

REPORT
POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
DECEMBER 31, 2003

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

Release Date 7-21-04

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS

INDEX TO REPORT

DECEMBER 31, 2003

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 6
FINANCIAL STATEMENTS:	
Statement of Plan Net Assets.....	7
Statement of Changes in Plan Net Assets.....	8
Notes to Financial Statements.....	9 - 15
SUPPLEMENTARY INFORMATION:	
Statement of Changes in Reserve Balances.....	16
Schedule of Administrative Expenses.....	17
Schedule of Funding Progress.....	18
Notes to Schedule of Funding Progress.....	19
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	20 - 21



**DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

**MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.**

**ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.**

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

**A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)**

**MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S**

INDEPENDENT AUDITOR'S REPORT

April 29, 2004

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

We have audited the statement of plan net assets of the Police Pension Fund of the City of New Orleans as of December 31, 2003, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit provides a reasonable basis for our opinion.

We were unable to obtain an evaluation from the Fund's outside legal counsel of any pending or threatened litigation involving the Fund.

In our opinion, except of the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain an evaluation of pending or threatened litigation from the Fund's outside legal counsel as discussed in the preceding paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the Police Pension Fund of the City of New Orleans as of December 31, 2003, and the results of its operations and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have audited the financial statements of the Fund for the year ending December 31, 2003, and issued our qualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 18-19 and the supplemental schedules on pages 16-17 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending December 31, 1998 – 2003 and supplemental schedules for the years ending December 31, 1998 – 2003, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of the inability to obtain a response from the Fund's legal counsel as explained in the third paragraph of our report, and except for the effects of not recording the inactive member Annuity Savings balances (as more fully described in footnote 3) in the statement of changes in reserve balances and the schedule of funding progress, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2004 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. 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.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

**POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2003**

The following is management's discussion and analysis of the financial performance of Police Pension Fund of the City of New Orleans (NOPP). It is presented as a narrative overview and analysis for purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements, which are comprised of three components:

- * Statement of plan net assets
- * Statement of changes in plan net assets, and
- * Notes to the financial statements

This report also contains required supplemental information in addition to the basic financial statements themselves.

The statement of plan net assets reports the pension fund's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the Fund as of December 31, 2003. The statement of changes in plan net assets reports the results of the pension fund's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

Required supplementary information consists of two schedules and related notes concerning the funded status of the Fund.

Supporting schedules include information on changes in reserve balances and administrative expenses.

NOPP FINANCIAL ANALYSIS

NOPP provided retirement benefits to all eligible police officers, members, and employees of the police department in the City of New Orleans. On March 6, 1983, the City of New Orleans entered into a merger contract with the Municipal Police Employee's Retirement System (MPERS) to transfer all active policemen who were participating in the City's Police Pension Fund. In addition to the active policemen, all retirees, widows and survivors were also merged. Due to a difference in benefits, retirees with less than twenty years of service did not transfer on the date of the merger. The final retiree in this category merged during October 2002. Employer contributions funded these benefits.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2003

Statement of Plan Net Assets
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash	\$ 321,734	\$ 300,701
Receivables	16,795	16,052
Investments	3,063,694	3,042,802
Equipment	<u> --</u>	<u> --</u>
	<u>3,402,223</u>	<u>3,359,555</u>
 Total liabilities	 <u> --</u>	 <u> --</u>
 Net assets held in trust for pension benefits	 <u>\$ 3,402,223</u>	 <u>\$ 3,359,555</u>

Statement of Changes in Plan Net Assets
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Additions:		
Contributions	\$ 182,668	\$ 203,368
Investment income	18,437	40,203
Other	<u>23,790</u>	<u>10,669</u>
 Total additions	 <u>224,895</u>	 <u>254,240</u>
 Total deductions	 <u>182,227</u>	 <u>230,798</u>
 Increase in Plan Net Assets	 <u>\$ 42,668</u>	 <u>\$ 23,442</u>

Additions to Plan Net Assets

Additions to NOPP plan net assets were derived from drivers' license revenue, member contributions and investment income. Investment income decreased \$21,766 or 54%, due to declining interest rates.

**POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2003**

	<u>2003</u>	<u>2002</u>	Increase (Decrease) <u>Percentage</u>
Member Contributions	\$ 7,521	\$ 2,540	196%
Drivers' and Chauffeurs' Licenses	175,147	200,828	(13%)
Net Investment Income	18,437	40,203	(54%)
Other Operating Revenues	<u>23,790</u>	<u>10,669</u>	123%
Total	<u>\$ 224,895</u>	<u>\$ 254,240</u>	

Deductions from Plan Net Assets

Deductions from plan net assets include retirement, death and survivor benefits, and administrative expenses. Deductions from plan net assets totaled \$182,227 in 2003. This is a decrease of \$48,571, primarily due to a decrease in retirement benefit payments. The decrease in retirement benefit payments is a direct result of all members meeting the eligibility requirements of MPERS in previous year.

	<u>2003</u>	<u>2002</u>	Increase (Decrease) <u>Percentage</u>
Retirement benefits	\$ 34,000	\$ 82,577	(59%)
Transfers to other retirement systems	58,359	26,055	124%
Administrative expenses	<u>89,868</u>	<u>122,166</u>	(26%)
Total	<u>\$ 182,227</u>	<u>\$ 230,798</u>	

Investments

NOPP is responsible for the prudent management of funds held in trust for the exclusive benefits of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at December 31, 2003 amounted to \$3,063,694, as compared to \$3,042,802 at December 31, 2002, which is an increase of \$20,892 or 1 percent. NOPP only invests in low risk U.S. Treasury securities.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2003

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Harold Hand, Board of Trustees of the New Orleans Police Pension, New Police Complex, Room B-23 Basement, 715 South Broad Avenue, New Orleans, Louisiana 70119.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2003

ASSETS:

Cash (Note 4)		\$ <u>321,734</u>
Receivables:		
Accrued interest		1,379
Drivers' and chauffeurs' license receivable		<u>15,416</u>
Total		<u>16,795</u>
Investments (at fair value): (Note 4)		
Cash equivalents		<u>3,063,694</u>
Equipment (Note 1)		2,892
Less: Accumulated depreciation		<u>(2,892)</u>
Net equipment		<u>-</u>
Total assets		<u>3,402,223</u>
LIABILITIES		<u>-</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
(A schedule of funding progress for the plan is presented on Page 18)		\$ <u><u>3,402,223</u></u>

See accompanying notes.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

ADDITIONS: (Note 1)	
Contributions:	
Members (Note 9)	\$ 7,521
Drivers' and chauffeurs' licenses	<u>175,147</u>
Total contributions	<u>182,668</u>
Investment income:	
Interest income	20,788
Less: Investment expense	<u>2,351</u>
Net investment income	<u>18,437</u>
Other income:	
Interest	22,897
Miscellaneous	<u>893</u>
Total other additions	<u>23,790</u>
Total additions	<u>224,895</u>
DEDUCTIONS: (Note 1)	
Benefits paid	34,000
Transfers to other retirement systems	58,359
Administrative expenses (Page 17)	<u>89,868</u>
Total deductions	<u>182,227</u>
NET INCREASE	42,668
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>3,359,555</u>
END OF YEAR	<u>\$ 3,402,223</u>

See accompanying notes.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

The Police Pension Fund of the City of New Orleans was created for the purpose of pensioning all officers, members, and employees of the Police Department in the City of New Orleans, their widows, children and widowed mothers. Benefits, including retirement, disability retirements and death benefits, are provided as specified in the plan.

The Fund is administered by a Board of Trustees. The board shall be composed of the Superintendent of Police, Director of Finance, Secretary of the police department, and six members from the active or retired rank of the police department. Election of the members from the active or retired rank shall be conducted under the direction and authority of the board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

In addition, these financial statements include the provisions of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information and other changes.

Basis of Accounting:

The Fund's financial statements are prepared using the accrual basis of accounting. Member contributions for the purchase of military service credit are recognized at the time of purchase. Employer contributions are recognized when due from the City of New Orleans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Other income, including drivers' and chauffeurs' license revenues and miscellaneous revenue is recognized when due.

Interest income is recognized when earned.

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

Equipment:

Equipment of the Fund is valued on the basis of historical cost and was depreciated using the straight-line method of depreciation, over the estimated useful life of the equipment. There was no depreciation expense for the year ended December 31, 2003 since the equipment was fully depreciated prior to 2003.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. PLAN DESCRIPTION:

The Police Pension Fund of the City of New Orleans is the administrator of a single employer pension plan. The Fund was created for the purpose of providing retirement allowances and other benefits as stated under the provisions of R.S. 11 for police officers, members, and employees of the police department in the City of New Orleans. The Fund is a defined benefit pension plan established under the laws of the State of Louisiana.

