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Terrebonne Parish Communications District
City of Houma, Louisiana

Annual Financial Report
As of and for the
Year Ended December 31, 2003

Terrebonne Parish Communications District
Houma, Louisiana

Annual Financial Report
As of and for the Year Ended December 31, 2003

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Martin and Pellegrin

Certified Public Accountants
(A Professional Corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Terrebonne Parish Communications District
City of Houma, Louisiana

We have audited the accompanying basic financial statements of the governmental activities of Terrebonne Parish Communications District (the District), a component unit of the Terrebonne Parish Consolidated Government (the Parish), as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit 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 audit provides 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 Terrebonne Parish Communications District as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2004 on our consideration of the Terrebonne Parish Communications District'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

To the Board of Directors
Terrebonne Parish Communications District
City of Houma, Louisiana

accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The supplemental information contained on pages 14, 15, and 16 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Terrebonne Parish Communications District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Martin and Pellegrin

April 28, 2004

FINANCIAL STATEMENTS

Terrebonne Parish Communications District

Statement of Net Assets
December 31, 2003

Assets

Current assets		
Cash and cash equivalents	$	789,188
Receivables		172,476
Prepaid expenses		34,353
Total current assets		996,017
Capital assets, net		608,726
Total assets	$	1,604,743

Liabilities

Current liabilities		
Accounts payable and accrued expenses	$	47,036
Certificates of indebtedness payable within one year		30,000
Total current liabilities		77,036
Long-term liabilities		
Compensated absences payable		32,264
Certificates of indebtedness payable after one year		185,000
Total long-term liabilities		217,264
Total liabilities		294,300

Net Assets

Net assets		
Invested in capital assets, net of related debt		393,726
Unrestricted		916,717
Total net assets		1,310,443
Total liabilities and net assets	$	1,604,743

See notes to financial statements.

Terrebonne Parish Communications District

Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended December 31, 2003

Operating revenues	
Charges for services	$ 1,162,251
Other operating revenues	21,180
Total operating revenues	1,183,431
Operating expenses	
Personal services	612,947
Other services and charges	275,987
Depreciation	167,571
Repairs and maintenance	13,623
Supplies and materials	13,255
Total expenses	1,083,383
Operating income	100,048
Non-operating revenues (expenses)	
Interest income	7,357
Interest expense	(12,814)
Total non-operating revenues (expenses)	(5,457)
Change in net assets	94,591
Net assets	
Beginning of year	1,215,852
End of year	$ 1,310,443

See notes to financial statements.

Terrebonne Parish Communications District

Statement of Cash Flows
For the Year Ended December 31, 2003

Cash flows from operating activities:	
Cash received from customers	$ 1,176,137
Cash received from other sources	21,180
Cash payments to employees for services and benefits	(604,684)
Cash payments to suppliers for goods and services	(480,548)
Net cash provided by operating activities	112,085
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(59,494)
Principal paid on outstanding debt	(30,000)
Interest paid on outstanding debt	(12,814)
Net cash used in capital and related financing activities	(102,308)
Cash flows provided by investing activities:	
Interest received	7,357
Net increase in cash and cash equivalents	17,134
Cash and cash equivalents	
Beginning of year	772,054
End of year	$ 789,188
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 100,048
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	167,571
(Increase) decrease in assets:	
Receivables	13,885
Prepaid expenses	(20,456)
Decrease in liabilities:	
Accounts payable and accrued expenses	(148,963)
Total adjustments	12,037
Net cash provided by operating activities	$ 112,085

See notes to financial statements.

Terrebonne Parish Communications District

Notes to Financial Statements
For the Year Ended December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Terrebonne Parish Communications District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies:

A. REPORTING ENTITY

The District assesses a fixed monthly service charge to customers of local telephone and wireless communication companies providing service in Terrebonne Parish. The companies collect the charge then remit those collections to the District. The District uses this service charge to run an emergency 911 system.

The District is a component unit of Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2003. The District has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

B. METHOD OF ACCOUNTING

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net asset use though external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The basic financial statements of the District are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

C. USE OF ESTIMATES

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

D. CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the District considers cash and cash equivalents to include amounts in checking accounts, investments with maturities of three months or less when purchased, and the Louisiana Asset Management Pool (LAMP).

