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POLICE PENSION FUND

FINANCIAL STATEMENTS

TOGETHER WITH AN

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 1995

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 8-21-96

POLICE PENSION FUND

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council of the
City of New Orleans, Louisiana

We have audited the accompanying balance sheet of the Police Pension Fund of the City of New Orleans (a component unit of the City of New Orleans) Defined Benefit Plan (the Plan) as of December 31, 1995, and the related statement of revenue, expenses, and changes in fund balance for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion based on our audit. The financial statements of the Police Pension Fund as of December 31, 1994, were audited by other auditors whose report dated March 31, 1995, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial status of the Police Pension Fund of the City of New Orleans Defined Benefit Plan as of December 31, 1995, and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles.



New Orleans, Louisiana

May 13, 1996

**POLICE PENSION FUND
BALANCE SHEET**

**AS OF DECEMBER 31, 1995
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 1994)**

	<u>1995</u>	<u>1994</u>
ASSETS:		
Cash	\$ 315,955	\$ 531,530
Receivables		
Employer Contributions	81,901	83,747
Other Government (Share of Drivers' and Chauffers' Licenses)	13,978	16,134
Accrued Interest	5,868	2,764
Investments, at Cost,		
Which Approximates Market (Note E)	1,398,751	1,336,641
Equipment, Net of Accumulated Depreciation of \$413	<u>2,479</u>	<u>0</u>
Total Assets	1,818,932	1,970,816
LIABILITIES	<u>0</u>	<u>0</u>
NET ASSETS AVAILABLE FOR BENEFITS	\$ <u>1,818,932</u>	\$ <u>1,970,816</u>
FUND BALANCE:		
Actuarial Present Value of Projected Benefits Payable to Current Retirants and Beneficiaries (Note C)	\$ 2,573,652	\$ 3,152,888
Unfunded Actuarial Present Value of Credited Projected Benefits (Note C)	<u>(754,720)</u>	<u>(1,182,072)</u>
TOTAL FUND BALANCE	\$ <u>1,818,932</u>	\$ <u>1,970,816</u>

See Accompanying Notes to the Financial Statements.

POLICE PENSION FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 1994)

	<u>1995</u>	<u>1994</u>
OPERATING REVENUES:		
Employee Contributions	\$ 48,468	\$ 31,035
Employer Contributions	976,637	1,080,433
Drivers' and Chauffers' Licenses	154,712	217,410
Investment Income	91,559	44,022
Other	<u>24,376</u>	<u>67,036</u>
Total Operating Revenues	<u>1,295,752</u>	<u>1,439,936</u>
OPERATING EXPENSES:		
Annuity and Disability Benefits	875,801	940,253
Death Benefits	56,000	60,000
Payments to Other Systems	412,944	412,944
Administrative Expenses	<u>102,891</u>	<u>98,075</u>
Total Operating Expenses	<u>1,447,636</u>	<u>1,511,272</u>
Net Operating Loss	(151,884)	(71,336)
Fund Balance, Beginning of Year	<u>1,970,816</u>	<u>2,042,152</u>
Fund Balance, End of Year	<u>\$ 1,818,932</u>	<u>\$ 1,970,816</u>

See Accompanying Notes to the Financial Statements.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS

NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

The following brief description of the Police Pension Fund of the City of New Orleans (the Plan), is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The Plan is a defined benefit pension plan established under the laws of the State of Louisiana. The Plan is considered part of the City of New Orleans (the City) financial reporting entity and is included in the City's financial reports as a pension trust fund.

The Police Pension Fund was established for police employees hired prior to December 31, 1967, except those who have elected to be covered by the Municipal Police Employees' Retirement System (MPERS). On March 6, 1983, an agreement was signed between the City, the Police Pension Funds of the City of New Orleans, and the Municipal Police Employees' Retirement System (MPERS) which provided for the merger of the Police Pension Plans with the State Plan. As of that date, all members of the Police Pension Plans, active and retired, became members of the MPERS. Those members covered by the system who did not meet the age and service requirements of the MPERS will be paid by the Police Pension Fund of the City until they reach age fifty-five with less than twenty years of service or age fifty with at least twenty years of service.

Employees become eligible for retirement under the MPERS plan at age fifty after being a member of the Plan for one year and after twenty years of active continuous service. An employee who is age fifty-five becomes eligible for retirement benefits after twelve years of active continuous service.

