

ACTUARIAL METHODS AND ASSUMPTIONS**Firemen's 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	7% 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 experience of other fire systems in the state).
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 increase in the standard of living.

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR SIX YEARS

Firemen's Pension and Relief Fund

December 31, 1996

As noted in Note 1a, the merger with the Firefighters Retirement System became effective July 1, 1995 and funds in the plan were considered to be sufficient and therefore no contributions were required for 1996. However, according to the Actuarial Valuation Report for the year ended December 31, 1996, the Pension Fund should contribute \$36,820 for 1997.

NOTES TO FINANCIAL STATEMENTS**Firemen's Pension and Relief Fund**

December 31, 1996

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the City of Houma Firemen's 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 Fire Department in 1973 under the provisions of Act 139 of the Louisiana Legislature. Effective January 1, 1980, new firemen of the City of Houma are covered under the Firefighter's Retirement System (FRS) of the State of Louisiana. The Pension Fund covers firemen hired prior to January 1, 1980. On March 26, 1996, the Pension Fund entered into a merger agreement with the Firefighter's Retirement System of the State of Louisiana. The merger was effective July 1, 1995. The Pension Fund has been closed to new participants since January 1, 1980.

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 of Trustees shall be composed of seven (7) members, consisting of the president of the Terrebonne Parish Consolidated Government, or his appointee, who shall be chairman of the board, a representative of the parish accounting department, a representative of the parish council to be appointed by said council, and four active members of the department, who shall not be above the rank of district chief when elected or re-elected and who shall be elected by the active fire department personnel by election.

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.

REQUIRED SUPPLEMENTARY INFORMATION

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

e) Plan Benefits (Continued)

At age fifty, the Firefighters Retirement System assumes the benefits according to the State's standards. However, as part of the agreement of the merger, the firemen in the City of Houma Pension Fund could not lose any benefits by agreeing to merge with the State. Therefore, the City of Houma continues to pay the difference between the amount the city previously paid in benefits and the amount the State pays now.

Death and Disability Benefits - These benefits are assumed by FRS and the difference is assumed by the City of Houma.

f) Employer Contributions

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

Annual Pension Cost - There was no required contribution for the current year as part of December 11, 1995 actuarial valuation.

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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, 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.

The majority of investments consist of Bank Certificates of Deposit, Federal National Mortgage Association Certificates, Federal Home Loan Mortgage Corporation Certificates and United States Treasury Notes that may have a return of principal due each year.

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 \$51,771 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 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	\$ -	\$166,010	\$266,010
Certificates of deposit	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Totals	<u>\$400,000</u>	<u>\$ -</u>	<u>\$166,010</u>	<u>\$566,010</u>

Note 3 - CASH AND INVESTMENTS (Continued)

Bank Deposits: (Continued)

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 Pension Fund. 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.

Investments:

According to Louisiana Revised Statute 11:3228, the Board of Trustees may at any time, after considering the probable current demands upon such fund, determine what portion of said fund may be safely withdrawn from the current cash account for investment for revenue purposes, and having so determined, invest the same in the manner hereinafter authorized, and all proceedings of the Board of Trustees relating thereto shall be entered upon its records. Investment shall be made with exercise of that judgment and care under circumstances then prevailing which men of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. In no case shall more than twenty percent of the total investments of the system assets consist of any stock, including common or preferred, or corporate shares of any kind. All income from such investments shall be and become a part of said Pension Fund. All such securities or instruments of investment shall be deposited with the secretary-treasurer of the Board of Trustees and the receipt therefor filed in the record books.

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.

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Financial Report
Firemen's 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 ~~JUL 7 6 1997~~

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Note 5 - REQUIRED SUPPLEMENTARY INFORMATION

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

STATEMENT OF CHANGES IN PLAN NET ASSETS**Firemen's Pension and Relief Fund**

For the years ended December 31, 1996

Additions

Investment income:

Net depreciation in fair value of investments	\$ (73,428)
Interest	<u>136,251</u>

Total additions	<u>62,823</u>
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Deductions

Benefits paid	34,927
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Administrative expenses:

DROP Plan expense	12,735
Other	<u>4,398</u>

Total deductions	<u>52,060</u>
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Net Increase	10,763
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Net Assets Held in Trust for Pension Benefits

Beginning of year	1,561,895
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Prior period adjustment (Note 2e)	<u>51,771</u>
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End of year	<u><u>\$ 1,624,429</u></u>
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See notes to financial statements.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



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
Firemen's Pension and Relief Fund,
City of Houma, Louisiana.

