

*Financial Report*  
*Police Pension and Relief Fund*  
*City of Houma, Louisiana*  
*December 31, 2004*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/22/05

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December 31, 2004

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**FINANCIAL SECTION**



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 basic financial statements of the Police Pension and Relief Fund (the Pension Fund), a component unit of Terrebonne Parish Consolidated Government (the Parish), as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Pension Fund's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 basic 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, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplemental information. However, we did not audit the information and express no opinion on it.

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In accordance with Government Auditing Standards, we have also issued our report dated April 13, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Bouges & Bennett, L.L.C.*  
Certified Public Accountants.

Houma, Louisiana,  
April 13, 2005.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The Management's Discussion and Analysis of the Police Pension and Relief Fund (the Pension Fund) financial performance presents a narrative overview and analysis of the Pension Fund's financial activities for the year ended December 31, 2004. This document focuses on the current year's activities, resulting changes and currently known facts. Please read this document in conjunction with basic financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

The Pension Fund's assets exceeded its liabilities at the close of fiscal year 2004 by \$807,839 (net assets), which represents an 11.82% decrease from last fiscal year. The Pension Fund's investments consist of investments in the Louisiana Asset Management Pool (LAMP).

Additions to the Pension Fund decreased \$2,695 (or 2.42%) primarily due to the decrease in the contribution received from the Terrebonne Parish Consolidated Government.

Deductions from the Pension Fund increased \$21,422 (or 10.95%) primarily due to an increase in benefits paid.

The Pension Fund did not have a deficit fund balance.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Pension Fund's basic financial statements. The Pension Fund's annual report consists of four components: (1) management's discussion and analysis (this section) (2) basic financial statements (3) a required supplementary section which presents information required by the Governmental Accounting Standards Board and (4) various governmental compliance reports and schedules by certified public accountants and management.

Because of the long-term nature of a defined pension plan, financial statements do not provide sufficient information to reflect the plan's position. The financial statements consist of two financial exhibits and are accompanied by two required schedules of employer contributions and actuarial methods and assumptions. The Statement of Plan Net Assets and Statement of Changes in Plan Net Assets provide information about the activities of the plan as a whole. The Pension Fund was established for members of the City of Houma Police Department in 1951 and was merged in 1983 with the Municipal Police Employees Retirement System (MPERS) of the State of Louisiana and has been closed to new participants since October 1, 1983. The Pension Fund is used to provide retirement benefits to policemen not meeting the eligibility requirements of MPERS, for those policemen who retired prior to the first anniversary of the merger date and benefits to be paid in excess of those provided by MPERS.

The Schedule of Employer Contributions on page 14 presents historical trend information about the annual required contributions of the employer and the contributions made by the employer in relation to the required contributions. This schedule provides information that contributes to understanding the changes over time in the funded status of the Plan.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provide in the basic financial statements. The notes to the financial statements can be found in Exhibit C of this report.

### FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Pension Fund's financial position. As of December 31, 2004, assets exceeded liabilities by \$807,839.

#### Condensed Statements of Plan Net Assets

	December 31,		Dollar Change
	2004	2003	
Cash	\$ 23,494	\$ 7,001	\$ 16,493
Investments	784,345	909,134	(124,789)
Net Assets Held in Trust for Pension Benefits	<u>\$ 807,839</u>	<u>\$ 916,135</u>	<u>\$ (108,296)</u>

## Plan Activities

Plan activities decreased the Pension Fund's net assets by \$108,296. Key elements of this decrease are as follows:

### Condensed Changes in Net Assets

	December 31,		Dollar Change	Total Percent Change
	2004	2003		
<b>Additions:</b>				
Contributions	\$ 98,623	\$ 101,539	\$ (2,916)	-2.87%
Investment income	10,210	9,989	221	2.21%
Total additions	<u>108,833</u>	<u>111,528</u>	<u>(2,695)</u>	-2.42%
<b>Deductions:</b>				
Benefits paid	214,907	190,068	24,839	13.07%
Administrative expenses	<u>2,222</u>	<u>5,639</u>	<u>(3,417)</u>	-60.60%
Total deductions	<u>217,129</u>	<u>195,707</u>	<u>21,422</u>	10.95%
Decrease in net assets	(108,296)	(84,179)	(24,117)	28.65%
Net assets beginning of year	916,135	1,000,314	(84,179)	-8.42%
Net assets end of year	<u>\$ 807,839</u>	<u>\$ 916,135</u>	<u>\$ (108,296)</u>	-11.82%

Based on the actuarial valuation as of December 31, 2004, the contributions have decreased by 2.87%. The decrease in actuarially determined contributions is due to a decrease in the number of current active members. The benefits paid is based on the number of retirees receiving benefits. In the prior year there were 8 retirees receiving benefits while in the current year there were 9 retirees.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Pension Fund's finances for all those with an interest in the Pension Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Trustees of the Police Pension Retirement Fund, P.O. Box 6097, Houma, Louisiana 70361.