LAMP is an external pool which is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met.

E. ACCOUNTS RECEIVABLE

The basic financial statements for the District contain no allowance for uncollectible accounts receivable. It is the opinion if management that receivables at December 31, 2003 are collectible and possible bad debt losses are immaterial.

F. CAPITAL ASSETS

Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extends its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

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

Depreciation of all capital assets, excluding land, is calculated over the estimated useful lives using the straight-line method as follows:

Buildings	20 - 40 years
Equipment	5 - 20 years

G. ACCUMULATED VACATION AND SICK LEAVE

Employees of the District can earn twelve or seventeen days per year vacation leave, depending on their length of employment.

All employees are required to take vacation within one year of being earned. Any unused vacation remaining on the employee's anniversary date will be transferred to sick leave. In the event the employee is terminated or resigns, all vacation leave not transferred to sick leave will be paid to them.

Employees of the District earn seven days sick leave per year. Upon official retirement from the Parochial Retirement System, the retiring employee will be allowed to receive half of whatever accumulated sick leave time has accrued, up to a maximum of 30 days, by leaving work early and remaining on the payroll until the 30 days are exhausted.

The liability for vacation and sick leave is recorded as a long-term liability in the financial statements.

H. REVENUES AND EXPENSES

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to restricted assets to the extent such are available and then to unrestricted net assets. As of December 31, 2003, the District had no restricted assets.

Terrebonne Parish Communications District

Notes to Financial Statements
For the Year Ended December 31, 2003

NOTE 2 – DEPOSITS AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of any bank domiciled or having a branch in the state of Louisiana or any other federally insured investment.

Bank Deposits:

State law requires that deposits (cash) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivisions.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agents but not in the district's name and deposits which are uninsured or uncollateralized.

The year-end bank balance of deposits is as follows:

	Bank Balance	Category 1	Category 2	Category 3
Cash and cash equivalents	$ 84,500	$ 84,500	$ -	$ -

As of December 31, 2003, cash was not in excess of FDIC insurance.

NOTE 2 – DEPOSITS AND INVESTMENTS (Cont.)

Investments:

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper rated AAA 1, 2 or 3; repurchase agreements; and the Louisiana Asset Management Pool.

The year-end balance of investments is as follows:

	Reported Amount
Louisiana Asset Management Pool (LAMP)	$ 741,189

Investments held as of December 31, 2003 consist of $741,189 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP as of December 31, 2003 is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

NOTE 2 – DEPOSITS AND INVESTMENTS (Cont.)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

A reconciliation of deposits and investments as shown on the Statement of Net Assets is as follows:

Reported amount of deposits	$ 47,999
Reported amount of investments	741,189
Total	$ 789,188

NOTE 3 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	January 1, 2003	Additions	Deletions	December 31, 2003
Construction in progress	$ 2,842	$ -	$ -	$ 2,842
Buildings	327,568	-	-	327,568
Equipment	1,266,770	59,494	-	1,326,264
Total capital assets	1,597,180	59,494	-	1,656,674
Less accumulated depreciation for:				
Buildings	(29,870)	(8,513)	-	(38,383)
Equipment	(850,507)	(159,058)	-	(1,009,565)
Total accumulated depreciation	(880,377)	(167,571)	-	(1,047,948)
Total capital assets, net	$ 716,803	$ (108,077)	$ -	$ 608,726

Terrebonne Parish Communications District

Notes to Financial Statements
For the Year Ended December 31, 2003

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities consist of compensated absences payable for accumulated unpaid vacation and sick leave and certificates of indebtedness.

As of December 31, 2003, the District had outstanding certificates of indebtedness totaling $215,000. The certificates bear interest at 5.23% and are payable through November 1, 2009. The certificates are secured by a pledge and dedication of the excess of annual revenues above statutory, necessary and usual charges in each of the fiscal years during which the certificates are outstanding.

