

*Financial Report*

*Police Pension and Relief Fund*

*City of Houma, Louisiana*

*December 31, 2001*

# TABLE OF CONTENTS

## Police Pension and Relief Fund

December 31, 2001

	<u>Exhibits</u>	<u>Page Number</u>
<b>Introductory Section</b>		
Title Page		i
Table of Contents		ii - iii
<b>Financial Section</b>		
Independent Auditor's Report		1 - 2
Statement of Plan Net Assets	A	3
Statement of Changes in Plan Net Assets	B	4
Notes to Financial Statements	C	5 - 11
	<u>Schedules</u>	
<b>Required Supplementary Information Section</b>		
Schedule of Employer Contributions	1	12
Actuarial Methods and Assumptions	2	13
<b>Supplementary Information Section</b>		
Independent Auditor's Report on Additional Information		14
Schedule of Additions and Deductions for the Years Ended December 31, 2001, 2000 and 1999	3	15
Graph of Additions for the Years Ended December 31, 2001, 2000 and 1999	4	16
Graph of Deductions for the Years Ended December 31, 2001, 2000 and 1999	5	17

**TABLE OF CONTENTS**  
**(Continued)**

	<u>Schedules</u>	<u>Page Number</u>
<b>Special Reports Of Certified Public Accountants</b>		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General-Purpose Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		18 - 19
Schedule of Findings		20
<b>Reports By Management</b>		
Schedule of Prior Year Findings		21
Management's Corrective Action Plan		22

**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 general-purpose 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, 2001, 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 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 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, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2002 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, La.,  
March 22, 2002.

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

December 31, 2001

**Assets**

Cash	\$ 33,803
Investments, at fair value	<u>979,068</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b><u>\$ 1,012,871</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, 2001

**Additions**

Contributions - Terrebonne Parish Consolidated Government	<u>\$ 173,410</u>
Investment income:	
Net appreciation in fair value of investments	6,046
Interest	<u>48,672</u>
Total investment income	<u>54,718</u>
Total additions	<u>228,128</u>

**Deductions**

Benefits paid	231,728
Administrative expenses:	
Professional	5,466
Other	<u>10</u>
Total deductions	<u>237,204</u>

<b>Net Decrease</b>	<b>(9,076)</b>
---------------------	----------------

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

Beginning of year	<u>1,021,947</u>
End of year	<u>\$ 1,012,871</u>

See notes to financial statements.

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

December 31, 2001

**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, 2001, employee membership consisted of:

Retirees and beneficiaries currently receiving benefits	11
Current active members	<u>7</u>
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 \$779,300 based on the December 31, 2000 actuarial valuation. Administrative costs are financed through investment earnings.

**Annual Pension Cost** - The annual required contribution for the current year was determined to range from \$173,410 to \$183,815 as part of the December 31, 2000 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 for 2001. 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 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, 2001.

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

### 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 and 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.

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.

Note 3 - DEPOSITS AND INVESTMENTS (Continued)

The year end bank balance of deposits are as follows:

	Bank Balances			Reported Amount
	Risk Category			
	1	2	3	
Cash	<u>\$33,803</u>	<u>\$-</u>	<u>\$-</u>	<u>\$33,803</u>

At December 31, 2001, cash was not in excess of the FDIC insurance.

**Investments:**

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

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

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

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

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

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

At year end the carrying amount (fair value) of investments are as follows:

	Fair Value			Reported Amount
	Risk Category			
	1	2	3	
Investments subject to categorization:				
Federal National Mortgage Association (FNMA) Notes	\$ 2,728	\$ -	\$ -	\$ 2,728
Federal Home Loan Mortgage Corporation (FHLMC) Notes	<u>93,338</u>	-	-	<u>93,338</u>
Totals	<u>\$96,066</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 96,066
Investments not subject to categorization:				
Louisiana Asset Management Pool (LAMP)				<u>883,002</u>
Total investments				<u>\$979,068</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.

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. 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. 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. 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.