Under the Police Plan, employees become eligible for retirement after sixteen years of active continuous service. The Police and MPERS plans also provide death and disability benefits.

As a result of this merger, the City agreed to pay MPERS sixty percent (60%) of the accrued liability for those employees being merged into the MPERS and one hundred percent (100%) of the accrued liability for retired members and beneficiaries merged into the MPERS. The merger agreement requires that the City pay \$1,979,000 quarterly through December 2012, which includes interest at a rate of seven percent (7%).

The contribution rate for MPERS per dollar of payroll is seven percent (7%) each for the employee and employer as established by State statute. The City's 1995 contribution represented fifty percent (50%) of total contributions required of all participating entities.

Employer contributions to the Police Plan are made on a monthly basis for the amount necessary to pay current expenses. In effect, this system is being funded on a "pay-as-you-go" basis. However, as previously noted, no new participants have entered into the Police Plan since March 6, 1983; therefore, the City believes that the difference between this method and the method required by generally accepted accounting principles would not have a material effect on the general purpose financial statements.

When an active or retired policeman dies, his designated beneficiary will receive a \$2,000 lump sum death benefit. A monthly pension of \$500 per month is given to the spouse of a deceased policeman not qualifying for coverage under MPERS. The amount of the monthly pension is contingent upon whether the deceased policeman's death was related to his employment duties.

The sum of \$200 per month is paid to the spouse or guardian for each child of deceased policemen not qualifying for coverage under MPERS. This benefit ceases when the child reaches the age of eighteen or marries.

Disability benefits are awarded when an employee becomes physically or mentally disabled and incapacitated to perform his duties. The amount of the payment depends whether the member's injury was related to his employment duties.

An employee who leaves the City police force is entitled to all his accumulated contributions paid after December 31, 1967, plus interest.

An employee may withdraw from the Police Pension Fund and transfer to any other state, municipal or parochial public retirement system for which he meets eligibility requirements for membership. All employee and employer contributions for the employee are transferred to the new retirement system.

Other funding received by the Police Plan consists of fifty percent (50%) of all proceeds from the issuance of drivers' and chauffeurs' licenses to residents of the City.

At December 31, 1995, the Police Pension Fund membership consisted of the following:

Active policemen under age 50, but eligible to retire	0
Retirees after merger date with less than 20 years of service	55
Retirees after merger date with more than 20 years of service	<u>9</u>
Total	<u><u>64</u></u>

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Plan:

Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed.

Method Used to Value Investments - The Plan's investments are reported at cost which approximates market. All of the Police Pension Fund's investments are invested in U.S. Treasury Securities Money Market Funds.

Equipment - Equipment is recorded at cost. Maintenance and Repairs are charged to operations as incurred, whereas, significant renewals and/or betterments are capitalized.

Equipment is depreciated on a straight-line basis over a three (3) to five (5) year estimated useful life.

C. PENSION BENEFIT OBLIGATION

The amount shown below as the "pension benefit obligations" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the pension plans on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the pension plan.

The pension benefit obligation was computed as part of an actuarial valuation. Significant actuarial assumptions used in the December 31, 1995 valuation were as follows:

- **Life Expectancy of Participants** - 1971 Sex Distinct Group Annuity Mortality Table
- **Retirement Age Assumptions** - based upon historical data of the Plan
- **Investment Return** - 7%
- **Projected Salary Increases** - based upon U.S. Department of Commerce publications, increased 2% during the first years of employment

The foregoing actuarial assumptions are based upon the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the pension benefit obligations.

Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefit obligations.

The Police Plan's consulting actuary has determined that the City's potential liability as of December 31, 1995, is as follows:

Less than 20 Years of Service at Retirement	\$	2,425,815
20 or More Years of Service at Retirement		<u>147,837</u>
		2,573,652
Less: Net Assets Available For Benefits		<u>1,818,932</u>
Total Unfunded Actuarial Present Value of Credited Projected Benefits	\$	<u><u>(754,720)</u></u>

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Employer contributions to the system are made on a monthly basis for the amount necessary to pay current expenses. In effect, this system is being funded on a pay-as-you-go basis. Employer contributions made by the City for the years ended December 31, 1995 and 1994 were \$976,637 and \$1,080,433, respectively.

Interest received from the fund's investments is also used to fund the Plan.