On March 6, 1983, the City of New Orleans entered into a merger contract with the Municipal Police Employees' Retirement System (MPERS) to transfer all active policemen who were participating in the City's Police Pension Fund (which was comprised of an "old" pre-1968 and a "new" post-1968 retirement system) to MPERS. In addition to the active policemen, all retirees, widows and survivors were also merged. (All full-time policemen hired after July 12, 1977 are directly enrolled in the MPERS through legislative mandate.)

As a result of the merger all active policemen are subject to the benefit formula and retirement eligibility requirements prescribed by MPERS. In addition, all retirees, widows and survivors were guaranteed to continue receiving their current benefit regardless of MPERS' benefit provisions.

In conjunction with the merger of active policemen with the MPERS, the City entered into a private agreement "No Loss in Benefit Guarantee" with the local policemen. The purpose of the agreement was to guarantee those policemen who were merged retirement benefits which would become payable by the Fund. Specifically, the Police Pension Fund provided retirement eligibility requirements of 16 and 20 years at any age, if employed prior to December 31, 1967. These eligibility requirements were more liberal than those of MPERS in that benefits are not payable until age 50 with 20 years of service or age 55 with a minimum of 12 years of service. Therefore, if a policeman retires prior to age 50, the agreement guarantees that the Fund will pay the benefit until age 50, at which time MPERS will commence retirement benefit payments. Similarly, for those policemen who were members of the old system, who retired with 16 years but less than 20 years, the agreement guarantees that the Fund will pay the benefit until age 55, at which time MPERS will commence retirement benefit payments. Effective October 31, 2002, all members had reached the eligibility requirements of MPERS.

Retirement Benefits:

Any officer, member, or employee who was inducted into the police department of the City of New Orleans on or before December 31, 1967 and attained at least sixteen years of active continuous service on the force, was eligible to retire from the force, regardless of age, and receive as an annuity from the fund forty percent of his or her average compensation during the last year of service immediately preceding the date of retirement.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

Any officer, member, or employee who was inducted into the police department of the City of New Orleans on or before December 31, 1967 and attained at least sixteen years of active continuous service on the force, and was therefore eligible to retire, who chose to continue in active service rather than to retire, was entitled to receive, for each year of service in addition to sixteen years up to and including his twentieth year, an additional service benefit equal to two and one-half percent of his average compensation for the last year of service, not to include overtime pay, holiday pay, or court time pay.

Any officer, member, or employee of the police department, employed on or before December 31, 1967, retiring with twenty years of active service in the department receives fifty percent of his or her average compensation during the highest year of service preceding the date of retirement, as an annuity from the fund. For each year of service in addition to twenty years, the member receives a service benefit to be increased by an additional one percent of his average compensation for each year of service before January 1, 1968 and two and one-half percent of average compensation for the best year of service, not to include overtime pay, holiday pay or court time pay for each year of service after June 30, 1967. In addition, if the member attained age fifty, his service benefit was increased one-half of one percent for each year of service over twenty-five, provided that no service benefit exceeded eighty percent of the average compensation earned during the best year of service preceding retirement; provided, however, that any officer, member, or employee of the police department who was employed on or before July 1, 1967 who had twenty years or more of active service on said date and who was on active service on July 29, 1970 and who continued in active service beyond twenty-five years received a retirement allowance of three percent for all years over twenty, with a maximum benefit of eighty percent.

All employees of the police department who entered the service of the city after December 31, 1967 and who became contributing members of this system, received a retirement allowance equal to two and one-half percent of their average compensation based on the highest four consecutive years multiplied by the number of years of their creditable service, not to exceed eighty percent. In the case of those employees who entered the service after December 31, 1967, and who remained in service beyond twenty years and attained age fifty-five, the retirement allowance is three percent for all years over twenty, with a maximum benefit of eighty percent.

