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*Financial Report*  
*Firemen's Pension and Relief Fund*  
*City of Houma, Louisiana*  
*December 31, 1998*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 7-21-99

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December 31, 1998

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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 (the Parish), as of and for the year ended December 31, 1998, 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Firemen's Pension and Relief Fund as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 1999 on our consideration of the Firemen's Pension and Relief Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants

Houma, La.,  
May 12, 1999.

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

December 31, 1998

<b>Assets</b>	
Cash	\$ 144,721
Investments, at fair value	<u>1,853,285</u>
Total assets	<u>1,998,006</u>
<b>Liabilities</b>	
DRIP plan payable	190,083
Accounts payable and accrued expenses	<u>590</u>
Total liabilities	<u>190,673</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b><u>\$ 1,807,333</u></b>

See notes to financial statements.

STATEMENT OF CHANGES IN PLAN NET ASSETS

## Firemen's Pension and Relief Fund

For the year ended December 31, 1998

**Additions**

Contributions - Terrebonne Parish Consolidated Government	<u>\$ 35,995</u>
Investment income:	
Net appreciation in fair value of investments	(1,717)
Interest	<u>194,120</u>
Total investment income:	<u>192,403</u>
Total additions	<u>167,598</u>

**Deductions**

Benefits paid	929,684
Administrative expenses:	
Professional	1,400
Other	<u>118</u>
Total deductions	<u>1,041,202</u>

Net increase	56,796
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**Net Assets Held in Trust for Pension Benefits**

Beginning of year	<u>1,750,517</u>
End of year	<u>\$ 1,807,313</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

## Firemen's Pension and Relief Fund

December 31, 1998

## 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 118 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, 1996. 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 reelected and who shall be elected by the active fire department personnel by election.

## c) Plan Membership

At December 31, 1998, employee membership consisted of:

Retirees and beneficiaries currently receiving benefits	16
Current active members	12
Total employee members	28

**Item 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

**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 accounts. The Pre-DROP benefits (including the 50% survivor benefit) will be frozen and not computed by the Firefighters' Retirement System.

**e) Plan Benefits**

**Pension Benefits** - Effective August 1, 1993, 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.

At age 50, the Firefighters' Retirement System insures 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.

**Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

**d) 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 the actuarial accrued liability is equal to the actuarial value of assets, therefore there is no unfunded actuarial accrued liability. It was determined that there was an unfunded present value of contingent benefits in excess of assets in the amount of \$171,818 based on the December 31, 1996 actuarial valuation.

**Annual Pension Cost** - There was a required contribution in the amount of \$35,595 for the current year as part of the December 31, 1996 actuarial valuation. The amortization information was not made available by the actuary, but the amount is considered to be immaterial.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Pension Fund conforms to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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, 1998.

The Pension Fund has reviewed all of its activities and determined that there are no potential component units which should be included in its 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 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) Use of Estimates**

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

**e) Method Used to Value Investments**

Investments are reported at fair value except for the Louisiana Asset Management Pool (LAMF). Short-term investments are reported at market value when published prices are available, or at cost, which approximates fair value. Investments during the year consisted of Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, U.S. Treasury Bills, Certificates of deposit and LAMF. LAMF is an external pool which is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met.

**Note 3 - DEPOSITS AND INVESTMENTS**

**Bank Deposits:**

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

**Note 3 - DEPOSITS AND INVESTMENTS (Continued)**

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.

The year end bank balance of deposits and the carrying amounts are as follows:

	Bank Balances			Bank Balance
	Category			
	1	2	3	
Cash	\$100,000	\$-	\$44,721	\$144,721

At December 31, 1998, cash in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the District. 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 39:1228 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

**Note 3 – DEPOSITS AND INVESTMENTS (Continued)**

**Investments: (Continued)**

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.

