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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Harbor Police Employees' Retirement System

We have audited the accompanying balance sheets of the Retirement Plan for the Harbor Police Employees' Retirement System (the Plan), as of June 30, 1996 and 1995 and the related statements of revenues, expenses and changes in fund balance for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Harbor Police Employees' Retirement System at June 30, 1996 and 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of changes in fund balances (page 10) and administrative expenses (page 11) for the year ended June 30, 1996 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Plan. These schedules are also the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the 1996 basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the 1996 basic financial statements taken as a whole.

The required supplementary plan information on pages 8 and 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 1996 on our consideration of the Plan's internal control structure and a report dated September 20, 1996 on its compliance with laws and regulations.

*Deloitte + Touche LLP*

September 20, 1996

Deloitte Touche  
Tohmatsu  
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## HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

Independent Auditors' Reports for the  
Years Ended June 30, 1996 and 1995:

- Financial Statements and Supplemental Schedules
- Internal Control Structure
- Compliance with Laws and Regulations

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 OCT 09 1996



**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE  
BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Board of Trustees  
Harbor Police Employees' Retirement System**

We have audited the financial statements of the Harbor Police Employees' Retirement System as of and for the year ended June 30, 1996, and have issued our report thereon dated September 20, 1996.

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.

The management of the Harbor Police Employees' Retirement System is responsible for establishing and maintaining the 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 Harbor Police Employees' Retirement System for the year ended June 30, 1996, 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.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
BASED ON THE AUDIT OF FINANCIAL STATEMENTS**

Board of Trustees  
Harbor Police Employees' Retirement System

We have audited the financial statements of the Harbor Police Employees' Retirement System as of June 30, 1996 and for the year then ended, and have issued our report thereon dated September 20, 1996.

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 and contracts applicable to the Harbor Police Employees' Retirement System is the responsibility of the management of the Harbor Police Employees' Retirement System. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Harbor Police Employees' Retirement System's compliance with certain provisions of laws, regulations and contracts. 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 herein under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Deloitte + Touche LLP*

September 20, 1996

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific 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 operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Trustees, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Deloitte + Touche LLP*

September 20, 1996

# HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

## BALANCE SHEETS JUNE 30, 1996 AND 1995

ASSETS	1996	1995
RECEIVABLES:		
Member contributions	\$ 6,364	\$ 9,079
Employer contributions	10,237	14,849
Accrued interest	<u>100,660</u>	<u>109,905</u>
Total receivables	<u>117,261</u>	<u>133,833</u>
INVESTMENTS (Note 3) - At amortized cost (market value - \$9,285,673 and \$8,896,276 at June 30, 1996 and 1995, respectively)	<u>9,068,443</u>	<u>8,525,255</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$9,185,704</u>	<u>\$8,659,088</u>
FUND BALANCE		
Actuarial present value of projected benefits payable to current retirees and beneficiaries	\$5,275,042	\$5,123,806
Actuarial present value of credited projected benefits payable to active participants:		
Member contributions	544,573	490,316
Employer - financed portion	<u>2,542,642</u>	<u>2,683,166</u>
Total actuarial present value of credited projected benefits	8,362,257	8,297,288
Net assets available for future benefits credits	<u>823,447</u>	<u>361,800</u>
TOTAL FUND BALANCE	<u>\$9,185,704</u>	<u>\$8,659,088</u>

See notes to financial statements.

# HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE YEARS ENDED JUNE 30, 1996 AND 1995

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	1996	1995
<b>OPERATING REVENUES:</b>		
Contributions:		
Members	\$ 82,186	\$ 82,112
Employer	133,088	133,736
Fines received	46,740	45,225
Investment income	617,270	602,083
Gain on disposal of investments	<u>52,257</u>	<u>4,596</u>
Total operating revenues	<u>931,541</u>	<u>867,752</u>
<b>OPERATING EXPENSES:</b>		
Benefits paid	347,454	357,535
Refunds of contributions	4,535	14,174
Administrative expenses	<u>52,936</u>	<u>47,289</u>
Total operating expenses	<u>404,925</u>	<u>418,998</u>
<b>NET OPERATING INCOME</b>	526,616	448,754
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>8,659,088</u>	<u>8,210,334</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$9,185,704</u>	<u>\$8,659,088</u>

See notes to financial statements.

# HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 1996 AND 1995

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity* - The Harbor Police Employees' Retirement System is a public corporation created to administer a retirement plan (the "Plan") for participating commissioned members of the Harbor Police Department of the Port of New Orleans (the "Police Department"). The Plan is administered by a seven member Board of Trustees. The Plan was created by Act 80 of 1971, as amended by various subsequent Acts, of the Louisiana Legislature (the "Act").

*Plan Administrator* - The Board of Trustees has engaged a third party to provide actuarial services and to assist with certain administrative functions of the Plan.

