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Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated
Government

General Purpose Financial Statements
and Independent Auditor's Report
June 30, 1999

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 1-12-00 .

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, Attorney General, and other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

General Purpose Financial Statements
and Independent Auditor's Report
As of and for the Year Ended June 30, 1999
With Supplemental Information Schedule

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

We have audited the accompanying general purpose financial statements of the Houma-Terrebonne Airport Commission, a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 1999, as listed in the table of contents. *These general purpose financial statements are the responsibility of the Houma-Terrebonne Airport Commission's management.* Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Houma-Terrebonne Airport Commission as of June 30, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 30, 1999 on our consideration of the Houma-Terrebonne Airport Commission's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Houma-Terrebonne Airport Commission taken as a whole. 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Martin and Pelletier
July 30, 1999

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Proprietary Fund - Enterprise Fund
(All Fund Types and Account Groups)

Balance Sheet
June 30, 1999

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,107,213
Investments	5,116,755
Receivables, net	43,786
Prepaid insurance	<u>12,318</u>
Total current assets	6,280,072
Receivables	2,658
Fixed assets, net of accumulated depreciation	<u>9,216,248</u>
TOTAL ASSETS	<u>\$15,498,978</u>

LIABILITIES AND FUND EQUITY

Liabilities	
Current liabilities	
Accounts payable	\$ 20,223
Deferred revenues	<u>46,306</u>
Total current liabilities	66,529
Compensated absences payable	<u>24,827</u>
Total liabilities	<u>91,356</u>
Fund equity	
Contributed capital, net of accumulated amortization	6,708,937
Retained earnings - unreserved	<u>8,698,685</u>
Total fund equity	<u>15,407,622</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$15,498,978</u>

The accompanying notes are an integral part of this statement.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Proprietary Fund - Enterprise Fund

Statement of Revenues, Expenses, and Changes in Retained Earnings
For the Year Ended June 30, 1999

OPERATING REVENUES	
Rents and leases	\$ 849,106
Commissions on fuel	36,944
Other revenues	<u>6,919</u>
Total operating revenues	<u>892,969</u>
 OPERATING EXPENSES	
Personal services	227,507
Contractual services	77,796
Materials and supplies	34,332
Repairs and maintenance	58,539
Bad debts	32,903
Other expenses	15,742
Depreciation expense	<u>305,736</u>
Total operating expenses	<u>752,555</u>
 OPERATING INCOME	 <u>140,414</u>
 NONOPERATING INCOME (EXPENSE)	
Interest income	355,576
Unrealized depreciation on investment valuation	<u>(98,456)</u>
Total nonoperating income	<u>257,120</u>
 NET INCOME	 397,534
 ADD DEPRECIATION OF FIXED ASSETS ACQUIRED BY CONTRIBUTED CAPITAL	 <u>208,290</u>
 INCREASE IN RETAINED EARNINGS	 605,824
 RETAINED EARNINGS AT BEGINNING OF YEAR	 <u>8,092,861</u>
 RETAINED EARNINGS AT END OF YEAR	 <u>\$ 8,698,685</u>

The accompanying notes are an integral part of this statement.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Proprietary Fund - Enterprise Fund

Statement of Cash Flows
For the Year Ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 397,534
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	305,736
Unrealized depreciation on investment valuation	98,456
Decrease in:	
Receivables	34,757
Prepaid insurance	199
Increase (decrease) in:	
Accounts payable	11,041
Deferred revenues	(6,638)
Compensated absences payable	<u>6,525</u>
	<u>847,610</u>
Net cash flows from operating activities	<u>847,610</u>
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchases of fixed assets, net	(1,041,377)
Purchases of investments	(3,247,634)
Proceeds from sales of investments	504,444
Principal returns of investments	<u>2,242,356</u>
Net cash flows used in investing activities	<u>(1,542,211)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions in aid of construction	<u>831,405</u>
Net increase in cash and equivalents	136,804
CASH AND EQUIVALENTS, beginning	<u>970,409</u>
CASH AND EQUIVALENTS, ending	<u>\$ 1,107,213</u>

The accompanying notes are an integral part of this statement.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Houma-Terrebonne Airport Commission was created by the City of Houma and the Terrebonne Parish Police Jury in 1957, as authorized by Louisiana Revised Statute 2:602. On January 9, 1984, after a vote of the citizens of Terrebonne Parish, the City of Houma and the Terrebonne Parish Police Jury were consolidated to form the Terrebonne Parish Consolidated Government. The Airport Commission is governed by a five-member board. The Terrebonne Parish Consolidated Government appoints four members, and the remaining member is appointed by the other board members. The Airport Commission is responsible for maintaining and operating the Houma-Terrebonne Airport, which provides airport facilities and services that accommodate general aviation.