The following is a summary of changes in long-term liabilities of the District for the year ended December 31, 2003:

	Compensated Absences	Certificate of Indebtedness
Payable as of January 1, 2003	$ 27,367	$ 245,000
Increase in accumulated unpaid vacation and sick leave	4,897	-
Debt retired	-	30,000
Payable as of December 31, 2003	$ 32,264	$ 215,000

The requirements to amortize certificates of indebtedness outstanding as of December 31, 2003 are as follows:

Year	Principal	Interest	Total
2004	$ 30,000	$ 11,244	$ 41,244
2005	35,000	9,676	44,676
2006	35,000	7,845	42,845
2007	35,000	6,014	41,014
2008	40,000	4,184	44,184
2009	40,000	2,092	42,092
Totals	$ 215,000	$ 41,055	$ 256,055

Compensated absences are described in Note 1G.

Terrebonne Parish Communications District

Notes to Financial Statements
For the Year Ended December 31, 2003

NOTE 5 – COMMITMENT

The Federal Communications Commission (FCC) and the Louisiana State Legislature have issued rulings and statues requiring wireless telecommunication providers to provide the number and location of the caller to the communications district when a caller accesses 911. State statues require the caller location service to be operating within one year of collecting a consumer fee for the service.

The District implemented the rulings and has begun collecting the service charge effective January 1, 2001. Proceeds from the consumer service charge, $533,417 for the year ended December 31, 2003, shall be used for the payment of service provider and district costs associated with system implementation. However, the district shall not make payments to service providers unless there is a cooperative endeavor agreement between the District and the provider delimiting the cost of implementation. The District has completed cooperative endeavor agreements with three providers and is in the process of negotiating agreements with the remaining three providers.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description –The Board of Commissioners of the Terrebonne Parish Communication District has established a voluntary retirement savings program. This program is established under Section 457 of the Internal Revenue Code. An employee may elect to voluntarily set aside income from his or her payroll check on a pre-tax basis. The funds in this account accumulate on a tax-deferred basis and are taxed at withdrawal, usually at retirement or under financial hardship provisions.

Funding Policy – The District makes contributions on the Employee's behalf based on the following formula: 3% for all full-time employees that have completed their probationary period and five years of consecutive full-time employment with an additional 1% added (4% total) for all full-time employees with seven years of consecutive full-time employment and an additional 1% added (5% total) for all full-time employees with ten years of consecutive full-time employment.

The District's contributions to the Plan for the year ending December 31, 2003 totaled $11,785.

NOTE 7 – COMPENSATION OF BOARD MEMBERS

No compensation was paid to Board Members for the year ended December 31, 2003.

SUPPLEMENTARY INFORMATION SECTION

Terrebonne Parish Communications District
Status of Phase One Implementation of
Wireless E911 Service
For the Year Ended December 31, 2003

The Louisiana State Legislature has enacted Act 1029 (the Act), to amend and reenact Louisiana Revised Statutes 33:9101, 9102, 9103, 9105, 9106, and 9109 relative to communication districts. The Act, effective January 1, 2000, authorizes Louisiana Communication Districts to establish, by resolution of the Board of Directors, the ability to collect an emergency telephone service charge in the amount of $0.85 per wireless user per month levied on wireless users of Commercial Mobile Radio Service (CMRS) who can access the 911 emergency telephone number system. Phase One requires CMRS carriers to implement locational services and have the capability to assign wireless calls usable numbers for callback and forwarding uninterrupted calls.

The purpose of the Act is to provide a funding mechanism to cover the costs of implementing enhancements to the emergency 911 telephone system for cellular and other wireless telephone users as provided by the Federal Communications Commission in Matter #94-102. Enhancements will automatically provide the wireless telephone number and wireless tower location of the wireless caller to the District when a caller accesses the 911 system. Although these enhancements currently exist for persons dialing from "landline telephones," certain technological enhancements must be made in order to provide this information from wireless devices. The districts are required to negotiate and enter into a cooperative endeavor agreement provided for by the Act with each CMRS carrier to ensure that the service charge is collected, remitted and the service enhancements are implemented. For any district having a population of not less than 30,000 persons as of the most recent federal decennial census, the enhancements shall be completed by the District and all of the CMRS carriers providing service within the district within one year of the initial levy of the service charge. Proceeds received shall be used for payment of CMRS carrier and district costs associated with the implementation of Phase One. Any funds collected in excess of those necessary to pay costs of such enhancements may be expended for any lawful purpose of the District.