*Basis of Accounting* - The Plan's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

*Investments* - Investments in fixed-income and pooled equity securities are reported at cost or amortized cost with discounts or premiums on fixed-income securities amortized over the term of the security, subject to adjustment for market declines judged to be other than temporary. Gains and losses on sales of securities are recognized using the completed transaction method of accounting.

### 2. DESCRIPTION OF THE PLAN

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

*General* - The Plan is a defined benefit, contributory plan that covers all commissioned officers of the Police Department, who were under the age of 50 on the date of employment. At June 30, 1996 there were 53 active members of the Plan (3 of whom were fully vested) and 62 inactive members, including 30 retirees and beneficiaries presently receiving benefits.

*Benefits* - The Plan, as amended by a 1993 act of the Louisiana Legislature, allows for members to retire at age 60 with 10 years of service, at age 55 with 12 years of service, at age 45 with 20 years of service, and at any age with 25 years of service.

Member benefits are equal to 3-1/3% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. The Plan also provides benefits for surviving spouses and disabled members as outlined in the Act. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee.

### 3. INVESTMENTS

The Plan invests funds received in accordance with guidelines established by the Act, which specifies that funds are to be invested in accordance with the same terms and conditions imposed by the State of Louisiana upon domestic life insurance companies, as set forth in Louisiana Revised Statutes Section 22:841.



The assets in excess of the pension benefit obligation at June 30, 1996 and 1995, were as follows:

	1996	1995
Pension benefit obligation:		
Vested benefits:		
Participants receiving benefits	\$5,275,042	\$5,123,806
Other participants	<u>2,593,006</u>	<u>2,767,548</u>
Total vested benefits	7,868,048	7,891,354
Non vested benefits	<u>494,209</u>	<u>405,934</u>
Total pension benefit obligation	8,362,257	8,297,288
Net assets available for benefits	<u>9,185,704</u>	<u>8,659,088</u>
Assets in excess of pension benefit obligation	<u>\$ 823,447</u>	<u>\$ 361,800</u>

The changes in the pension benefit obligation during 1996 and 1995, as determined by the actuaries, are as follows:

	1996	1995
Pension benefit obligation at beginning of year	\$8,297,288	\$7,500,848
Increase due to cost of living adjustments	90,129	77,450
Increase due to benefits accumulated	335,854	1,090,699
Decrease due to benefits paid and refunds	<u>(361,014)</u>	<u>(371,709)</u>
Pension benefit obligation at end of year	<u>\$8,362,257</u>	<u>\$8,297,288</u>

## 5. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Funding of the Plan is provided from contributions from members and the Port of New Orleans (the "Port"), as specified in the Act. Members contribute, by payroll deduction, 7% of salaries.

The Port is required to make contributions to the Plan at actuarially determined rates expressed as a percentage of members' covered payroll, not to exceed 13%. Level percentages of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed accrued actuarial liabilities, at which point the aggregate actuarial method is used. As assets were in excess of actuarial liabilities, the aggregate method was applicable for fiscal years 1996 and 1995. This method produced a required employer contribution level at 13% of covered payroll for 1996 and 1995, which the Port directly funded at a rate of 10% of covered payroll and by receiving and remitting to the Plan fines collected by any court, official or agency from violators of ordinances of the City of New Orleans applicable to the wharves, landings and riverfront or ordinances of the Board of Commissioners of the Port of New Orleans, as provided for by statute.

**6. HISTORICAL TREND INFORMATION**

Historical trend information designed to provide information about the Plan's progress in accumulating sufficient assets to pay benefits when due is presented in the required supplementary information on pages 8 and 9.

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## HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

### REQUIRED SUPPLEMENTARY INFORMATION - HISTORICAL FUNDING PROGRESS (UNAUDITED)

Fiscal Year Ended June 30	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded (Assets in Excess of) Pension Benefit Obligation	Annual Covered Payroll	Unfunded (Assets in Excess of) Pension Obligation as a Percentage of Covered Payroll
1989	\$5,527,961	\$4,461,468	124 %	\$(1,066,493)	\$1,089,826	(98)%
1990	6,026,743	4,999,110	120	(1,027,633)	1,006,778	(102)
1991	6,624,798	5,684,638	117	(940,160)	1,110,214	(85)
1992	7,162,731	5,906,941	121	(1,255,790)	1,164,077	(108)
1993	7,719,861	7,132,856	108	(587,005)	1,154,722	(51)
1994	8,210,334	7,500,848	109	(709,486)	1,249,196	(56)
1995	8,659,088	8,297,288	104	(361,800)	1,337,363	(27)
1996	9,185,704	8,362,257	110	(823,447)	1,330,871	(62)

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded (assets in excess of) pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the Plan has become financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in unfunded (assets in excess of) pension benefit obligations and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) pension benefit obligations as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan. The required supplementary information for 1987-1988 is not available.

# HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

## REQUIRED SUPPLEMENTARY INFORMATION - HISTORICAL SUMMARY OF REVENUES BY SOURCE AND EXPENSES BY TYPE (UNAUDITED)

Fiscal Year Ended June 30	Revenues by Source			Total
	Employee Contributions	Employer Contributions	Investment and Other Income	
1987	\$ 86,732	\$ 153,698	\$ 443,966	\$ 684,396
1988	81,444	153,665	451,656	686,765
1989	82,281	152,660	592,560	827,501
1990	70,563	133,742	601,890	806,195
1991	87,659	147,605	625,949	861,213
1992	76,650	145,136	658,433	880,219
1993	82,908	139,823	746,728	969,459
1994	81,262	124,921	698,745	904,928
1995	82,112	133,736	651,904	867,752
1996	82,186	133,088	716,267	931,541

Fiscal Year Ended June 30	Expenses by Type			Total
	Benefits	Administrative Expenses	Refunds	
1987	\$ 125,098	\$ 22,415	\$ 28,260	\$ 175,773
1988	148,116	22,982	24,016	195,114
1989	153,578	29,601	20,472	203,651
1990	224,299	27,831	55,283	307,413
1991	216,748	27,319	19,091	263,158
1992	263,329	42,889	36,068	342,286
1993	344,924	51,529	15,876	412,329
1994	344,407	49,567	20,481	414,455
1995	357,535	47,289	14,174	418,998
1996	347,454	52,936	4,535	404,925

**HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM**

**SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES  
YEAR ENDED JUNE 30, 1996**

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Actuaries' and manager's compensation	\$23,460
Trust administration fees	25,811
Miscellaneous	<u>3,665</u>
<b>TOTAL</b>	<b><u>\$52,936</u></b>

## HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

### SUPPLEMENTAL SCHEDULE OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 1996

	Annuity Reserve Fund	Annuity Savings Fund	Pension Accumulation Fund	Expense Fund	Total	Excess of Fund Assets over Actuarial Liabilities	Total
FUND BALANCES - beginning of year	\$ 5,123,806	\$ 490,316	\$ 2,683,166	\$ -	\$ 8,297,288	\$ 361,800	\$ 8,659,088
REVENUES:							
Contributions							
Annuity derived from:		82,186	133,088		215,274		215,274
Annuity savings fund	23,394				23,394		23,394
Pension accumulation fund	177,798				177,798		177,798
Net income from investments and other sources			716,267		716,267		716,267
INTERFUND TRANSFERS			(52,936)	52,936	-		-
EXPENSES:							
Benefits paid	(347,454)				(347,454)		(347,454)
Transfers to annuity reserve		(23,394)	(177,798)		(201,192)		(201,192)
Refunds to members		(4,535)			(4,535)		(4,535)
Administrative expenses				(52,936)	(52,936)		(52,936)
EXCESS OF REVENUES OVER EXPENSES	(146,262)	54,257	618,621	-	526,616	-	526,616
Actuarial adjustment	297,498		(759,145)		(461,647)	461,647	-
FUND BALANCES - end of year	\$ 5,275,042	\$ 544,573	\$ 2,542,642	\$ -	\$ 8,362,257	\$ 823,447	\$ 9,185,704

Notes

- 1) The Annuity Reserve Fund represents the actuarial present value of pension benefits payable to Plan participants presently retired.
- 2) The Annuity Savings Fund represents the accumulated contributions of Plan participants.
- 3) The Pension Accumulation Fund represents accumulated reserves for the payment of benefits from contributions made by the employer.
- 4) The Expense Fund represents expenses of the Plan, exclusive of retirement benefits.

The Plan's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan'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 Plan's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Plan's name.

Investments at June 30, 1996 were as follows:

Securities Type	Credit Risk Category			Carrying Amount	Market Value
	1	2	3		
U. S. Government	\$ -	\$3,659,112	\$ -	\$3,659,112	\$3,814,313
Federal Agencies		3,810,147		3,810,147	3,730,077
Corporate Bonds		204,134		204,134	217,909
Money Market					
Mutual Funds		559,355		559,355	559,355
Pooled Equity		835,695		835,695	964,019
Total Investments	<u>\$ -</u>	<u>\$9,068,443</u>	<u>\$ -</u>	<u>\$9,068,443</u>	<u>\$9,285,673</u>

Investments in corporate bonds primarily consist of bonds issued under Title 11 of the Ship Financing Act of 1972, which are secured by the full faith and credit of the United States Government.

The carrying amount of investments at June 30, 1995 approximated market value.

#### 4. PENSION BENEFIT OBLIGATION

The pension benefit obligation, which is the actuarial present value of credited projected benefits, 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. Pension benefit obligations include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. The measure is intended to help users assess the Plan's funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

The actuarial present value of the pension benefit obligation is determined by consulting actuaries and is that amount that results from applying actuarial assumptions to adjust the pension benefit obligations to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment. The significant actuarial assumptions used in determining pension benefit obligations as of June 30, 1996 were (a) the determination of life expectancy based on the 1971 Group Annuity Mortality Table, (b) the determination of participant retirements based on expected retirement ages of 45 to 63 years, (c) an assumed average rate of return on investment of 7.0%, and (d) projected salary increases of 5% per year.