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

The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. Accordingly, the fair value of the Pension Fund's portion in LAMP is the same as the value of LAMP shares. For purpose of determining participants' shares, investments are valued at amortized cost, which approximates fair value. Accordingly, the fair value of the Fund's position in LAMP is the same as the value of LAMP share. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

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 - 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, 2001

<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>
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%

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

December 31, 2001

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, 2000.
Actuarial cost method	Aggregate Actuarial Cost Method, level % of pay.
Amortization method	This method does not identify or separately amortize unfunded actuarial liabilities.
Asset valuation method	Market value.
Actuarial assumptions:	
Investment rate of return	6% per year compounded annually.
Mortality	Based on the 1983 Group Annuity Mortality Table for Males and Females.
Termination, disability and retirement	Rates of withdrawal and termination from active service before retirement for reasons other than death (based on a table in the actuarial report which is used in similar systems) and rates of disability (based on the Eleventh Actuarial Valuation of the Railroad Retirement System).
Salary increases	Vary according to age ranging from 3% (age 55) to 6.1% (age 25) per year compounded annually.
Cost-of-living adjustments	Adjusted for projected increases in the standard of living.

**SUPPLEMENTARY INFORMATION SECTION**



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

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

Our report on our audit of the general-purpose financial statements of the Police Pension and Relief Fund (the Pension Fund) for the year ended December 31, 2001, appears on page 1. That audit was conducted for the purpose of forming an opinion on such financial statements taken as a whole. The information contained in the schedule of additions and deductions and graphs of additions and deductions for the year ended December 31, 2001 is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements for the year ended December 31, 2001, taken as a whole.

We also have previously audited, 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, the statements of net assets of the Police Pension and Relief Fund as of December 31, 2000 and 1999, and the related statements of changes in plan net assets for each of the two years in the period ended December 31, 2000 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the information presented in the schedule of additions and deductions and graphs of additions and deductions for the years ended December 31, 2000 and 1999 is fairly stated in all material respects in relation to the general-purpose financial statements from which it has been derived.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, La.,  
March 22, 2002.