We have audited the general purpose financial statements of Firemen's 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.

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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, La.,
April 24, 1997.



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
Firemen's Pension and Relief Fund,
City of Houma, Louisiana.

We have audited the general purpose financial statements of the Firemen's 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, LLC

Certified Public Accountants.

Houma, La.,
April 24, 1997.

16

COMMUNICATIONS LETTER



Bourgeois Bennett

COMMUNICATIONS WITH BOARD OF TRUSTEES

To the Board of Trustees,
Firemen's Pension & Relief Fund,
City of Houma, Louisiana.

In fulfilling our responsibility as Firemen's 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 1 to the general purpose financial statements. In November 1994, GASB issued Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans.

3) SIGNIFICANT AUDIT ADJUSTMENTS

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

This information is intended solely for the use of the Board of Trustees, management of Firemen'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.

Note 3 - CASH AND INVESTMENTS (Continued)

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	\$ 93,824	\$ -	\$ -	\$ 93,824
Federal Home Loan Mortgage Corporation (FHLMC) Certificates	1,146,973	-	-	1,146,973
U.S. Treasury Notes	<u>196,268</u>	<u>-</u>	<u>-</u>	<u>196,268</u>
Total investments	<u>\$1,437,065</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,437,065</u>

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	\$ 566,010
Market amount of investments	<u>1,437,065</u>
Total	<u>\$2,003,075</u>
Cash	\$ 266,010
Investments	<u>1,737,065</u>
Total	<u>\$2,003,075</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.



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Firemen's Pension and Relief Fund,
City of Houma, Louisiana.

We have audited the accompanying general purpose financial statements of the Firemen's 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.

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.

1

TABLE OF CONTENTS

Firemen's 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	2
2 - Statement of Changes in Plan Net Assets	3
3 - Notes to Financial Statements	4

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

STATEMENT OF PLAN NET ASSETS**Firemen's Pension and Relief Fund**

December 31, 1996

Assets	
Cash	\$ 266,010
Investments, at fair value	1,737,065
Receivables - accrued interest	<u>17,705</u>
Total assets	<u>2,020,780</u>
Liabilities	
DROP Plan Payable	394,627
Accounts payable and accrued expenditures	<u>1,724</u>
Total liabilities	<u>396,351</u>
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 1,624,429</u></u>

See notes to financial statements.

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

c) Plan Membership

At December 31, 1996, employee membership consisted of:

Retirees and beneficiaries currently receiving benefits	3
Current active members	<u>19</u>
Total employee members	<u><u>22</u></u>

d) Eligibility Requirements

Regular retirement - The merged active members shall not be eligible to receive a benefit from the Firefighters' Retirement System until one year after the date of the merger. The Terrebonne Parish Consolidated Government (the Parish) shall be obligated to pay any retirement benefit to an active member who is merged and who is eligible to retire and does retire, until one year after the date of the merger. The Firefighter's Retirement System shall be obligated to pay the retirement benefit of the merged member commencing on the date of one year after the date of the merger.

DROP participation - The merged active members will not be eligible to participate in the DROP until one year after the effective date of the merger. The Parish shall be responsible for payment of DROP account balances accrued in the Pension Fund and any balances accrued by members merged into the Firefighters' Retirement System while participating in the DROP. Current DROP participants may retire upon completion of their DROP participation; however, should they continue in employment, they cannot retire until one year after the effective date of the merger. Former DROP participants may not participate in the DROP for an additional period. Merged active members who are former DROP participants will have their benefit computed at the Firefighters' Retirement System benefit structure based upon the post-DROP accruals. The Pre-DROP benefits (including the 50% survivor benefit) will be frozen and not re-computed by the Firefighters' Retirement System.

e) Plan Benefits

Pension Benefits - Effective August 1, 1995, members retiring after twenty years will receive 66 2/3% of the greater of (a) the member's highest consecutive thirty-six months of compensation, or (b) the total monthly compensation of someone in the position held by the member at the time of retirement. An additional 3% is due for each year of service in excess of twenty years, up to a total benefit of 96 2/3% of such compensation.