

**Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated
Government**

**Annual Financial Report
As of and for the
Year Ended June 30, 2004**

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 1-12-05

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

Annual Financial Report
As of and for the Year Ended June 30, 2004

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Financial Statements	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10-19
Required Supplemental Information	
Budgetary Comparison Schedule	20
Special Reports of Certified Public Accountants	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Schedule of Findings and Questioned Costs	23
Schedule of Prior Findings and Resolutions Matters	24

**Martin
and
Pellegrin**

103 Ramey Road
Houma, Louisiana 70360

*Certified Public Accountants
(A Professional Corporation)*

Ph. (985) 851-3638
Fax (985) 851-3951

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic 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, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Houma-Terrebonne Airport Commission'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 the Houma-Terrebonne Airport Commission as of June 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2004 on our consideration of the Houma-Terrebonne Airport Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Commissioners
Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Houma, Louisiana
Page 2

The Management's Discussion and Analysis on pages 3 through 6 and the budgetary comparison information on page 20 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.



September 13, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Management's Discussion and Analysis
June 30, 2004

As management of the Houma-Terrebonne Airport Commission (HTAC), we offer readers of HTAC's financial statements this narrative overview and analysis of the financial activities of HTAC for the year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

- Houma-Terrebonne Airport Commission's assets exceeded its liabilities by \$18,773,787 (net assets) as of June 30, 2004.
- The Commission's total net assets increased by \$318,088.
- The Houma-Terrebonne Airport Commission received federal and state capital contributions totaling \$403,276 for the Master Plan Update, the Runway-Strengthening Project, and the Security Lighting Project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to HTAC's basic financial statements. The Houma-Terrebonne Airport Commission's basic financial statements consist of four components: 1) Statement of Net Assets 2) Statement of Revenues, Expenses, and Changes in Fund Net Assets, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

Statement of Net Assets. This statement presents the Houma-Terrebonne Airport Commission's assets and liabilities, with the difference of assets and liabilities reported as net assets. The fluctuation in net assets can be used as an indication of whether the financial position of HTAC is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Fund Net Assets. Consistent with the full accrual basis method of accounting, this statement accounts for current year revenues and expenses regardless of when cash is received or paid. The statement also exhibits the relationship of revenues and expenses with the changes in net assets.

Statement of Cash Flows. The statement of cash flows illustrates the cash inflows and outflows of the Houma-Terrebonne Airport Commission.

Notes to the Financial Statements. The accompanying notes provide additional information essential to a full understanding of the data provided in the basic financial statements.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Management's Discussion and Analysis
June 30, 2004

BASIC FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of HTAC, assets exceeded liabilities by \$18,773,787 at the close of the most recent year, June 30, 2004. The largest portion of HTAC's total assets is cash and investments (41%) and net capital assets (58%).

HTAC's Net Assets

ASSETS	June 30,	
	2004	2003
Current Assets:		
Cash and investments	\$ 7,805,296	\$ 8,254,831
Other	190,202	26,652
Capital assets, net of accumulated depreciation	10,921,675	10,274,273
Total assets	18,917,173	18,555,756
LIABILITIES		
Current liabilities	113,226	68,245
Compensated absences payable	30,160	31,812
Total liabilities	143,386	100,057
NET ASSETS		
Invested in capital assets	10,921,675	10,274,273
Unrestricted	7,852,112	8,181,426
	\$ 18,773,787	\$ 18,455,699

- Total assets increased by \$361,417.
- Most of the increase in assets is attributable to increases in capital assets (\$647,402).

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Management's Discussion and Analysis
June 30, 2004

During the year, HTAC's net assets increased by \$318,088. The elements of the increase are as follows:

HTAC's Changes in Net Assets

	<u>For the Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Rents and leases	\$ 908,005	\$ 935,237
Commissions on fuel	32,691	46,841
Other revenues	2,145	2,408
Total operating revenues	<u>942,841</u>	<u>984,486</u>
OPERATING EXPENSES		
Personal services	374,108	364,454
Contractual services	136,491	148,767
Repairs and maintenance	101,696	68,055
Supplies and materials	63,558	36,706
Other expenses	17,762	25,468
Depreciation expense	390,840	376,216
Total operating expense	<u>1,084,455</u>	<u>1,019,666</u>
OPERATING LOSS	<u>(141,614)</u>	<u>(35,180)</u>
NONOPERATING INCOME		
Interest income	361,033	409,370
Bad debt expense	(2,703)	(8,056)
Unrealized depreciation on investment valuation	(313,730)	(122,669)
Gain/(loss) on disposal of fixed assets	11,826	(273)
Total nonoperating income	<u>56,426</u>	<u>278,372</u>
INCOME/(LOSS) BEFORE OTHER REVENUES	(85,188)	243,192
CAPITAL CONTRIBUTIONS	<u>403,276</u>	<u>97,198</u>
INCREASE IN NET ASSETS	<u>\$ 318,088</u>	<u>\$ 340,390</u>

