



Bourgeois Bennett

COMMUNICATIONS WITH BOARD OF TRUSTEES

To the Board of Trustees,
Police Pension & Relief Fund,
City of Houma, Louisiana.

In fulfilling our responsibility as Police Pension & Relief Fund auditors for the year ended December 31, 1996, we are required to communicate to the Board of Trustees certain matters related to the conduct of our audit.

1) **AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS**

Our audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatements.

As required, separate letters have been issued on internal control and compliance with laws and regulations.

2) **SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies are described in Note 2 to the general purpose financial statements. In November 1994, GASB issued Statement No. 25, Financial Reporting for Defined Benefit Pension and Note Disclosures for Defined Contribution Plans. This Statement establishes financial reporting standards for defined benefit pension plans.

3) **SIGNIFICANT AUDIT ADJUSTMENTS**

We did initiate a prior period audit adjustment during our recent audit in order to implement GASB Statement No. 25. Year end adjustments and closing entries were prepared and provided to management.

This information is intended solely for use by the Board of Trustees, management of Police's Pension & Relief Fund and should not be used for any other purpose.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, La.,
April 24, 1997.

1340 West Tunnel Blvd., Suite 430
P.O. Box 2168
Houma, LA 70361-2168
Phone (504) 868-0139
Fax (504) 879-1949

Certified Public
Accountants | Consultants
A Limited Liability Company

P.O. Box 60600
New Orleans, LA 70160-0600
Heritage Plaza, Suite 800
Phone (504) 831-4949
Fax (504) 833-9093

504 West Second Street
P.O. Box 1205
Thibodaux, LA 70302-1205
Phone (504) 447-5243

COMMUNICATIONS LETTER



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of the
Police Pension and Relief Fund,
City of Houma, Louisiana.

We have audited the general purpose financial statements of the Police Pension and Relief Fund (the Pension Fund), a component unit of the Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 24, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Pension Fund is the responsibility of the Pension Fund's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of the Pension Fund's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Trustees, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, La.,
April 24, 1997.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bougeon Bennett, L.L.C.

Certified Public Accountants.

Houma, La.,
April 24, 1997.



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of the
Police Pension and Relief Fund,
City of Houma, Louisiana.

We have audited the general purpose financial statements of the Police Pension and Relief Fund (the Pension Fund), a component unit of the Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 24, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Pension Fund is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Pension Fund for the year ended December 31, 1996, we obtained an understanding on the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

ACTUARIAL METHODS AND ASSUMPTIONS**Police Pension and Relief Fund**

December 31, 1996

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 1996.
Actuarial cost method	Aggregate Actuarial Cost Method, level % of pay.
Amortization method	This method does not identify or separately amortize unfunded actuarial liabilities.
Asset valuation method	Market value.
Actuarial assumptions:	
Investment rate of return	6% per year compounded annually.
Mortality	Based on the 1983 Group Annuity Mortality Table for Males and Females.
Termination, disability and retirement	Rates of withdrawal and termination from active service before retirement for reasons other than death (based on a table in the actuarial report which is used in similar systems) and rates of disability (based on the Eleventh Actuarial Valuation of the Railroad Retirement System).
Salary increases	Vary according to age ranging from 3% (age 55) to 6.1% (age 25) per year compounded annually.
Cost-of-living adjustments	Adjusted for projected increases in the standard of living.

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR SIX YEARS**Police Pension and Relief Fund**

December 31, 1996

<u>Year Ended December 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
1991	\$34,976	\$34,976	100%
1992	\$34,976	\$34,976	100%
1993	\$34,263	\$51,176	149%
1994	\$34,263	\$34,263	100%
1995	\$38,895	\$34,263	88%
1996	\$38,895	\$38,895	100%

REQUIRED SUPPLEMENTARY INFORMATION

Note 3 - CASH AND INVESTMENTS (Continued)

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

Carrying amount of deposits	\$ 242,882
Market amount of investments	<u>820,543</u>
Total	<u>\$1,063,425</u>
Cash	\$ 142,757
Investments	<u>920,668</u>
Total	<u>\$1,063,425</u>

The United States Treasury Notes are fully guaranteed as to principal and interest by the full faith and credit of the United States. The FNMA and FHLMC certificates are not guaranteed as to principal and interest by the full faith and credit of the United States. The FNMA and FHLMC certificates and U.S. Treasury Notes are held in trust by third-party banks in the Pension Funds's name.

Note 4 - COMPENSATION OF BOARD MEMBERS

Members of the Pension Fund Board serve without compensation.

Note 5 - REQUIRED SUPPLEMENTARY INFORMATION

In accordance with Statements No. 25, required supplementary information can be found in the attached statements.