The Houma-Terrebonne Airport has an aviation/industrial complex of 1,800 acres. Ninety percent is oil field related and produces approximately 160 leases. A busy helicopter oil field shuttle dominates the flying operations. The airport is equipped with a full instrument landing system. Through four fixed based operators, a full range of aviation services results in approximately 100,000 aircraft movements each year. Unlimited potential exists for aviation and industrial development with direct flight line and parking apron access available on 600 leasable acres. Hard-surfaced roads, access to major highways, water canals, and port facilities, as well as a large non-union labor pool, are readily available.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards for state and local governmental entities. The GASB has issued a codification of governmental accounting and financial reporting standards (1987). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government. The accompanying financial statements have been prepared in accordance with such principles.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Financial accountability by the consolidated government is determined on the basis of the following criteria:

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1. Appointment of a voting majority of the governing board
2. Imposition of will
3. Financial benefit or burden
4. Fiscal dependence
5. Designation of management

Because the consolidated government appoints a majority of the governing board and thusly can impose its will, the Commission was determined to be a component unit of the Terrebonne Parish Consolidated Government, the governing body of the parish and the governmental body with financial accountability. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the consolidated government, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

A. FUND ACCOUNTING

The Houma-Terrebonne Airport Commission is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed primarily through user charges.

B. FIXED ASSETS AND LONG-TERM LIABILITIES

Fixed assets of the Airport Commission, excluding donated property and equipment, are valued at cost. All donated property and equipment are recorded at estimated fair market value on the date of the donation. Assets are capitalized if costs exceed \$500 and if they have a useful life of at least one year. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation. Depreciation is computed using the straight-line

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. FIXED ASSETS AND LONG-TERM LIABILITIES (Cont.)

method over the estimated useful life of the individual asset. Estimated useful lives of assets range from 3 to 40 years as follows:

<u>Property</u>	<u>Estimated Life in Years</u>
Master Plan Phase I - taxiways and paving	40
Runways and parking apron	10-40
Runways and approach lighting	7-30
Hangers	25-30
Buildings	15-40
Equipment	3-40
Automobiles and trucks	6-14
Office furniture and fixtures	5-20
Land improvements	20-40
Industrial park improvements	40
Miscellaneous	8-20

Airport improvements generally have been constructed or acquired with contributions-in-aid of construction. Depreciation shown on the statement of revenues and expenses includes depreciation of assets acquired from contributions. The depreciation applicable to contributed capital is closed to the contributed capital account rather than retained earnings.

By a quit-claim deed executed on April 9, 1958, the Houma-Terrebonne Airport Commission acquired 1743.47 acres of airport property and existing facilities that were transferred to the City of Houma and the Terrebonne Parish Police Jury by the General Services Administration pursuant to the authority contained in the Federal Property and Administrative Services Act of 1949 and the Surplus Property Act of 1944. Administration of this property is governed by the provisions of this quit-claim deed. The quit-claim deed is carried on the books at the nominal value of \$1 and, accordingly, no depreciation is included in the accompanying financial statements.

Long-term liabilities are recognized within the Enterprise Fund.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting also refers to the timing of the measurements made, regardless of the measurement focus applied. The Airport Commission's records are maintained on a cash basis of accounting. However, the Enterprise Fund reported in the accompanying financial statements has been converted to the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The Enterprise Fund is reported using a flow of economic resources measurement focus and a determination of net income and capital maintenance.

D. CASH AND CASH EQUIVALENTS

Under state law, the commission may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At June 30, 1999, the Commission has cash and cash equivalents totaling \$1,107,213 as follows:

Petty cash	\$ 200
Interest bearing demand deposits	188,491
Government money market fund	<u>918,522</u>
 Total	 <u>\$ 1,107,213</u>

These deposits are stated at cost, which equals market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. The securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Bank deposits were fully secured during the year ended June 30, 1999.

The government money market fund is secured by pooled government securities.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. CASH AND CASH EQUIVALENTS (Cont.)