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

December 31, 2004

<b>Assets</b>	
Cash	\$ 23,494
Investments, at fair value	<u>784,345</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u>\$ 807,839</u>

See notes to financial statements.

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

For the year ended December 31, 2004

**Additions**

Contributions - Terrebonne Parish Consolidated Government	\$ 98,623
Investment income - interest	<u>10,210</u>
Total additions	<u>108,833</u>

**Deductions**

Benefits paid	214,907
Administrative expenses:	
Professional	2,200
Other	<u>22</u>
Total deductions	<u>217,129</u>

<b>Net Decrease</b>	<b>(108,296)</b>
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**Net Assets Held in Trust for Pension Benefits**

Beginning of year	<u>916,135</u>
End of year	<u><u>\$ 807,839</u></u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Police Pension and Relief Fund**

December 31, 2004

**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 (5/27/80). 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.

**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 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.

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

c) Plan Membership

At December 31, 2004, employee membership consisted of:

Retirees and beneficiaries currently receiving benefits	9
Current active members	<u>4</u>
Total employee members	<u>13</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 \$300,607 based on the December 31, 2004 actuarial valuation. Administrative costs are financed through investment earnings.

**Annual Pension Cost** - The Parish contributed the annual required contribution for the year ended December 31, 2004. The annual required contribution for next year was determined to range from \$69,487 to \$73,656 as part of the December 31, 2004 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 was \$13,300 at December 31, 2004. 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 accounting principles generally accepted in the United States of America (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, 2004.

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.

**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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

**e) Method Used to Value Investments**

Investments in the Louisiana Asset Management Pool (LAMP) are short-term investments which are reported at market value when published prices are available, or at cost, which approximates fair value. Investments during the year consisted of LAMP. LAMP 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 subdivision, or with an unaffiliated bank or trust company for the account of the political subdivision.

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.

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

The year end balances of deposits are as follows:

	Bank Balances			Reported <u>Amount</u>
	Risk Category			
	1	2	3	
Cash	<u>\$23,494</u>	<u>\$-</u>	<u>\$-</u>	<u>\$23,494</u>

At December 31, 2004, cash did not exceed the FDIC insurance.

**Investments:**

Investments held at December 31, 2004 consist of \$784,345 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at December 31, 2004 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

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

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**Note 4 - REQUIRED SUPPLEMENTARY INFORMATION**

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

**Note 5 - COMPENSATION OF BOARD MEMBERS**

Members of the Pension Fund Board serve without compensation.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

December 31, 2004

<u>Year Ended December 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
1996	\$38,895	\$38,895	100%
1997	\$35,109	\$35,109	100%
1998	\$34,101	\$34,101	100%
1999	\$33,082	\$34,101	103%
2000	\$35,067	\$35,067	100%
2001	\$173,410	\$173,410	100%
2002	\$173,410	\$173,410	100%
2003	\$101,539	\$101,539	100%
2004	\$98,623	\$98,623	100%

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

December 31, 2004

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, 2004.
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 are based on a table in the actuarial report which is used in similar systems. Rates of disability are 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.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTTTERS BASED ON AN  
AUDIT OF 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 basic financial statements of the Police Pension and Relief Fund (the Pension Fund), a component unit of Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2004, and have issued our report thereon dated April 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**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 financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pension Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported 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 and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
April 13, 2005.

**SCHEDULE OF FINDINGS AND RESPONSES**

**Police Pension and Relief Fund**

For the year ended December 31, 2004

**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         no
- Reportable condition(s) identified that are not  
  considered to be material weaknesses?             yes         none reported

Noncompliance material to financial statements noted?     yes         no

b) Federal Awards

The Police Pension and Relief Fund did not receive federal awards during the year ended December 31, 2004.

**Section II Financial Statement Findings**

No financial statement findings were noted during the audit for the year ended December 31, 2004.

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

Not applicable.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

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

For the year ended December 31, 2004

#### **Section I Internal Control and Compliance Material to the Basic Financial Statements**

##### **Internal Control**

No material weaknesses were noted during the audit for the year ended December 31, 2003.

No reportable conditions were reported during the audit for the year ended December 31, 2003.

##### **Compliance**

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2003.

#### **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, 2003.

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

A management letter was not issued in connection with the audit for the year ended December 31, 2003.

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

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

For the year ended December 31, 2004

#### **Section I Internal Control and Compliance Material to the Basic Financial Statements**

##### **Internal Control**

No material weaknesses were noted during the audit for the year ended December 31, 2004.

No reportable conditions were reported during the audit for the year ended December 31, 2004.

##### **Compliance**

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2004.

#### **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, 2004.

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

A management letter was not issued in connection with the audit for the year ended December 31, 2004.