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HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

Independent Auditors' Reports for the
Years Ended June 30, 1998 and 1999:

- Financial Statements, Supplemental Schedules and Supplementary Information
- Compliance and Internal Control

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the elected, 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 Code: 001 0 0 000

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees
Harbor Police Employees' Retirement System

We have audited the accompanying statements of plan net assets of the Retirement Plan for the Harbor Police Employees' Retirement System (the Plan), as of June 30, 1999 and 1998 and the related statements of changes in plan net assets 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. These 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 statements 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 status of the Plan at June 30, 1999 and 1998, and the changes in its financial status for the years then ended in conformity with generally accepted accounting principles.

The required supplementary plan information on page 7 and 8 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.

The year 2000 supplementary information on page 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Plan is or will become year 2000 compliant, that the Plan's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Plan does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report dated September 14, 1999 on our consideration of the Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

DeBolt & Trench, LLP

September 14, 1999

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF PLAN NET ASSETS JUNE 30, 1999 AND 1998

ASSETS	1999	1998
RECEIVABLES:		
Member contributions	\$ 8,304	\$ 8,880
Employer contributions	11,864	12,864
Accrued interest	<u>792,955</u>	<u>81,914</u>
Total receivables	812,923	103,658
INVESTMENTS (Note 3)	<u>10,268,418</u>	<u>10,318,727</u>
TOTAL ASSETS	11,081,341	11,022,386
LIABILITIES	<u>-</u>	<u>-</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$11,081,341</u>	<u>\$11,022,386</u>

See notes to financial statements.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
ADDITIONS:		
Contributions:		
Members	\$ 184,248	\$ 181,258
Employer	143,778	150,058
Rollover contributions by new members	85,822	-
Fines received	8,159	24,829
Investment income	888,478	579,343
Realized and unrealized gains on investments	145,867	921,746
	<u>1,896,352</u>	<u>1,778,034</u>
Total additions		
	<u>1,896,352</u>	<u>1,778,034</u>
DEDUCTIONS:		
Benefits paid	648,927	964,418
Refunds of contributions	42,582	72,565
Administrative expenses	61,984	68,387
	<u>753,493</u>	<u>1,005,370</u>
Total deductions		
	<u>753,493</u>	<u>1,005,370</u>
NET INCREASE	1,142,859	772,664
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	<u>11,025,808</u>	<u>10,249,087</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	<u>\$12,168,667</u>	<u>\$11,025,808</u>

See notes to financial statements.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 1999 AND 1998

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 an eight member Board of Trustees. The Plan was created by Act 66 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 - As required by GASB No. 29, investments are reported at fair value. Short-term investments are reported at market value when published prices are available, or at cost, when it approximates fair value. Investments that do not have an established market are reported at estimated fair value.

Besides investments in the U.S. Government and Federal Agency obligations, the Plan had no investment in any one organization which represented more than 5% of the net assets available for benefits.

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.

Covered - The Plan is a defined benefit, contributory plan that covers all commissioned officers of the Police Department, who were under the age of 60 on the date of employment.

Membership - At June 30, 1999 there were 60 active members of the Plan (5 of whom were fully vested) and 85 inactive members, including 57 widows and beneficiaries presently receiving benefits.

Benefit - 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 17 years of service, at age 45 with 28 years of service, and at any age with 29 years of service.

Member benefits are equal to 1.5-2% of average final compensation, as defined, multiplied by creditable service years, not to exceed 50% 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 22:641.

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 company'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, 1999 and 1998 were as follows:

Securities	Credit Risk Category			Carrying Amount (Fair Value) \$2098	Carrying Amount (Fair Value) \$2098
	1	2	3		
U. S. Government					
Federal Agencies	\$ 4,838,765	\$ -	\$ -	\$ 4,000,360	\$ 2,720,217
Corporate Bonds	3,813,409			3,615,419	4,189,948
Money Market	63,156			85,194	122,288
Mutual Funds	17,292			17,782	688,922
Equity Securities	3,418,248			3,458,244	3,278,360
Total Investments	<u>\$11,200,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,205,418</u>	<u>\$18,918,737</u>

Investments in corporate bonds primarily consist of bonds issued under Title II of the Ship Financing Act of 1971, which are secured by the full faith and credit of the United States Government.

4. 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 base 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 employee 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 1999 and 1998. This method produced a required employer contribution level of 13% of covered payroll for 1999 and 1998, which the Port directly funded at a rate of 10% of covered payroll.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FROM EMPLOYEES AND EMPLOYER

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Employee and Employer Contributions as a Percentage of Amount Required
1994	\$ 81,283	\$ 134,921	100 %
1995	82,112	133,735	100 %
1996	82,185	133,088	100 %
1997	87,085	135,369	100 %
1998	101,288	158,679	100 %
1999	104,248	163,379	100 %

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION - ACTUARIAL METHODS AND ASSUMPTIONS JUNE 30, 1999

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 1999
Actuarial cost method	Aggregate actuarial cost method, a method which does not identify or separately amortize unfunded actuarial liabilities
Asset valuation method	Market related value
Actuarial assumptions:	
Investment rate of return	7% per annum
Mortality	Mortality rates were projected based on the Group Annuity Mortality Table, male and back five years for females.
Termination, disability and retirement	Termination rates were similar to the experience of other police plans throughout the state. Disability rates were based on the Eleventh Actuarial Valuation of the Railroad Retirement System. Retirement rates were based on the percentage of people eligible for retirement prior to the traditional age of 60 which is dependent on intangible things such as the economy, health, financial ability, the Social Security System, and work patterns.
Salary increases	Salary increases were projected to be 3% per year (2.5% increase for inflation and 0.5% increase for seniority and merit raises).
Cost-of-living adjustments	Cost-of-living adjustments, which were 2% to retirees under age 65 and 3% to those 65 or older, can only be granted if the fund has no unfunded liability on an entry age normal basis and cannot exceed 3% of the prior year's benefit, or 5% of cost age 65.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

YEAR 2000 SUPPLEMENTARY INFORMATION (UNAUDITED)

YEAR ENDED JUNE 30, 1999

The year 2000 issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. For many years, programmers eliminated the last two digits from a year when writing programs. For example, programmers would designate January 1, 1999 as "01/01/99" instead of "01/01/1999." On January 1, 2000 at 12:00:01 a.m., the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01/00." Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1960. This may cause the programs to process data inaccurately or to stop processing data altogether. Another factor that may cause problems in programs is the leap-year calculation. Some programs are unable to detect the year 2000 as a leap year.

Problems affecting a wide range of governmental activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. These problems have the potential for causing a disruption to some government operations and may temporarily increase the cost of these operations.

The Harbor Police Employees' Retirement System uses the same system as the Port of New Orleans. The Harbor Police Employees' Retirement System has not been charged and will not be charged any costs in connection with the year 2000 issue. The Port of New Orleans has completed the awareness and awareness stages of its year 2000 program. The remediation and validation testing stage is to be completed prior to November 30, 1999.

The Harbor Police Employees' Retirement System and the Port of New Orleans do not provide assurance that they are or will become year 2000 compliant, that their year 2000 remediation efforts will be successful in whole or in part, or that parties with which they do business are or will become year 2000 compliant.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Marine Police Employees' Retirement System

We have audited the financial statements of the Retirement Plan for the Marine Police Employees' Retirement System (the "Plan"), as of and for the year ended June 30, 1999, and have issued our report thereon dated September 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Plan's 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 Plan'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 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 operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

September 14, 1999