For purposes of the statement of cash flows, the Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

E. INVESTMENTS

Under state law, the Commission may invest in United States bonds, treasury notes, or certificates. At June 30, 1999 the Commission holds investments as follows:

	<u>Cost</u>	<u>Market Value</u>
Government National Mortgage Assoc.	\$ 870,459	\$ 887,562
Federal National Mortgage Assoc.	2,034,325	2,022,899
Federal Home Loan Mortgage Corp.	2,310,427	2,206,294
	<u>\$ 5,215,211</u>	<u>\$ 5,116,755</u>

The Commission's investment philosophy as related to these investments is to hold these investments until maturity. Such philosophy results in no loss of principal regardless of market conditions.

F. VACATION AND SICK LEAVE

Employees of the Airport Commission are granted from 10 to 15 days of vacation leave each year, depending on their length of service.

In addition, employees are granted 10 days of sick leave each year. A maximum of 10 days of unused vacation leave may be carried forward from year to year. Sick leave can be accumulated not to exceed 90 days. Upon separation of employment, employees are compensated for accumulated vacation leave at the employee's current rate of pay. Employees retiring with more than 10 years of service are compensated for 50 percent of the accumulated sick leave to a maximum of 45 days. At June 30, 1999, employees of the Airport Commission have accumulated \$24,827 of employee leave benefits.

Houma-Terrebonne Airport Commission
 Terrebonne Parish Consolidated Government

Notes to Financial Statements
 As of and for the Year Ended June 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those *estimates*.

NOTE 2 – DEPOSITS

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The Commission's deposits are categorized to give an indication of the level of risk assumed at June 30, 1999. The categories are as follows:

- Category 1 - Insured or collateralized with securities held by the Commission or by its agent in the Commission's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name.
- Category 3 - Uncollateralized

Deposits, categorized by level of risk, are:

	Bank Balance	Category		
		1	2	3
Cash and cash equivalents	\$ 1,105,653	\$ 194,016	\$ 93,712	\$ 817,925

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 3 - INVESTMENTS

During the year ended June 30, 1999, the Commission invested in asset/liability based derivatives in the form of collateralized mortgage obligations (CMO's). CMO's are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Due to varying established payment orders, some CMO's have more stable cash flows relative to changes in interest rates than others, which can be significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMO's may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reductions in interest payments cause a decline in cash flows and, thus a decline in market value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security.

The Commission's investments are categorized to give an indication of the level of risk assumed by the Commission at June 30, 1999. The categories are described as follows:

- Category 1 - Insured or registered, with securities held by the Commission or its agent in the Commission's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commission's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the Commission's name.

Investments, categorized by level of risk, are:

	Category			Fair Value	Cost
	1	2	3		
U.S. Government Securities	-0-	-0-	\$5,116,755	\$5,116,755	\$5,215,211

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 3 - INVESTMENTS (Cont.)

Investments are registered in the name of the broker for the benefit of the Airport Commission and are held by the broker. Because the underlying securities are not held in the Airport Commission's name and are not held by the Airport Commission or its agents, they are considered uninsured and unregistered (Category 3) in applying the credit risk of GASB Codification Section I 50.164. During the year ended June 30, 1999 the Commission recognized \$98,456 of unrealized depreciation on such investments.

NOTE 4 – RECEIVABLES

The following is a summary of receivables at June 30, 1999:

	Current	Long Term
Rent receivable	\$ 67,574	\$ -0-
Due from tenants for parking lots	586	858
Notes receivable	8,529	1,800
	76,689	2,658
Less allowance for uncollectibles	(32,903)	-0-
	<u>\$ 43,786</u>	<u>\$ 2,658</u>

Because the Federal Aviation Administration required fencing of airport property, many tenant parking lots were no longer convenient for customer use. As a result, the commission entered into agreements with several tenants to build new parking lots and finance the construction of these lots over the remaining lease terms. At June 30, 1999, the amount due from tenants for parking lots totals \$ 1,444.

On June 24, 1992, the Commission sold a building acquired from lease termination to Gulf Aire Enterprises, Inc. for a 10-year note receivable of \$ 54,800 with an interest rate of 10 percent per annum. On February 18, 1993 the Commission sold a building acquired from lease termination to Gulfland Equipment Corporation for a 10-year non-interest bearing note receivable of \$ 8,542. The notes receivable are due in monthly installments of \$ 725 and \$ 72 respectively. At June 30, 1999, the amount due from these notes receivable totals \$ 10,329.