The Terrebonne Parish Communications District (the District) notified each CMRS carrier by certified letter of the adoption by the Board of Directors of Resolution No. 090299-A which levied an emergency telephone service charge of $0.85 per month per wireless CMRS connection as of January 1, 2000. The District then sent a letter to each CMRS carrier concerning signing a cooperative endeavor agreement. As of December 31, 2003, the District has completed cooperative endeavor agreements with three CMRS carriers, out of the total six. The District is in negotiations with the remaining three CMRS carriers.

The CMRS carriers have been remitting the wireless E911 service charges collected from the CMRS connections (customers) beginning January 1, 2000. Remittance for service charges has begun for the three of the CMRS carriers that have signed cooperative endeavor agreements with the District. The remaining three CMRS carriers that have not agreed on a cooperative endeavor agreement have not been paid any service charges by the District because no district shall make payment of CMRS carrier costs associated with the implementation of Phase One enhancements required by such an order unless there is a cooperative endeavor agreement between the District and the CMRS carrier delimiting the cost of the implementation to be recovered.

Terrebonne Parish Communications District
Status of Phase One Implementation of
Wireless E911 Service
For the Year Ended December 31, 2003

The District, as well as Communications Districts state-wide, has had problems implementing Phase One. The District has been unsuccessful due to numerous corporate mergers and CMRS carriers that have established unreasonable non-recurring or recurring costs without justification, or have refused to participate in cooperative endeavor agreement negotiations. Although the District has encountered problems concerning Phase One implementation, wireless users have maintained access through the CMRS carriers to the 911 system.

The District intends to recover the costs of additional staff hired to handle additional call volume with the wireless revenues, as well as, recover other costs related to the new wireless requirements. Other wireless costs include the service charge that will be assessed by the CMRS carriers based on the cost of updating their technology to implement the enhancement phase. The remittance of these costs depends on the signing of the cooperative endeavor agreements. The schedule of wireless revenues and use of wireless revenues can be found on page 16.

Terrebonne Parish Communications District
Schedule of Revenues Derived from the Wireless E911
Service Charge and the Use of Such Revenues
For the Year Ended December 31, 2003

(Unaudited)

		Wireless
Operating revenues		
Charges for services	$	533,417
Operating expenses		
Personal services		337,120
Other services and charges		178,224
Depreciation		92,161
Repairs and maintenance		7,493
Supplies and materials		7,290
Total operating expenses		622,288
Operating loss	$	(88,871)

Note: Allocation of wireless operating expenses was determined by applying the percentage of wireless calls to total calls to the operating expenses described in the Statement of Revenues, Expenses, and Changes in Net Assets. Revenues from charges for services are based on actual reported revenues for wireless services. The number of total calls and wireless calls was furnished to us by the District's management.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Martin and Pellegrin

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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 Directors
Terrebonne Parish Communications District
City of Houma, Louisiana

We have audited the basic financial statements of the Terrebonne Parish Communications District (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2003, and have issued our report thereon dated April 28, 2004. We conducted our audit 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 the District's 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 one instance of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the Schedule of Findings as item 03-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization'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. 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 the Organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-02.

Board of Directors
Terrebonne Parish Communications District
City of Houma, Louisiana

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 auditing 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 believe that the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Directors, management, the State of Louisiana and the Louisiana Legislative Auditor for the State of Louisiana 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.

Martin and Pellegrin

April 28, 2004

Terrebonne Parish Communications District
Schedule of Findings and Questioned Costs
As of and for the Year Ended December 31, 2003

Section I – Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Terrebonne Parish Communications District.

2. One reportable condition was noted during the audit of the basic financial statements. This reportable condition was not considered a material weakness.

3. One instance of noncompliance material to the financial statements of the Terrebonne Parish Communications District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.