As indicated above, net assets increased by \$318,088. This increase is primarily due to interest income of \$361,033 from investments and capital contributions from other governments of \$403,276. The capital contributions consist of federal and state funds for the airport's Master Plan Update, the Runway-Strengthening Project, and the Security Lighting Project.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Management's Discussion and Analysis
June 30, 2004

HTAC's Cash Flows

	For the Year Ended June 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants	\$ 890,227	\$ 935,237
Cash received from other sources	39,960	49,249
Cash paid to employees and suppliers	(654,235)	(665,700)
Net cash flows provided by operating activities	275,952	318,786
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,911,877)	(9,829,443)
Proceeds from sales of investments	1,502,390	3,102,205
Principal returns on investments	6,931,072	7,585,061
Investment income	361,033	409,370
Net cash flows provided by investing activities	(1,117,382)	1,267,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,056,666)	(649,041)
Proceeds from sale of capital assets	30,250	-
Capital contributions from other governments	253,628	97,198
Net cash flows used in capital and related financing activities	(772,788)	(551,843)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,614,218)	\$ 1,034,136

- Total cash and cash equivalents decreased by \$1,614,218.
- The decrease was caused primarily by the purchase of investments and capital assets.

REQUEST FOR INFORMATION

This financial report is designed to provide general overview of HTAC's finances for all those with such an interest. Call the HTAC office (985-872-4646) and ask for Connie Lajaunie, Assistant Airport Manager, if you should have any further questions concerning any of the information provided in this report or have a request for additional financial information.

FINANCIAL STATEMENTS

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

Statement of Net Assets
June 30, 2004

ASSETS

Current assets

Cash and cash equivalents	\$ 62,163
Investments	7,743,133
Due from governments	156,722
Accounts receivable, less allowance for doubtful accounts of \$10,759	13,152
Prepaid insurance	<u>20,328</u>
Total current net assets	<u>7,995,498</u>

Capital assets, net of accumulated
depreciation of \$5,986,635

10,921,675

TOTAL ASSETS

18,917,173

LIABILITIES

Accounts payable	61,952
Deferred revenues	<u>51,274</u>
Total current liabilities	113,226

Compensated absences payable

30,160

TOTAL LIABILITIES

143,386

NET ASSETS

Invested in capital assets	10,921,675
Unrestricted	<u>7,852,112</u>

TOTAL NET ASSETS

\$ 18,773,787

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 Fund Net Assets
For the Year Ended June 30, 2004**

OPERATING REVENUES	
Rents and leases	\$ 908,005
Commissions on fuel	32,691
Other revenues	2,145
Total operating revenues	942,841
 OPERATING EXPENSES	
Personal services	374,108
Contractual services	136,491
Repairs and maintenance	101,696
Supplies and materials	63,558
Other expenses	17,762
Depreciation expense	390,840
Total operating expenses	1,084,455
 OPERATING LOSS	 (141,614)
 NONOPERATING REVENUE (EXPENSES)	
Interest income	361,033
Unrealized depreciation on investment valuation	(313,730)
Gain on disposal of fixed assets	11,826
Bad debt expense	(2,703)
Total nonoperating revenue (expenses)	56,426
 LOSS BEFORE CONTRIBUTIONS	 (85,188)
 CAPITAL CONTRIBUTIONS FROM OTHER GOVERNMENTS	 403,276
 CHANGE IN NET ASSETS	 318,088
 NET ASSETS AT BEGINNING OF YEAR	 18,455,699
 NET ASSETS AT END OF YEAR	 \$ 18,773,787

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, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$ 890,227
Cash received from other sources	39,960
Cash paid to employees and suppliers	<u>(654,235)</u>
Net cash flows provided by operating activities	<u>275,952</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(9,911,877)
Proceeds from sales of investments	1,502,390
Principal returns on investments	6,931,072
Investment income received	<u>361,033</u>
Net cash flows used in investing activities	<u>(1,117,382)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,056,666)
Proceeds from sale of capital assets	30,250
Capital contributions from other governments	<u>253,628</u>
Net cash used in capital and related financing activities	<u>(772,788)</u>
Net decrease in cash and cash equivalents	(1,614,218)
CASH AND CASH EQUIVALENTS, beginning	<u>1,676,381</u>
CASH AND CASH EQUIVALENTS, ending	<u><u>\$ 62,163</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (141,614)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	390,840
Increase in:	
Accounts receivable	(12,651)
Prepaid insurance	(3,953)
Increase/(decrease) in:	
Accounts payable	40,111
Deferred revenues	4,871
Compensated absences payable	<u>(1,652)</u>
Net cash flows provided by operating activities	<u><u>\$ 275,952</u></u>

