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*Financial Report*  
*Police 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 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 6-27-99

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December 31, 1998

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Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
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 (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. Those 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 Police 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 Police 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, LLC.*

Certified Public Accountants

Houma, La.,  
May 12, 1999.

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

December 31, 1998

<b>Assets</b>	
Cash	\$ 32,050
Investments, at fair value	<u>1,162,778</u>
Total assets	<u>1,194,828</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	<u>10</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b><u>\$ 1,194,821</u></b>

See notes to financial statements.

**STATEMENT OF CHANGES IN PLAN NET ASSETS**

**Police Pension and Relief Fund**

For the year ended December 31, 1998

**Additions**

Contributions - Trempealeau Parish Consolidated Government	<u>\$ 34,101</u>
Investment income:	
Net appreciation in fair value of investments	5,537
Interest	<u>66,516</u>
Total investment income	<u>72,053</u>
Total additions	<u>106,154</u>

**Deductions**

Benefits paid	90,745
Administrative expenses:	
Professional	1,200
Other	<u>146</u>
Total deductions	<u>\$2,091</u>

**Net Increase** 54,063

**Net Assets Held in Trust for Pension Benefits**

Beginning of year	<u>1,340,758</u>
End of year	<u>\$ 1,394,821</u>

See notes to financial statements.

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

December 31, 1998

**Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

The following brief description of the City of Houma's 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 (5/2/80). 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 (\$3,016,370) to MPERS in connection with the merger. During 1987, based on revised actuarial information, \$856,898 was transferred back to the Plan from the Police Pension Debt Service Fund.

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

**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.

**c) Plan Membership**

At December 31, 1998, employee membership consisted of:

Retirees and beneficiaries currently receiving benefits	3
Current active members	15
Total employee members	<u>18</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.

**e) Employer Contributions**

**Funding Policy** - The Parish contributions are established biennially by an actuary in the valuation report for the Pension 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 \$212,416 based on the December 31, 1996 actuarial valuation.

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

**c) Employee Contributions (Continued)**

**Annual Pension Cost** - The annual required contribution for the current year was determined to be \$34,381 as part of the December 31, 1996 actuarial valuation using the Aggregate Actuarial Cost Method. The actuarial assumptions included 6.00% 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 policies of the Pension Fund conform 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, 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 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.

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.



**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 (LAMP). 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 Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Tennessee Valley Authority Bonds, U.S. Treasury Bills, certificates of deposit and LAMP. LAMP is an external pool which is operated in a manner consistent with the SEC's Rule 2a3 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 or all times. Acceptable collateralization includes FICM insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision, or with an unaffiliated bank or trust company for the account of the political subdivision.

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

Category 1 includes deposits covered by Federal depositary insurance or by collateral held by the Pension Fund or its agent in the Pension Fund's name.

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

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 balances of deposits and the carrying amounts are as follows:

	Category			Book Balance
	1	2	3	
Cash	\$32,056	\$-	\$-	\$32,056

At December 31, 1998, cash was not in excess of the FDIC insurance.

**Investments:**

According to Louisiana Revised Statute 11:3009, the Board may invest the permanent fund or any portion thereof in the name of the "Board of Trustees of the Public 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.

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

At year end the carrying amount (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	\$ 17,282	\$ -	\$ -	\$ 17,282
Federal Home Loan Mortgage Corporation (FHLMC) Notes	144,374	-	-	144,374
Tennessee Valley Authority Bonds (TVA)	<u>152,400</u>	<u>-</u>	<u>-</u>	<u>152,400</u>
Totals	<u>\$314,056</u>	<u>\$-</u>	<u>\$-</u>	\$ 314,056
Investments not subject to categorization:				
Louisiana Asset Management Pool (LAMP)				<u>848,728</u>
Total investments				<u>\$1,162,728</u>

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 third-party banks 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 a decrease in the unfunded liability amount of \$49,858 for a total unfunded liability of \$162,558. Furthermore the required contribution decreased to \$33,082 and the Pension Fund anticipates funding at the required level in future years.

**REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS**Police Pension and Relief Fund**

December 31, 1998

<u>Year Ended</u> <u>December 31</u>	<u>Annual Required</u> <u>Contributions</u>	<u>Actual</u> <u>Contributions</u>	<u>Percentage</u> <u>Contributed</u>
1993	\$34,263	\$51,176	149%
1994	\$34,263	\$34,263	100%
1995	\$38,895	\$34,263	88%
1996	\$38,895	\$38,895	100%
1997	\$35,109	\$35,109	100%
1998	\$34,191	\$34,191	100%

**ACTUARIAL METHODS AND ASSUMPTIONS****Police 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 measure 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 35) 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,  
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, 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 these 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

on more of the internal control components does not reduce to a relatively low level the risk that misstatements in accounts 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

Monroe, La.,  
May 12, 1999.

## SCHEDULE OF FINDINGS

### **Police 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**

The Police 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.

## SCHEDULE OF PRIOR YEAR FINDINGS

### **Police Pension and Relief Fund**

For the year ended December 31, 1997

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

The Police 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.

## **REPORTS BY MANAGEMENT**

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **Police 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**

The Police 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.