Any member who entered service after December 31, 1967, whose withdrawal from service occurred prior to the attainment of the age of fifty years and who at such time had completed at least twenty years of creditable service, remained a member of the retirement system and in such case said member received a service retirement beginning when he attained the age of fifty years.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. PLAN DESCRIPTION: (Continued)

Death and Survivor Benefits:

Whenever an active or retired policemen dies, a death benefit of two thousand dollars shall be paid to the beneficiary of the deceased member from the fund. If any officer, member or employee of the police department, who contributes to the police pension fund, was killed or died from immediate effects of any injury received while engaged in the discharge of his or her duties and left a spouse or if no spouse, a child or children under the age of eighteen or if no spouse or child under the age of eighteen, a widowed mother, the sum of fifty percent of his or her salary at the time of death, by way of an annuity, is paid to such beneficiary out of the fund. The benefit to the spouse shall cease when the spouse remarries, in which case the sum of seventy-five dollars per month shall be paid to the spouse or guardian for each child of the deceased member, officer or employee and which shall cease when such child reaches the age of eighteen or marries. The benefit to the widowed mother shall cease when she remarries. If any officer, member or employee of the police department who contributed to the police pension fund died from any cause unconnected with the performance of his or her duties while a member or retired member, leaving a spouse or if no spouse a child or children under the age of eighteen or if no spouse or child under the age of eighteen, a widowed mother, the sum of not less than six hundred dollars nor more than seven hundred dollars per annum, by way of an annuity is paid to such beneficiary out of the fund. Beginning January 1, 1971, no widow or widowed mother of any member who died while employed by the police department, whether employed before or after December 31, 1969, or while retired under any provision of this subpart which does not permit the election of optional benefits is paid not less than two hundred dollars per month.

Disability Benefits:

Disability benefits are awarded when an employee becomes physically or mentally disabled and incapacitated to perform his duties. Benefits differ for disabilities incurred while in the active discharge of duties or incurred not as a direct result of a service incurred injury or illness.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Employer contributions were made by the City of New Orleans in monthly installments necessary to cover administrative costs and payments of pensions and benefits, as certified by the Board of Trustees of the Fund. The Board of Trustees determined that no contributions were required for the year ended December 31, 2003.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

In addition, the Fund receives fifty percent of all proceeds from the sale of drivers' and chauffeurs' licenses in the City of New Orleans.

Reserves:

Use of the term "reserve" by the Fund indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members for the purchase of prior service. The Annuity Savings is debited when the prior service purchased is transferred to another retirement system. The Annuity Savings balance is \$8,306 and it is fully funded. However the Annuity Savings does not include the contributions made by members of the Fund who are currently inactive. These are members who have contributed to the Fund, but are not receiving a pension and have not had their contributions refunded or transferred to another retirement system. Refunds and transfers to other systems are permitted for contributions made after December 31, 1967. Contributions made prior to December 31, 1967 may only be transferred to other systems. The dollar amount of inactive member contributions has not been determined as of December 31, 2003.

B) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the fund from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Pension Reserve balance is \$-0-.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This fund is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance is \$51,517.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

4. DEPOSITS AND CASH EQUIVALENTS:

Following are the components of the Fund's deposits and cash equivalents at December 31, 2003:

Deposits (bank balance)	\$ <u>326,521</u>
Cash equivalents	<u>\$3,063,694</u>

Deposits:

The Fund's bank deposits were fully covered by federal depository insurance and pledged securities.

Cash Equivalents:

Cash equivalents consist of government backed pooled funds. The funds are held by the Fund's custodian's trust department in the Fund's name. The cash equivalents are carried at market value, which approximates cost and face value.

5. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

6. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedule is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits and is presented on pages 18-19.

7. SCHEDULE OF CONTRIBUTIONS:

The accompanying supplementary information does not contain a "Schedule of Contributions - Employer and Other Sources". Actuarially required contributions have not been determined since the Fund is funded on a "pay-as-you-go" basis.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

8. REPAYMENT OF REFUNDS:

A member repaid his refunded contributions during 2001. His repayment of \$7,155 is still held in the Fund as of December 31, 2003 since his eligibility for transfer to another retirement system has not yet been determined.

A member reestablished credit with the fund during 2003. His repayment of \$1,151 is still held in the Fund as of December 31, 2003 since the transfer is pending at that date.