4. A management letter was not issued.

Section II – Financial Statement Findings

03-01

Criteria: The Federal Communications Commission (FCC) via FCC Matter 94-102, enacted in July 1996, set distinct requirements for making wireless 911 more compatible with existing 911 wireline systems and stipulates the necessity for the establishment of a cost recovery mechanism for both wireless service suppliers and 911 districts. The Louisiana State Legislature enacted Act 1029 to address the issue of a cost recovery mechanism for Phase One of the FCC order, and was made effective January 1, 2000 as amendments and reenactments to Louisiana Revised Statues 33:9101, 9102, 9103, 9105, 9106, and 9109. The Act authorizes Louisiana Communication Districts to establish, by resolution of the Board of Directors or Ordinance of the Parish's governing authority, the amount of $0.85 per wireless user per month to be collected and remitted to the appropriate district for said purpose. Proceeds shall be used first for payment of wireless service suppliers and district costs associated with the implementation of enhancements required in Phase One. Any funds collected in excess of those necessary to pay costs of such enhancements may be expended for any lawful purpose of the District. Phase One requires implementing enhancements that will automatically provide the number and location of the wireless caller to the communications district when a caller accesses 911. The District will be required to pay a one-time non-recurring fee per subscriber at a rate specified by the service supplier. A monthly recurring charge will be paid to the service supplier by the District to help cover the service supplier's enhancement costs at a specified rate per subscriber. The service suppliers will not be able to receive the monthly recurring charges until a cooperative endeavor agreement has been signed. For any district having a population of not less than 30,000 persons as of the most recent federal decennial census, the enhancements shall be completed by the District and all of the wireless service suppliers within one year of the initial levy of the service charge.

Terrebonne Parish Communications District
Schedule of Findings and Questioned Costs
As of and for the Year Ended December 31, 2003

Section II – Financial Statement Findings (Cont.)

Condition: During the audit, it was noted that as of December 31, 2003 there were three signed cooperative endeavor agreements out of a total of six service suppliers. The District is still in negotiations with the other service suppliers. Phase One was not complete within the first year of the initial levy of the service charge. The service suppliers have not received any service charge payments by the District because no district shall make payment of a service suppliers costs associated with the implementation of Phase One enhancements required by such an order unless there is a cooperative endeavor agreement between the District and the supplier delimiting the cost of the implementation to be recovered. Although the service suppliers have not yet provided Phase One information to the District, wireless users have maintained access to the 911 system.

Cause and Effects of Condition: The District notified each service supplier by certified letter of the adoption by the Board of Directors of Resolution No. 090299-A which levied an emergency telephone service charge of $0.85 per month per wireless service subscriber. In compliance with the Act, the District also sent a letter to each service supplier concerning signing a cooperative endeavor agreement. Three of the service suppliers have not signed an agreement.

Recommendation: The District needs to seek a timely lawful resolution to implementing Phase One of FCC Matter 94-102 and Louisiana State Legislative Act 1029.

Section III – Internal Control Findings

03-02

Criteria: In our consideration of internal control, we noted that the size of the Terrebonne Parish Communications District's operations and its limited accounting staff preclude an adequate system of internal control.

Effects of Condition: The internal control, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause of Conditions: The size of the Terrebonne Parish Communications District and its limited accounting staff preclude and adequate segregation of duties and other features of an adequate system of internal control.

Recommendation: The Board of Directors of the Terrebonne Parish Communications District should closely monitor the day-to-day activities of the Organization.

Terrebonne Parish Communications District
Schedule of Findings and Questioned Costs
As of and for the Year Ended December 31, 2003

Section III – Internal Control Findings (Cont.)

Response: The management of the Terrebonne Parish Communications District agrees with this finding.

Questioned Costs: $ -0-

Section IV – Findings and Questioned Costs – Major Federal Award Program Audit

This section is not applicable.

Terrebonne Parish Communications District
Management's Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2003

Section I – Internal Control and Compliance Material to the Financial Statements

Compliance

Condition: Phase One was not complete within the first year of the initial levy of the service charge.

