare box system. Although the fare box system was installed in mid-2002, the problem was not discovered until after year-end and has not yet been corrected.

Current Status:

The software manufacturer installed new software to correct the problem in December 2003. Management believes that the information generated by this new software is reliable.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2003

A. FINDINGS

03-1 Fare Box System

Recommendation:

Westside Transit Lines should take steps necessary to correct the system so that its data can be relied upon and reconciled with cash. In the future, Westside Transit Lines should investigate any discrepancies between physical cash counts and data reported by the fare box system immediately.

Corrective Action:

Westside Transit Lines contacted the software manufacturer who installed new software in December 2003 that corrected the problem. In the future, any discrepancies between physical cash counts and the fare box system will be investigated immediately.

Implementation Date:

December 2003.

Contact:

Ken Westbrook, Vice President, (850) 484-4022.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended December 31, 2003

<u>Federal Grantor/ Pass-Through Grantors/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Year Ended</u>	<u>Revenue Recognized</u>	<u>Expenses</u>
U.S. Department of Transportation, Federal Transit Administration					
Passed through the Jefferson Parish Council, Jefferson Parish, Louisiana					
Federal Transit Formula Grants*	20.507	LA-90-X255	12/31/03	<u>\$1,414,364</u>	<u>\$1,414,364</u>
Total federal awards				<u>\$ 1,414,364</u>	<u>\$ 1,414,364</u>
* - major program.					
Reconciliation of Jefferson Parish subsidy to federal awards					
Local share of subsidy					\$ 2,165,749
Federal subsidy					<u>1,414,364</u>
Total subsidy from Jefferson Parish					<u>\$ 3,580,113</u>

NOTE A – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The accrual basis of accounting has also been used in presenting the basic financial statements, as disclosed in Note 1.

NOTE B – PASS-THROUGH AWARDS

Westside Transit Lines did not pass-through any of its federal awards to a subrecipient during the year ended December 31, 2003.

NOTE C – NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the year ended December 31, 2003.

MEMORANDUM OF ADVISORY COMMENTS

WESTSIDE TRANSIT LINES

For the Year Ended December 31, 2003

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REBOWE & COMPANY

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March 26, 2004

Westside Transit Lines

(A Division of ATC/Vancom Management Services Limited Partnership)

We have audited the basic financial statements of Westside Transit Lines for the year ended December 31, 2003 and have issued our report thereon dated March 26, 2004. As part of our audit, we considered the Westside Transit Lines' internal control over financial reporting in order to determine the nature, timing and extent of our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. We previously reported on Westside Transit Lines' internal control in a separately issued report entitled *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* dated March 26, 2004.

We will review the status of these matters during our next audit engagement. We have discussed our recommendations with management of Westside Transit Lines and have included their Corrective Action Plan. We will be pleased to discuss these recommendations with you in further detail at your convenience, perform any additional analysis, or assist you in implementing our recommendations.

This report is intended solely for the information and use of management, Jefferson Parish, Louisiana, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,

Rebowe & Company

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
MEMORANDUM OF ADVISORY COMMENTS
For the Year Ended December 31, 2003

Finding 03-1: MONEY ROOM CAMERA

We noted during our cash count observation performed on March 18, 2004 that all activities in the money room are recorded by a camera; however, the dollar bill counter is located in such a position that the camera films the back of the employee using the counter. In addition, a counter sitting at the counting table was also positioned with the camera facing the employee's back.

Recommendation

We recommend that machine counters be positioned so that the camera has an unobstructed view of employees handling cash.

Corrective Action Plan

Person Responsible: Anthony Beckford, General Manager, (504) 367-7433.

Action Planned: The current Money Room camera will be relocated so that the view is not obstructed. We will also be adding an additional camera.

Finding 03-2: PAYROLL DISTRIBUTION

We noted that, upon distribution of physical payroll checks biweekly to employees, employees are not required to sign or present identification for their payroll check. A signature is only required if someone other than the employee is picking up the payroll check.

Recommendation

We recommend that employees be required to sign for their payroll check and present proper identification before receiving them.

Corrective Action Plan

Person Responsible: Anthony Beckford, General Manager, (504) 367-7433.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
MEMORANDUM OF ADVISORY COMMENTS
For the Year Ended December 31, 2003

Action Planned: Employees who receive physical paychecks will be required to sign for their paycheck once every quarter.

Finding 03-3: OTHER POST-EMPLOYMENT BENEFITS EXPOSURE DRAFT

In February 2004, The Governmental Accounting Standards Board ("GASB") issued a revised Exposure Draft (ED) requiring state and local governments to account for their postemployment healthcare and non-pension benefit costs. The result of this ED is that Westside Transit Lines will have to accrue the costs of its postretirement health and life insurance benefits for future retirees. Under this proposed standard, the effective date for Westside Transit Lines is the year ending December 31, 2009.

Recommendation

We recommend that Westside Transit Lines start gathering the data necessary to estimate future benefit payments based on retiree claims or on age-adjusted premiums.

Corrective Action Plan

Person Responsible: Anthony Beckford, General Manager, (504) 367-7433.

Action Planned: With the help of the corporate office, Westside Transit Lines' goal is to implement the above recommendation by the required date.

Finding 03-4: RECONCILIATION OF BUS PASSES

We noted that management does not perform a reconciliation of bus passes between bus pass revenues received and actual bus passes distributed.

Recommendation

We recommend management perform a reconciliation of bus passes on a monthly basis to ensure that revenues are accurately reported.

Corrective Action Plan

Person Responsible: Anthony Beckford, General Manager, (504) 367-7433.

Action Planned: Westside Transit Lines is now performing a reconciliation of bus passes on a monthly basis.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
MEMORANDUM OF ADVISORY COMMENTS
For the Year Ended December 31, 2003

Finding 03-5: ACCESS TO MONEY ROOM

We noted that during our cash count observation performed on March 18, 2004, several employees came in and out of the money room during the cash count process.

Recommendation

We recommend access to the money room be limited to only authorized cash counters during the cash count process.

Corrective Action Plan

Person Responsible: Anthony Beckford, General Manager, (504) 367-7433.

Action Planned: Access to the money room will be limited to only authorized cash counters. The authorized cash counters will be required to wear a wrap-around apron and remain within the money room until the cash count is complete.

WESTSIDE TRANSIT LINES
(A Division of ATC/Vancom Management Services Limited Partnership)
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2003

<u>Prior Year Comment</u>	<u>Status</u>
There were no prior year recommendations.	N/A