The accompanying notes are an integral part of this statement.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

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 seven-member board. The Terrebonne Parish Consolidated Government appoints all members, two of which are nominated by the Parish President. 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 comprising of approximately 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 three fixed based operators, a full range of aviation services results in approximately 72,950 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 U.S. 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 U.S. generally accepted accounting principles for state and local governments. 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:

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

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

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

Because the consolidated government appoints 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, net assets, 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. NET ASSETS

During the year ended June 30, 2002, the Commission adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislations.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

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

C. CAPITAL ASSETS

Capital 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 an estimated useful life of at least one year. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Capital assets reported on the statement of net assets are net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the individual asset. Estimated useful lives of assets range from 1 to 40 years as follows:

<u>Property</u>	<u>Estimated Life in Years</u>
Master Plan Phase I - taxiways and paving	20-40
Runways and parking apron	5-40
Runways and approach lighting	5-40
Buildings	3-40
Equipment	1-40
Automobiles and trucks	5-14
Office furniture and fixtures	5-20
Land improvements	5-40
Industrial park improvements	20-40
Miscellaneous	2-20

Airport improvements generally have been constructed or acquired with capital contributions from other governments. Depreciation shown on the statement of revenues, expenses, and changes in fund net assets includes depreciation of assets acquired from such contributions.

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
For the Year Ended June 30, 2004

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

D. 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 the 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.

E. CASH AND CASH EQUIVALENTS

Under state law, the commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of another state in the Union, or the laws of the United States. As of June 30, 2004, the Commission had cash and cash equivalents (book balances) totaling \$62,163 as follows:

Petty cash	\$	200
Interest bearing demand deposits		55,456
Government money market fund		6,507
Total	\$	62,163

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, 2004.

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

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

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

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

F. INVESTMENTS

Under state law, the Commission may invest in United States bonds, treasury notes, or certificates. As of June 30, 2004, the Commission holds investments as follows:

	Cost	Market Value
Government National Mortgage Assoc.	\$ 2,046,906	\$ 1,865,641
Federal National Mortgage Assoc.	1,925,437	1,870,935
Federal Home Loan Mortgage Corp.	4,128,146	4,006,557
	\$ 8,100,489	\$ 7,743,133

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.

G. 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. As of June 30, 2004, employees of the Airport Commission have accumulated \$30,160 of employee leave benefits.

H. ESTIMATES

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

I. ACCOUNTS RECEIVABLE

The Commission accounts for bad debts using the allowance method. As of June 30, 2004, the Company allowed for all accounts that were deemed unlikely of collection.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

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 as of June 30, 2004. 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	\$ 80,945	\$ 74,438	-0-	\$ 6,507

NOTE 3 – INVESTMENTS

During the year ended June 30, 2004, the Commission invested in asset/liability based derivatives in the form of collateralized mortgage obligations (CMOs). CMOs 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 CMOs 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 CMOs 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 as of June 30, 2004. 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.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 3 – INVESTMENTS (Cont.)

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-	\$ 7,743,133	\$ 7,743,133	\$ 8,100,489

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 50.125. During the year ended June 30, 2004, the Commission recognized \$353,880 of unrealized depreciation on such investments.

NOTE 4 – ACCOUNTS RECEIVABLE

The following is a summary of receivables (all current) as of June 30, 2004:

	Current
Rent receivable	7,040
Fuel receivables	5,988
Other receivables	124
	\$ 13,152

NOTE 5 – CAPITAL CONTRIBUTIONS FROM OTHER GOVERNMENTS

During the year ended June 30, 2004, the Airport Commission received capital contributions from the following governments:

United States of America/Federal Aviation Administration	\$ 364,398
State of Louisiana/Department of Transportation and Development	38,878
	\$ 403,276

These contributions were designated for use in a runway-strengthening project and a security lighting project on the grounds of the Houma-Terrebonne Airport Commission and a master plan update.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 6 – DUE FROM GOVERNMENTS

The following is a summary of amounts due from other governments (all current) as of June 30, 2004:

	<u>Current</u>
United States of America/Federal Aviation Administration	\$ 132,636
State of Louisiana/Department of Transportation and Development	24,086
	<u>\$ 156,722</u>

NOTE 7 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
Land	\$ 1,069,079	\$ -	\$ -	\$ 1,069,079
Buildings	310,334	-	(36,058)	274,276
Improvements other than buildings	13,592,209	402,946	(56,400)	13,938,755
Furniture and equipment	367,964	68,388	(30,118)	406,234
Construction in progress	634,634	981,978	(396,646)	1,219,966
	15,974,220	1,453,312	(519,222)	16,908,310
Less accumulated depreciation	(5,699,947)	(390,840)	104,152	(5,986,635)
Totals	<u>\$ 10,274,273</u>	<u>\$ 1,062,472</u>	<u>\$ (415,070)</u>	<u>\$ 10,921,675</u>

NOTE 8 – 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 percent 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 five 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.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 8 – PENSION PLAN (Cont.)