Houma-Terrebonne Airport Commission
 Terrebonne Parish Consolidated Government

Notes to Financial Statements
 As of and for the Year Ended June 30, 1999

NOTE 5 - FIXED ASSETS

A summary of changes in fixed assets follows:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1999</u>
Land	\$ 985,668	\$ 83,412	\$ -	\$ 1,069,080
Buildings	260,563	-	-	260,563
Improvements other than buildings	10,912,590	15,607	(2,420)	10,925,777
Furniture and equipment	284,822	9,654	(5,320)	289,156
Construction in progress	158,498	1,016,547	(83,412)	1,091,633
	<u>12,602,141</u>	<u>1,125,220</u>	<u>(91,152)</u>	<u>13,636,209</u>
Less accumulated depreciation	<u>(4,121,534)</u>	<u>(305,736)</u>	<u>7,309</u>	<u>(4,419,961)</u>
Totals	<u>\$8,480,607</u>	<u>\$ 819,484</u>	<u>\$(83,843)</u>	<u>\$ 9,216,248</u>

NOTE 6 - PENSION PLAN

Effective January 1987, the Commission provides pension benefits for all of its full-time employees through a defined contribution plan administered by the Public Employees Benefit Services Corporation as authorized by the pension plan contract dated January 1987. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The plan requires that both the employee and the Commission contribute an amount equal to five per cent of the employee's base salary each month. For employees hired prior to July 1, 1993 the Commission's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service. Employees hired subsequent to July 1, 1993 receive vesting under a seven year sliding schedule. Commission contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Commission's current-period contribution requirement.

The Commission's contributions were calculated using the base salary amount of \$152,273 for full-time employees. The Commission and the employees made the required five percent contributions, \$ 7,632, or \$ 15,264 in total.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 7 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Houma-Terrebonne Airport Commission provides certain continuing health care and life insurance benefits for its retired employees. All of the Airport Commission's employees become eligible for these benefits if they reach normal retirement age while working for the Commission. These benefits for retirees, as well as similar benefits for active employees, are provided through an insurance company whose monthly premiums are paid by the Commission, except for \$ 40 paid by the employee for dependent coverage. For the year ended June 30, 1999 the cost of retiree benefits totaled \$ 5,110. Effective July 1, 1993, employees retiring with 10 or more years of service and age 65 or greater are eligible to participate in a Medicare Supplement program sponsored by the Commission with the retiree share of the premium set by the Commission.

NOTE 8 - LEASES

The Airport Commission leases various parcels of land and/or buildings located at the airport to various aviation, industrial and business concerns. These are noncancellable leases with obligated terms ranging from one to ten years or other maximums established by Louisiana Revised Statutes. All leases contain escalation clauses. The leases are subject to state bid laws and final approval by the Federal Aviation Administration under the terms of the quit-claim deed signed April 9, 1958. The following is a schedule of future minimum rental income from noncancellable operating revenue leases as of June 30, 1999:

<u>Year Ending June 30,</u>	
2000	\$ 708,716
2001	426,076
2002	323,428
2003	271,936
2004	180,522
Thereafter	<u>1,647,264</u>
	<u><u>\$ 3,557,942</u></u>

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Notes to Financial Statements
As of and for the Year Ended June 30, 1999

NOTE 9 - CONTRIBUTED CAPITAL

Amounts contributed to the Airport Commission to acquire or construct fixed assets are recognized as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income. The following is a summary of contributed capital as of June 30, 1999:

Contributions from:

Federal Aviation Administration	\$ 8,023,228
State of Louisiana	752,255
United States Department of Commerce	310,500
City of Houma	100,000
Terrebonne Parish Consolidated Government	201,031
Donations	<u>120,299</u>
	9,507,313
Less amortization	<u>(2,798,376)</u>
	<u>\$ 6,708,937</u>

NOTE 10- YEAR 2000 COMPLIANCE

During the year ended June 30, 1999, the Commission completed its efforts to make all critical and non-critical systems Year 2000 compliant. Costs totaling \$ 1,509 were incurred, of which \$ 1,034 were properly capitalized, and \$ 475 were expensed.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Commission is or will by Year 2000 ready, that the Commission's remediation efforts will be successful in whole or in part, or that parties with whom the Commission does business will be year 2000 ready.