**SCHEDULE OF ADDITIONS AND DEDUCTIONS****Police Pension and Relief Fund**

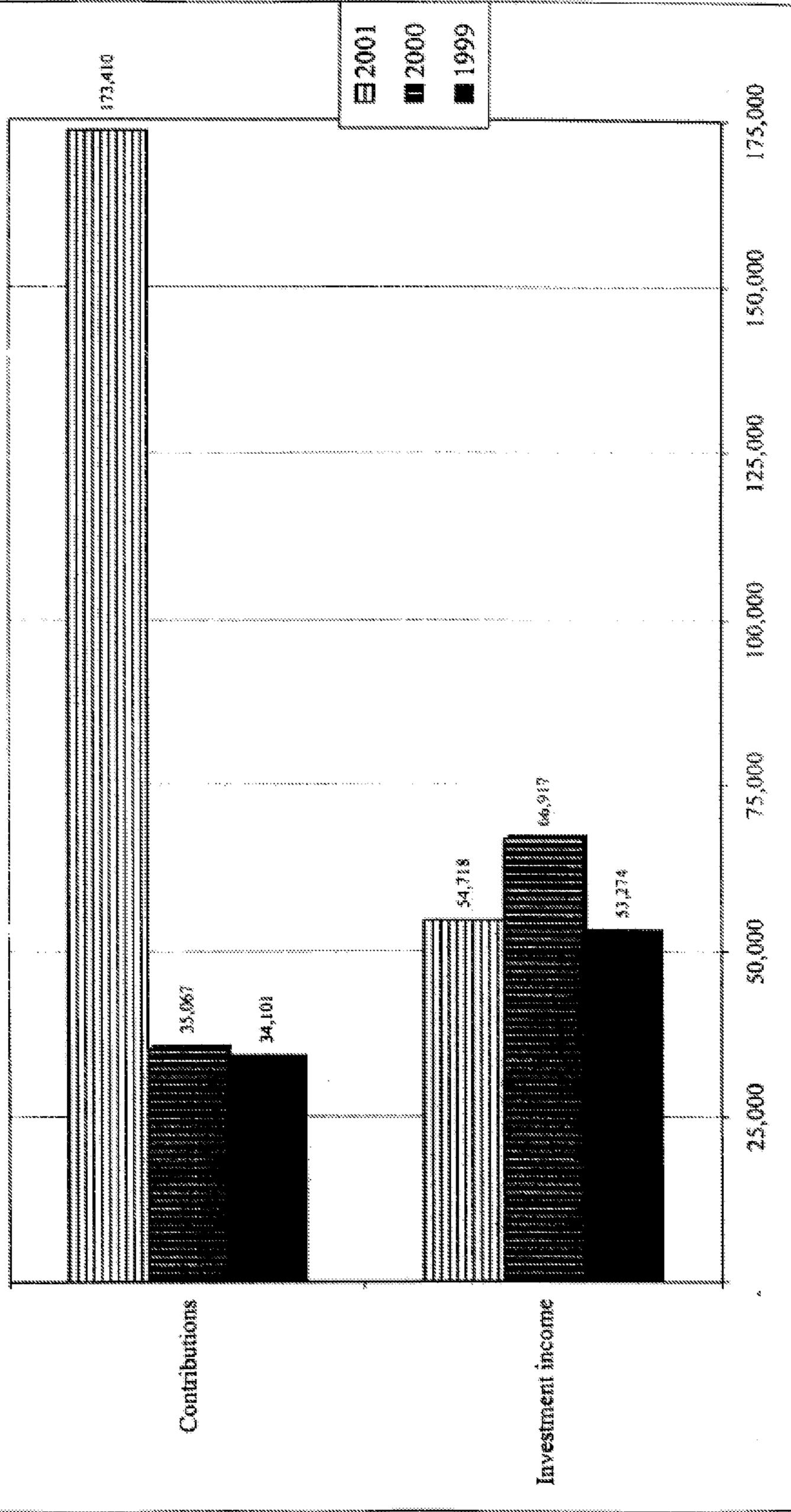
For the years ended December 31, 2001, 2000, and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>ADDITIONS</b>			
Contributions	\$ 173,410	\$ 35,067	\$ 34,101
Investment income	<u>54,718</u>	<u>66,917</u>	<u>53,274</u>
Total additions	<u>\$ 228,128</u>	<u>\$ 101,984</u>	<u>\$ 87,375</u>
<b>DEDUCTIONS</b>			
Benefits paid	\$ 231,728	\$ 217,964	\$ 139,427
Professional	5,466	1,800	2,590
Other	<u>10</u>	<u>90</u>	<u>362</u>
Total deductions	<u>\$ 237,204</u>	<u>\$ 219,854</u>	<u>\$ 142,379</u>