Note 3 - CASH AND INVESTMENTS (Continued)

Investments:

According to Louisiana Revised Statute 11:3509, the Board may invest the permanent fund or any portion thereof in the name of the "Board of Trustees of the Police Pension and Relief Fund" in interest-bearing bonds or securities issued or backed by the United States the state of Louisiana, or the municipality in which the Board is located or in certificates of deposit in banks of the United States and/or the State of Louisiana. All securities shall be deposited with the treasurer, subject to the orders of the board.

The Pension Fund's investments are categorized to give an indication of the level of risk assumed by the entity at year end.

Category 1 includes investments that are insured or registered or for which the securities are held by the Pension Fund or its agent in the Pension Fund's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Pension Fund's name.

Category 3 includes uninsured and unregistered investments for which the securities held by the counterparty or by its trust department or agent, but not in the Pension Fund's name, uninsured and unregistered.

At year end the carrying amount and market value of investments are as follows:

	<u>Risk Category</u>			<u>Carrying Amount (Market Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Federal National Mortgage Association (FNMA) Certificates	\$ 249,095	\$ -	\$ -	\$249,095
Federal Home Loan Mortgage Corporation (FHLMC) Certificates	122,287	-	-	122,287
Tennessee Valley Authority Bonds (TVA)	271,110	-	-	271,110
U.S. Treasury Notes	<u>178,051</u>	<u>-</u>	<u>-</u>	<u>178,051</u>
Total investments	<u>\$820,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$820,543</u>

Note 3 - CASH AND INVESTMENTS (Continued)

Bank Deposits: (Continued)

of the political subdivision. In accordance with state law all cash and deposits were collateralized.

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 Pension Fund or its agent in the Pension Fund's name.

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

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

At year end the carrying amount and the bank balances of deposits are as follows:

	Category			Book Balance
	1	2	3	
Cash	\$100,000	\$ -	\$ 42,757	\$142,757
Certificates of deposit	-	-	100,125	100,125
Totals	<u>\$100,000</u>	<u>\$ -</u>	<u>\$142,882</u>	<u>\$242,882</u>

The Parish has proper pledging to cover funds for the Pension Fund. At December 31, 1996, cash and certificates of deposit in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the Parish. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Fund Accounting (Continued)

The accounts of the Pension Fund are organized on the basis of a Trust Fund. Trust Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

c) Basis of Accounting

Trust Funds are accounted for using the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

d) Method Used to Value Investments

As required by Statement No. 25, investments are reported at fair value. Short-term investments are reported at market value when published prices are available, or at cost, which approximates fair value.

Investments consist of Bank Certificates of Deposit, Federal Home Loan Mortgage Corporation Certificates, Federal National Mortgage Association Certificates, Tennessee Valley Authority Bonds and United States Treasury Notes.

e) Change in Accounting Principle

In November 1994, GASB issued Statement No. 25 which establishes financial reporting standards for defined benefit pension plans.

A prior period adjustment in the amount of (\$8,280) has been recorded as of January 1, 1996 to reflect the change in reporting investments at market value rather than cost.

Note 3 - CASH AND INVESTMENTS

Bank Deposits:

State law requires deposits (cash and certificates of deposits) 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 subdivision are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision, or with an unaffiliated bank, or with a trust company for the account

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

e) Employer Contributions

Funding Policy - The Parish contributions are established biennial by an actuary in the valuation report for the Pension Fund. The Aggregate Actuarial Cost Method was used and it was determined that there was no unfunded liability.

Annual Pension Cost - The annual required contribution for the current year was determined to be \$38,895 as part of the December 31, 1994 actuarial valuation using the Aggregate Actuarial Cost Method. The actuarial assumptions included 6.87% investment rate of return (net of expenses). The Net Pension Asset as calculated by the actuary was \$12,281 for 1996. The amortization information was not made available by the actuary, but the amount is considered to be immaterial.

No new employees have entered into the Pension Fund since the merger with MPERS and no contributions by employees have been made since the merger.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Pension Fund conform to generally accepted accounting principles as applicable to governments. The following is a summary of significant accounting policies:

a) Reporting Entity

The Pension Fund is a component unit of 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, 1996.

The Pension Fund has reviewed all of its activities and determined that there are no potential component units which should be included in its general purpose financial statements.

b) Fund Accounting

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

b) General (Continued)

The Pension Fund adopted Statement No. 25 of the Governmental Accounting Standards Board (GASB), Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans (Statement No. 25), effective January 1, 1996, as required. Statement No. 25 requires a change in the financial statement format. Under Statement No. 25 the two required statements are the statement of plan net assets and the statement of changes in plan net assets. Statement No. 25 also requires plan investments to be recorded at their fair value.

c) Plan Membership

At December 31, 1996, employee membership consisted of:

Retirees and beneficiaries currently receiving benefits	3
Current active members	<u>18</u>
Total employee members	<u>21</u>

d) Plan Benefits

Pension Benefits - Employees with twenty or more years of service regardless of age are entitled to annual pension benefits equal to two-thirds of the highest average monthly salary for any continuous twelve-month period of time worked prior to retirement, but the benefits shall not be less than \$100 per month. At age fifty, retirement benefits are assumed by MPERS.