Other funding received by the Plan consists of fifty percent of all proceeds from the issuance of drivers' and chauffeurs' licenses to residents of the City of New Orleans. Funding received from the issuance of driver's and chauffeurs' licenses for the years ended December 31, 1995 and 1994 were \$154,712 and \$217,410; respectively.

Effective March 6, 1983, all employee and employer contributions for those participants who are members of the MPERS are paid directly to the MPERS by the City of New Orleans. Entry into the agreement discussed in Note A binds the City of New Orleans to pay to the MPERS \$28,283,168 which represents sixty percent (60%) of the accrued liability for those employees merged into the MPERS and \$77,493,371 which represents 100% of the accrued liability for retired members and beneficiaries merged into the MPERS. Such amounts are required to be paid in quarterly installments, including interest of 7%, over a period of thirty years.

E. INVESTMENTS

Investments made by the Police Pension Fund are summarized below. The investments that are represented by specific identifiable investments securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Police Pension Fund or its agent in the Police Pension Fund's name.
Category 2	Uninsured and registered, with securities held by the counterparty's trust department or agent in the Police Pension Fund's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Police Pension Fund's name.

	Category 1	Category 2	Category 3	Total	Market Value
Short-Term Government Security Money Market Fund	\$1,398,751	\$ 0	\$ 0	\$1,398,751	\$1,398,751
Total	<u>\$1,398,751</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,398,751</u>	<u>\$1,398,751</u>

F. TREND INFORMATION

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due is presented on pages 10 and 11.

POLICE PENSION FUND

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS

Fiscal Year	(1) Net Assets Available For Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit Obligation (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Pension Obligation as a Percentage of Covered Payroll (4)/(5)
1988 \$	992,911 \$	10,497,260	9.46%	\$ 9,504,349	\$ 4,153,058	228.85%
1989	1,298,545	8,080,509	16.07%	6,781,964	4,106,195	165.16%
1990	1,585,017	9,693,647	16.35%	8,108,630	3,788,341	214.04%
1991	1,878,949	5,755,295	32.65%	3,876,346	3,763,670	102.99%
1992	1,988,097	4,463,459	44.54%	2,475,362	23,343	10604.30%
1993	2,042,152	3,841,218	53.16%	1,799,066	0	N/A
1994	1,970,816	3,152,888	62.51%	1,182,072	0	N/A
1995	1,818,932	2,573,652	70.68%	754,720	0	N/A



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Council of
The City of New Orleans, Louisiana

We have audited the financial statements of the Police Pension Fund of the City of New Orleans (the Plan), as of December 31, 1995 and have issued our report thereon dated May 13, 1996. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion based on our audit. The financial statements of the Police Pension Fund as of December 31, 1994, were audited by other auditors whose report dated March 31, 1995, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Plan is the responsibility of the Plan's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Plan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Directors, management, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.


Luther C. Speight & Company

New Orleans, Louisiana
May 13, 1996



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Council of the
City of New Orleans, Louisiana

We have audited the financial statements of the Police Pension Fund of the City of New Orleans (the Plan), as of December 31, 1995 and have issued our report thereon dated May 13, 1996. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion based on our audit. The financial statements of the Police Pension Fund as of December 31, 1994, were audited by other auditors whose report dated March 31, 1995, expressed an unqualified opinion on those statements.

We have conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Plan, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Plan, for the year ended December 31, 1995, we obtained an understanding of the internal control structure.

With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion. For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls:

- Revenue, Accounts Receivable, and Cash Receipts Cycle
- Purchases, Accounts Payable, and Cash Disbursements Cycle
- Property, Plant, and Equipment
- General ledger and Financial Reporting
- Compliance with Laws and Regulations

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and the City of New Orleans. However, this report is matter of public record, and its distribution is not limited.



New Orleans, Louisiana

May 13, 1996



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Council of
The City of New Orleans, Louisiana


We have audited the financial statements of the Police Pension Fund of the City of New Orleans (the Plan), as of December 31, 1995 and have issued our report thereon dated May 13, 1996. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion based on our audit. The financial statements of the Police Pension Fund as of December 31, 1994, were audited by other auditors whose report dated March 31, 1995, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Plan is the responsibility of the Plan's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Plan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Directors, management, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.


New Orleans, Louisiana
May 13, 1996