**ADDITIONS**

**Police Pension and Relief Fund**

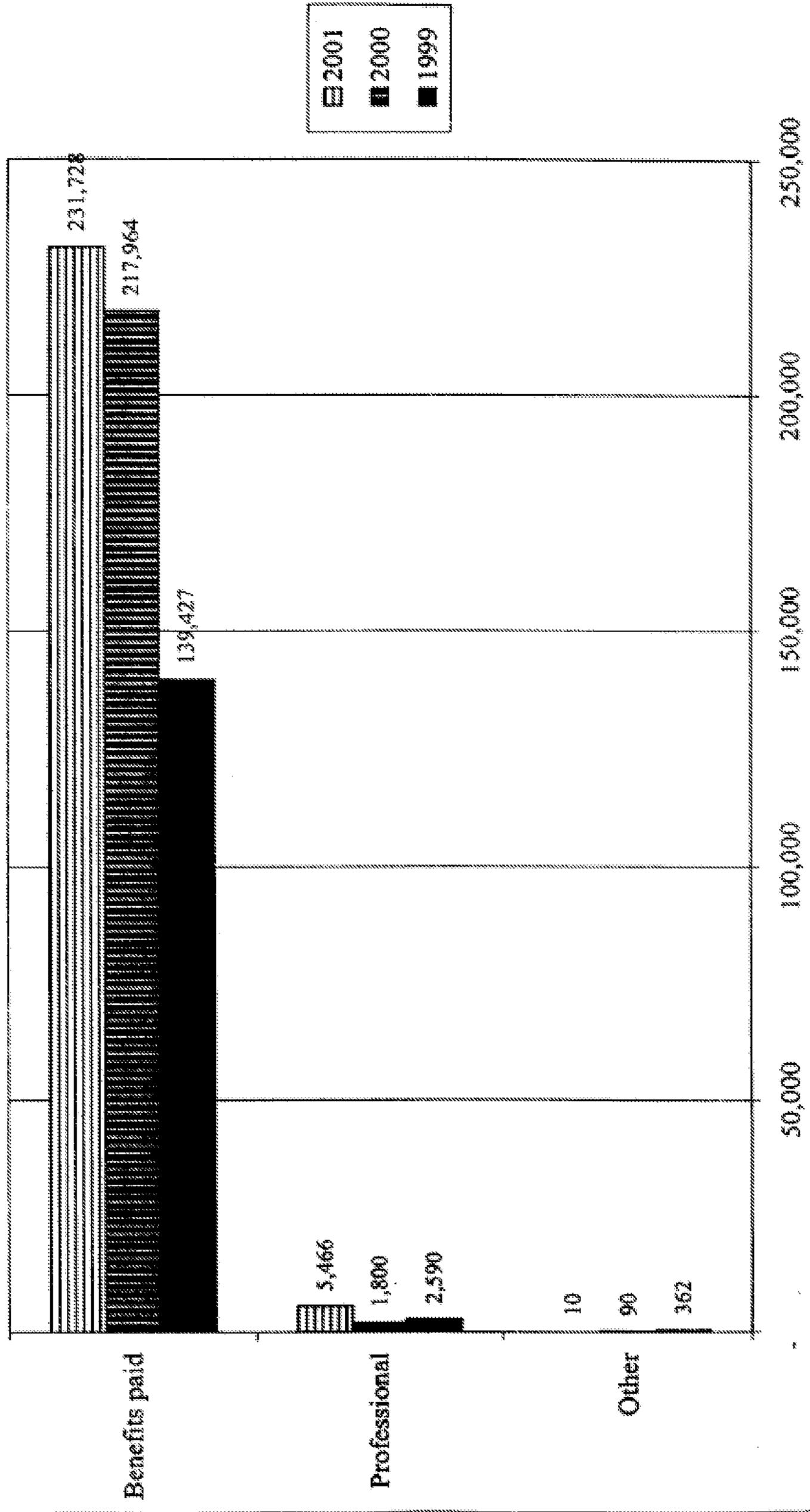
For the years ended December 31, 2001, 2000 and 1999



**DEDUCTIONS**

**Police Pension and Relief Fund**

For the years ended December 31, 2001, 2000 and 1999



**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 Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2001, and have issued our report thereon dated March 22, 2002. 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.

**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, L.L.C.*

Certified Public Accountants.

Houma, La.,  
March 22, 2002.



REPORTS BY MANAGEMENT

## SCHEDULE OF PRIOR YEAR FINDINGS

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

For the year ended December 31, 2001

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

##### **Internal Control**

No material weaknesses were reported during the audit for the year ended December 31, 2000.  
No reportable conditions were reported during the audit for the year ended December 31, 2000.

##### **Compliance**

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended December 31, 2000.

#### **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, 2000.

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

A management letter was not issued in connection with the audit for the year ended December 31, 2000.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Police Pension and Relief Fund**

For the year ended December 31, 2001

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

**Internal Control**

No material weaknesses were reported during the audit for the year ended December 31, 2001.  
No reportable conditions were reported during the audit for the year ended December 31, 2001.

**Compliance**

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended December 31, 2001.

**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, 2001.

**Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2001.