Recommendation: The District needs to seek a timely lawful resolution to implementing Phase One of FCC Matter 94-102 and Louisiana State Legislative Act 1029.

Planned Action: The District has begun to remit the necessary service charges to the service suppliers that have signed cooperative agreements, and are currently in negotiations with the other three service suppliers.

Inadequate Internal Control

Condition: A reportable condition in the internal control related to lack of segregation of duties.

Recommendation: The Board of Commissioners of the Terrebonne Parish Recreation District No. 3 should closely monitor the day-to-day activities of the District.

Planned Action: The Board of Commissioners will closely monitor the day-to-day activities of the Organization until it is financially feasible to employ additional staff.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

Terrebonne Parish Communications District
Schedule of Prior Findings and Resolution Matters
As of and for the Year Ended December 31, 2003

Note: All prior findings relate to the December 31, 2002 audit engagement.

Section I – Internal Control and Compliance Material to the Financial Statements

No material weaknesses or reportable conditions were reported during the audit for the year ended December 31, 2002.

02-01

Criteria: The Federal Communications Commission (FCC) via FCC Matter 94-102, enacted in July 1996, set distinct requirements for making wireless 911 more compatible with existing 911 wireline systems and stipulates the necessity for the establishment of a cost recovery mechanism for both wireless service suppliers and 911 districts. The Louisiana State Legislature enacted Act 1029 to address the issue of a cost recovery mechanism for Phase One of the FCC order, and was made effective January 1, 2000 as amendments and reenactments to Louisiana Revised Statues 33:9101, 9102, 9103, 9105, 9106, and 9109. The Act authorizes Louisiana Communication Districts to establish, by resolution of the Board of Directors or Ordinance of the Parish's governing authority, the amount of $0.85 per wireless user per month to be collected and remitted to the appropriate district for said purpose. Proceeds shall be used first for payment of wireless service suppliers and district costs associated with the implementation of enhancements required in Phase One. Any funds collected in excess of those necessary to pay costs of such enhancements may be expended for any lawful purpose of the District. Phase One requires implementing enhancements that will automatically provide the number and location of the wireless caller to the communications district when a caller accesses 911. The District will be required to pay a one-time non-recurring fee per subscriber at a rate specified by the service supplier. A monthly recurring charge will be paid to the service supplier by the District to help cover the service supplier's enhancement costs at a specified rate per subscriber. The service suppliers will not be able to receive the monthly recurring charges until a cooperative endeavor agreement has been signed. For any district having a population of not less than 30,000 persons as of the most recent federal decennial census, the enhancements shall be completed by the District and all of the wireless service suppliers within one year of the initial levy of the service charge.

Condition: During the audit, it was noted that as of December 31, 2002 there were three signed cooperative endeavor agreements out of a total of six service suppliers. The District is still in negotiations with the other service suppliers. Phase One was not complete within the first year of the initial levy of the service charge. The service suppliers have not received any service charge payments by the District because no district shall make payment of a service suppliers cost associated with the implementation of Phase One enhancements required by such an order unless there is a cooperative endeavor agreement between the District and the supplier delimiting the cost of the implementation to be recovered. Although the service suppliers have not yet provided Phase One information to the District, wireless users have maintained access to the 911 system.

Terrebonne Parish Communications District
Schedule of Prior Findings and Resolution Matters
As of and for the Year Ended December 31, 2003

Section I – Internal Control and Compliance Material to the Financial Statements (Cont)

Cause and Effects of Condition: The District notified each service supplier by certified letter of the adoption by the Board of Directors of Resolution No. 090299-A which levied an emergency telephone service charge of $0.85 per month per wireless service subscriber. In compliance with the Act, the District also sent a letter to each service supplier concerning signing a cooperative endeavor agreement. Three of the service suppliers have not signed an agreement.

Recommendation: The District needs to seek a timely lawful resolution to implementing Phase One of FCC Matter 94-102 and Louisiana State Legislative Act 1029.

Status: Partially resolved. The District has begun to remit the necessary service charges to the service suppliers that have signed cooperative agreements; however, Phase One is not complete.

Section II – Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III – Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2002.