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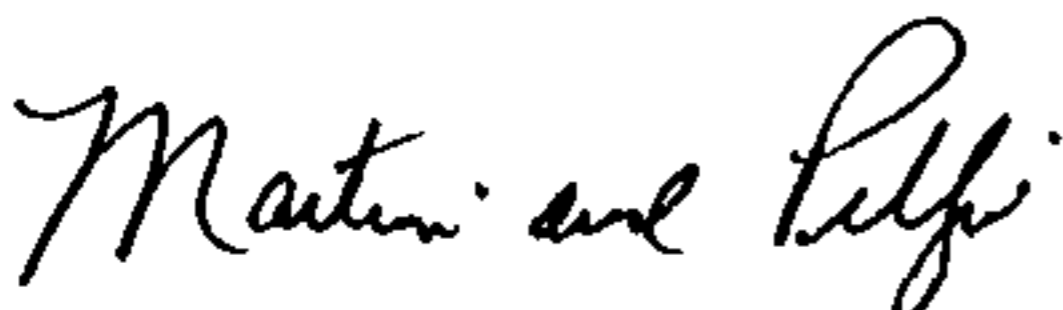
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**INDEPENDENT AUDITOR'S REPORT ON
ADDITIONAL INFORMATION**

To the Board of Commissioners
Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

Our report on our audit of the general purpose financial statements of the Houma-Terrebonne Airport Commission for the year ended June 30, 1999 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Information Schedule of Compensation Paid Board of Commissioners is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


July 30, 1999

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government

Schedule of Compensation Paid Board of Commissioners
For the Year Ended June 30, 1999

The Schedule of Compensation Paid - Board of Commissioners is presented in compliance with the House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 2:603, the board members have elected the monthly meeting method of compensation. Under this method, the chairman receives a monthly salary, and the chairman and other board members receive a payment for each meeting attended with a limit of two meetings per month. The chairman receives \$ 75 per meeting and \$ 150 per month salary. The board members receive \$ 60 per meeting. The compensation is included in personal services expense on the statement of revenues and expenses.

Augustus Brown	\$ 780
Albert Guidry	1,440
Leopold C. LaCoste	1,320
John D. Monteiro, Chairman	3,375
John Wiemann	<u>1,440</u>
Total	<u>\$ 8,355</u>

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

To the Board of Commissioners
Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

We have audited the general purpose financial statements of the Houma-Terrebonne Airport Commission as of and for the year ended June 30, 1999, and have issued our report thereon dated July 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Houma-Terrebonne Airport Commission'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*.

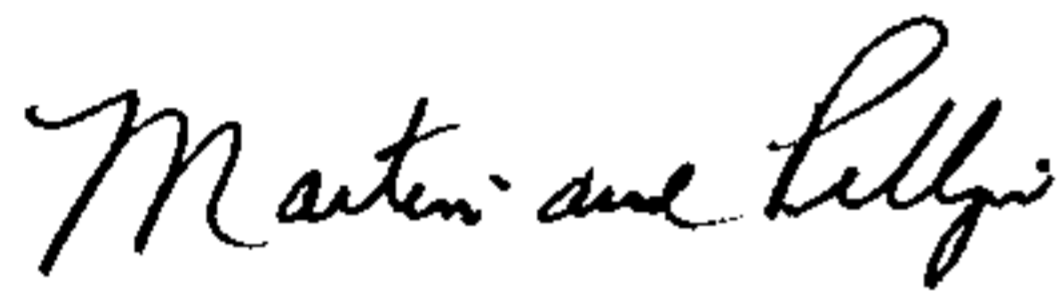
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Houma-Terrebonne Airport Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the

Board of Commissioners
Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

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 solely for the information and use of the Houma-Terrebonne Airport Commission, management and the U.S. Department of Transportation, Federal Aviation Administration, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Martin and Kelly".

July 30, 1999

**Martin
and
Pellegrin**

103 Ramey Road
Houma, Louisiana 70361

*Certified Public Accountants
(A Professional Corporation)*

Ph. (504) 851-3638
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
Houma-Terrebonne Airport Commission
Terrebonne Consolidated Government
Houma, Louisiana

Compliance

We have audited the compliance of the Houma-Terrebonne Airport Commission with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Houma-Terrebonne Airport Commission's major federal program is 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 its major federal program is the responsibility of the Houma-Terrebonne Airport Commission's management. Our responsibility is to express an opinion on the Houma-Terrebonne Airport Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type 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 Houma-Terrebonne Airport Commission'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 Houma-Terrebonne Airport Commission's compliance with those requirements.