9. SUBSEQUENT EVENT:

On June 22, 2004, House Bill No. 1175 of the 2004 Regular Session was forwarded to the Governor of the State of Louisiana. The Bill provides for the disposition of the assets of the Fund in the following manner:

- (1) The total and final actuarial liabilities of the Fund shall be determined.
- (2) Monies representing the actuarial liabilities so determined shall be maintained by the Fund for the benefit of its remaining members.
- (3) An actuarial determination of administrative costs shall be made and additional monies shall be retained by the Fund sufficient to administer the Fund for a period of not less than the retirement age of the youngest employee member.
- (4) The amount by which the value of plan assets exceeds the present value of accrued benefits and actuarially determined administrative costs shall be paid to the Municipal Police Employees' Retirement System for satisfaction of any debt or obligation owed by the City of New Orleans to that system.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Annuity Savings</u>	<u>Pension Reserve</u>	<u>Pension Accumulation</u>	<u>Surplus (Unfunded) Actuarial Liability</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR	\$ <u>7,155</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,352,400</u>	\$ <u>3,359,555</u>
REVENUES AND TRANSFERS:					
Member contributions	7,521	-	-	-	7,521
Drivers' and chauffeurs' licenses	-	-	175,147	-	175,147
Net investment income	-	-	18,437	-	18,437
Net miscellaneous income	-	-	23,790	-	23,790
Transfer	-	34,000	-	-	34,000
	<u>7,521</u>	<u>34,000</u>	<u>217,374</u>	<u>-</u>	<u>258,895</u>
EXPENDITURES AND TRANSFERS:					
Benefits paid	-	34,000	-	-	34,000
Transfers to other state retirement systems	6,370	-	51,989	-	58,359
Administrative services	-	-	89,868	-	89,868
Transfer	-	-	24,000	10,000	34,000
	<u>6,370</u>	<u>34,000</u>	<u>165,857</u>	<u>10,000</u>	<u>216,227</u>
NET INCREASE (DECREASE)	<u>1,151</u>	<u>-</u>	<u>51,517</u>	<u>(10,000)</u>	<u>42,668</u>
BALANCE - END OF YEAR	\$ <u><u>8,306</u></u>	\$ <u><u>-</u></u>	\$ <u><u>51,517</u></u>	\$ <u><u>3,342,400</u></u>	\$ <u><u>3,402,223</u></u>

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003

Office salaries	\$ 82,536
Office expense	1,018
Payroll taxes	<u>6,314</u>
 Total	 <u>\$ 89,868</u>

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 1998 - 2003

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Funded Ratio</u>	<u>Surplus (Unfunded) AAL</u>	<u>Covered Payroll</u>	<u>(UAAL) As a Percentage of Covered Payroll</u>
December 31, 1998	\$ 2,434,403	\$ 959,366	253.75 %	\$ 1,475,037	-0-	N/A
December 31, 1999	2,704,452	565,099	478.58	2,139,353	-0-	N/A
December 31, 2000	3,019,937	339,084	890.62	2,680,853	-0-	N/A
December 31, 2001	3,328,958	114,249	2,913.77	3,214,709	-0-	N/A
December 31, 2002	3,352,400	-	N/A	3,352,400	-0-	N/A
December 31, 2003	3,393,917	51,517	6,587.96	3,342,400	-0-	N/A

**POLICE PENSION FUND OF THE
 CITY OF NEW ORLEANS
 SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 1998 THROUGH 2001**

The information presented in the Schedule of Funding Progress 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, 2001
Actuarial Cost Method	The Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7%, net of expenses
Projected Salary Increases	N/A
Cost of Living Adjustments	N/A
Asset Valuation Method:	
Cash Equivalents	Cost which approximates market



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 29, 2004

Honorable Mayor and Council of the
City of New Orleans

We have audited the financial statements of the Police Pension Fund of the City of New Orleans as of and for the year ended December 31, 2003, and have issued our report thereon dated April 29, 2004. 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 Police Pension Fund of the City of New Orleans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 Police Pension Fund of the City of New Orleans' 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 for the information of the City Council, Board of Trustees, and the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR, C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR, C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR, C.P.A.
(1920-1996)
JAMES MAHER, JR, C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

April 29, 2004

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804-9373

Dear Sir or Madam:

**SCHEDULES AND DATA COLLECTION FORM
SECTION 1: SUMMARY OF AUDITOR'S REPORTS**

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the Police Pension Fund of the City of New Orleans as of and for the year ended December 31, 2003 and have issued our report thereon dated April 29, 2004. 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. Our audit as of December 31, 2003 resulted in a qualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING:

Internal Control:

Material weaknesses – none noted
Reportable conditions – none noted

Compliance:

Noncompliance material to financial statements - none noted

C. FEDERAL AWARDS

N/A

SECTION 2: FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINDINGS:

None

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

None