The Commission's contributions were calculated using the base salary amount of \$247,560 for full-time employees. The Commission and the employees made the required five percent contributions, \$12,378 or \$24,756 in total.

NOTE 9 – 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 noncancelable 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 noncancelable operating revenue leases as of June 30, 2004:

<u>Year Ending June 30,</u>	
2005	\$ 799,931
2006	440,507
2007	356,812
2008	321,111
2009	243,989
Thereafter	1,226,799
	<u>\$ 3,389,149</u>

NOTE 10 – COMPENSATION OF BOARD COMMISSIONERS

As provided by Louisiana Revised Statute 2:603, the Commissioners have elected to use the monthly meeting method of compensation. Under this method, the chairman and other board members receive a payment for each meeting attended with a limit of two meetings per month. The chairman receives \$200 per meeting. The board members receive \$80 per meeting. Board member Jeff Teuton has declined to receive a per diem. The commissioners are limited to two paid meetings per month. The compensation is included in personal services expense on the statement of revenues, expenses and changes in fund net assets. The following amounts were paid to commissioners for the year ended June 30, 2004:

John D. Monteiro, Chairman	\$ 4,800
James Charles	1,920
L.J. Pizzolatto, Jr.	1,920
Albert Guidry	1,840
Edward Marmande	1,600
Carleton Casey	1,440
Jeff Teuton	-
Total	<u>\$ 13,520</u>

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 11 – CONTINGENT LIABILITIES

Litigation

At year-end, the Commission had a petition filed against it regarding an injury lawsuit. If the Commission is found legally responsible, the claim will be forwarded to the Commission's insurance company. Management believes that if this claim is found in favor of the claimant, the only anticipated financial exposure would be to the insurance company. In the opinion of management, the outcome of this claim will not have a material effect on the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Budgetary Comparison Schedule
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Revised Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
REVENUES				
Rents and leases	\$ 914,010	\$ 914,010	\$ 908,005	\$ (6,005)
Commissions on fuel	39,168	39,168	32,691	(6,477)
Interest earned	468,979	468,979	361,033	(107,946)
Other revenues	<u>2,000</u>	<u>2,000</u>	<u>2,145</u>	<u>145</u>
TOTAL REVENUES	<u>1,424,157</u>	<u>1,424,157</u>	<u>1,303,874</u>	<u>(120,283)</u>
EXPENDITURES				
Personal services	363,490	363,490	374,108	10,618
Contractual services	155,000	155,000	136,491	(18,509)
Repairs and maintenance	90,500	90,500	101,696	11,196
Supplies and materials	61,000	61,000	63,558	2,558
Other expenses	<u>24,150</u>	<u>24,150</u>	<u>17,762</u>	<u>(6,388)</u>
TOTAL EXPENDITURES	<u>694,140</u>	<u>694,140</u>	<u>693,615</u>	<u>(525)</u>

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**Martin
and
Pellegrin**

103 Ramey Road
Houma, Louisiana 70360

*Certified Public Accountants
(A Professional Corporation)*

Ph. (985) 851-3638
Fax (985) 851-3951

**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 basic financial statements of the Houma-Terrebonne Airport Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated September 13, 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 Houma-Terrebonne Airport Commission'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 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 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

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

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 Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



September 13, 2004

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2004

Section I – Summary of Auditor’s Results

1. The auditor's report expresses an unqualified opinion on the basic 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. A management letter was not issued.

Section II – Financial Statement Findings

No findings material to the basic financial statements of the Houma-Terrebonne Airport Commission were noted during the audit.

Section III – Internal Control Findings

No findings related to the Houma-Terrebonne Airport Commission's internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

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

This section is not applicable.

Houma-Terrebonne Airport Commission
Terrebonne Parish Consolidated Government
Schedule of Prior Findings and Resolution Matters
As of and for the Year Ended June 30, 2004

Note: All prior findings relate to the June 30, 2003 audit engagement.

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

No findings related to the Houma-Terrebonne Airport Commission's internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

Section II – Internal Control and Compliance Material to Federal Awards

No findings nor questioned costs material to the Houma-Terrebonne Airport Commission's major federal award program, were noted during the audit.

Section III – Management Letter

A management letter was not issued.