Board of Commissioners
Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana

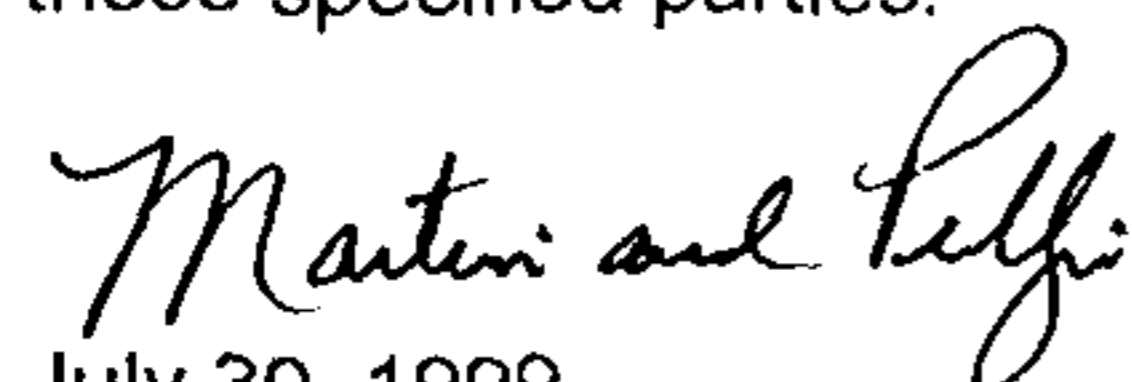
In our opinion, the Houma-Terrebonne Airport Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the Houma-Terrebonne Airport Commission 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 Houma-Terrebonne Airport Commission's internal control over compliance with requirements that could have a direct and material effect on *its 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 the 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 the Houma-Terrebonne Airport Commission, management and the U.S. Department of Transportation, Federal Aviation Administration, and is not intended to be and should not be used by anyone other than these specified parties.


July 30, 1999

Houma-Terrebonne Airport Commission

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1999

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<u>FEDERAL AVIATION ADMINISTRATION/ Airport Improvement Program/</u>			
Phase III Taxiway Extension and Lighting, Runway 36, RPZ Land Acquisition, Taxiway B Widening	20.106	DOT FA 98 SW 8113	<u>\$ 831,405*</u>

* Denotes Major Program

Houma-Terrebonne Airport Commission

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1999

NOTE 1 – SCOPE OF AUDIT PURSUANT TO THE GOVERNMENTAL AUDITING STANDARDS ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES AND OMB CIRCULAR A-133

All federal grant awards of the Houma-Terrebonne Airport Commission are included in the scope of the Government Auditing Standards issued by the Comptroller General of the United States and OMB Circular A-133.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Expenditures incurred prior to June 30, 1999 but not paid until subsequent to that date are included in the federal expenditures column.

Houma-Terrebonne Airport Commission

Independent Auditor's Comments on Resolution Matters
Relating to Prior Audit Comments and Findings
Year Ended June 30, 1999

The prior audit report for the year ended June 30, 1998 included no items requiring comment. A management letter was not issued.

Houma-Terrebonne Airport Commission

Schedule of Findings and Questioned Costs Year Ended June 30, 1999

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Houma-Terrebonne Airport Commission.
2. No reportable conditions were noted during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Houma-Terrebonne Airport Commission, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were noted during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award program for the Houma-Terrebonne Airport Commission expresses an unqualified opinion on the major federal program.
6. No audit findings relative to the major federal award program were noted.
7. The program tested as a major program was the U.S. Department of Transportation Airport Improvement Program, federal CFDA# 20.106.
8. The threshold used for distinguishing between Type A and B programs was \$300,000. Please note, however, that the Houma-Terrebonne Airport Commission participated in only one federal award program, noted previously in statement 7.
9. The Houma-Terrebonne Airport Commission did not qualify as a low-risk auditee.

Findings – Financial Statement Audit

None Reported

Findings and Questioned Costs – Major Federal Award Program Audit

None Reported