Death and Disability Benefits - All death and disability benefits are assumed by MPERS.

NOTES TO FINANCIAL STATEMENTS**Police Pension and Relief Fund**

December 31, 1996

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the City of Houma Police Pension and Relief Fund (the Pension Fund) is provided for general information purposes only. Participants should refer to the applicable state statutes for more complete information.

a) Plan History

The Pension Fund was established for members of the City of Houma Police Department in 1951 under the provisions of City of Houma Ordinance No. 2038 (10/30/51) and revised Ordinance No. 3313 (5/27/80). On September 13, 1983, the City of Houma Board of Aldermen voted to enter into an agreement to merge the Plan with the Municipal Police Employees Retirement System of the State of Louisiana (MPERS). The merger was effective October 1, 1983. The Plan has been closed to new participants since October 1, 1983. The Board of Trustees is required to maintain funds to be used to provide retirement benefits as follows:

1. Retirement under the provisions of the Plan for those policemen not meeting the eligibility requirements of MPERS,
2. Retirement benefits for those policemen who retired prior to the first anniversary of the merger date, and
3. Benefits to be paid in excess of those provided by MPERS.

The remaining assets (approximately \$696,000) of the Plan were placed in the Police Pension Debt Service Fund to pay the liability (\$3,016,270) to MPERS in connection with the merger. During 1987, based on revised actuarial information, \$656,698 was transferred back to the Plan from the Police Pension Debt Service Fund.

b) General

The Pension Fund (a defined benefit pension plan) is a single-employer Public Employee Retirement System (PERS) administered by a Board of Trustees (the Board). The Board consists of the Director of Finance for the Terrebonne Parish Consolidated Government (the Parish), the Chief of Police of the City of Houma and one member elected from the Police Department of the City of Houma by a majority vote.

STATEMENT OF CHANGES IN PLAN NET ASSETS**Police Pension and Relief Fund**

For the years ended December 31, 1996

Additions

Contributions - Terrebonne Parish Consolidated Government	<u>\$ 38,895</u>
Investment income:	
Net depreciation in fair value of investments	(20,526)
Interest	<u>63,175</u>
Total investment income	<u>42,649</u>
Total additions	<u>81,544</u>

Deductions

Benefits paid	60,373
Administrative expenses:	
Professional	1,100
Other	<u>3,516</u>
Total deductions	<u>64,989</u>

Net Increase	16,555
---------------------	--------

Net Assets Held in Trust for Pension Benefits

Beginning of year	1,072,878
Prior period adjustment (Note 2e)	<u>(8,280)</u>
End of year	<u><u>\$ 1,081,153</u></u>

See notes to financial statements.

STATEMENT OF PLAN NET ASSETS**Police Pension and Relief Fund**

December 31, 1996

Assets	
Cash	\$ 142,757
Investments, at fair value	920,668
Receivables - accrued interest	<u>17,728</u>
 Total assets	 <u>\$ 1,081,153</u>
 Net Assets Held in Trust for Pension Benefits	 <u>\$ 1,081,153</u>

See notes to financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated April 24, 1997 on our consideration of the Pension Fund's internal control structure and a report dated April 24, 1997 on its compliance with laws and regulations.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, La.,
April 24, 1997



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Police Pension and Relief Fund,
City of Houma, Louisiana.

We have audited the accompanying general purpose financial statements of the Police Pension and Relief Fund (the Pension Fund), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Pension Fund'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 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 general purpose 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 Pension Fund as of December 31, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 2 to the general purpose financial statements, the Pension Fund adopted Government Accounting Standards Board Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans effective January 1, 1996.

TABLE OF CONTENTS

Police Pension and Relief Fund

December 31, 1996

Page
Number

INTRODUCTORY SECTION

Title Page

i

Table of Contents

ii

FINANCIAL SECTION

Independent Auditor's Report

1

Exhibits

1 - Statement of Plan Net Assets

3

2 - Statement of Changes in Plan Net Assets

4

3 - Notes to Financial Statements

5

REQUIRED SUPPLEMENTARY INFORMATION

Statements

1 - Schedule of Employer Contributions

12

2 - Actuarial Methods and Assumptions

13

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on the Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

14

Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

16

4266

DO NOT SEND OUT
(Xerox necessary, copies from this copy and PLACE
HERE)

Financial Report
Police Pension and Relief Fund
City of Houma, Louisiana
December 31, 1996

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 AUG 06 1997

97 AUG 07 10 51 AM '97