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

	Risk Category			Carrying Amount (Fair Value)
	1	2	3	
Investments subject to categorization:				
Federal National Mortgage Association (FNMA) Notes	\$ 31,496	\$ -	\$ -	\$ 31,496
Federal Home Loan Mortgage Corporation (FHLMC) Notes	1,084,827	—	—	1,084,827
Totals	<u>\$1,116,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,116,323</u>
Investments not subject to categorization:				
Louisiana Asset Management Pool (LAMF)				\$ 727,762
Total Investments				<u>\$1,844,085</u>

**Note 3 - DEPOSITS AND INVESTMENTS (Continued)**

Investments in the Louisiana Asset Management Pool are not categorized as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

The FNMA and FHLMC Notes are not guaranteed as to principal and interest by the full faith and credit of the United States. The FNMA and FHLMC Notes are held in trust by a third-party bank in the Pension Fund'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 Statement No. 25, required supplementary information can be found in the attached schedules.

**Note 6 - SUBSEQUENT EVENT**

In May 1999 the Pension Fund received the December 31, 1998 actuarial valuation, which resulted in an increase in the unfunded liability amount of \$140,800 for a total unfunded liability of \$312,638. Furthermore the required contribution increased to \$66,288 and the Pension Fund anticipates funding at the required level in future years.

## **SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS****Firemen's Pension and Relief Fund**

December 31, 1998

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.

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
1997	\$36,820	\$36,820	100%
1998	\$35,385	\$35,385	100%

**ACTUARIAL METHODS AND ASSUMPTIONS****Firemen's Pension and Relief Fund**

December 31, 1998

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, 1998.
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 8.1% (age 25) per year compounded annually.
Cost-of-living adjustments	Adjusted for projected increases in the standard of living.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**





Bourgeois Bennett

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

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

We have audited the general-purpose financial statements of the Fireman'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, 1998, and have issued our report thereon dated May 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Pension Fund's general-purpose 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 Pension Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose 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 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 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 and is not intended to be and should not be used by anyone other than these specified parties.

*Bourgeois Bennett, LLC*

Certified Public Accountants

Houma, La.,  
May 12, 1999.

## SCHEDULE OF FINDINGS

### **Firemen's Pension and Relief Fund**

For the year ended December 31, 1998

#### **Section I Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                    \_\_\_ yes      X   no
- Reportable condition(s) identified that are not  
  considered to be material weaknesses?            \_\_\_ yes      X   none reported
  
- Noncompliance material to financial statements noted?    \_\_\_ yes      X   no

##### **b) Federal Awards**

Firemen's Pension and Relief Fund did not receive federal awards during the year ended December 31, 1998.

#### **Section II Financial Statement Findings**

No financial statement findings were noted during the audit for the year ended December 31, 1998.

#### **Section III Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS**

### **Firemen's Pension and Relief Fund**

For the year ended December 31, 1997

#### **Section II Internal Control and Compliance Material to the General-Purpose Financial Statements**

##### **Internal Control**

No material weaknesses were noted during the audit for the year ended December 31, 1997.

No reportable conditions were reported during the audit for the year ended December 31, 1997.

##### **Compliance**

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended December 31, 1997.

#### **Section III Internal Control and Compliance Material to Federal Awards**

Firemen's Pension and Relief Fund did not receive federal awards during the year ended December 31, 1997.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 1997.

## MANAGEMENT'S CORRECTIVE ACTION PLAN

### **Firemen's Pension and Relief Fund**

For the year ended December 31, 1998

#### **Section I Internal Control and Compliance Material to the General-Purpose Financial Statements**

##### **Internal Control**

No material weaknesses were noted during the audit for the year ended December 31, 1998.

No reportable conditions were reported during the audit for the year ended December 31, 1998.

##### **Compliance**

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended December 31, 1998.

#### **Section II Internal Control and Compliance Material to Federal Awards**

Firemen's Pension and Relief Fund did not receive federal awards during the year ended December 31, 1998.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 1998.