
HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2004

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: 10-13-04

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 1994

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Harbor Police Employees' Retirement System

We have audited the accompanying statements of plan net assets of the Harbor Police Employees' Retirement System (the Plan), as of June 30, 2004 and 2003 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, information regarding the Plan's net assets as of June 30, 2004 and 2003, and the changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary plan information on pages 11 and 12 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 10, 2004 on our consideration of the Plan'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 our audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



Metairie, Louisiana
September 10, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2004

This discussion of the Harbor Police Employees' Retirement System (the Plan)'s financial performance provides an overview of the Plan's financial activities for the Fiscal Year ended June 30, 2004. Please read it in conjunction with the Plan's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits increased by \$162,988 as a result of this year's operations from \$10,981,433 to \$11,244,413.
- Additions for the year were \$1,214,416 which comprises contributions of \$165,193 including fees of \$34,727 and net investment income of \$944,423.
- Deductions for the year were \$871,635 which comprises benefit payments and refunds of \$783,928 and administrative expense of \$87,707.

THE STATEMENT OF PLAN NET ASSETS AND
THE STATEMENT OF CHANGES IN PLAN NET ASSETS

This annual report consists of two financial statements: The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These financial statements report information about the Plan and about its activities to aid in the assessment of whether the Plan, as a whole, has improved or declined as a result of the year's activities. The financial statements were prepared using accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses are recorded in the year they are incurred, regardless of when cash is received or paid.

The Statement of Plan Net Assets shows the balances in all of the assets and liabilities of the Plan at the end of the fiscal year. The difference between assets and liabilities represents the Plan's net assets. Over time, increases or decreases in the Plan's net assets provide one indication of whether the financial health of the Plan is improving or declining. The Statement of Changes in Plan Net Assets shows the results of financial operations for the year. The statement provides an explanation for the change in the Plan's net assets since the prior year. These two statements should be reviewed along with the information contained in the financial footnotes, including the required supplementary schedules, to determine whether the Plan is becoming financially stronger or weaker.

FINANCIAL ANALYSIS
STATEMENTS OF PLAN NET ASSETS

The Plan's assets consist mainly of investments and receivables related to contributions. Between Fiscal Year 2003 and 2004, total assets increased by \$249,827 from \$10,981,433 to \$11,231,260 because the revenues received by the Plan exceeded pension benefit payments to retirees and beneficiaries.

Liabilities mainly consist of administrative expenses and have increased from \$6,890 to \$11,847 from Fiscal Year 2003 to 2004.

Net assets held in trust for pension benefits increased \$342,960 or 3.1% primarily due to improved investment returns, and higher total contributions.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

ADDITIONS TO PLAN ASSETS

	2004	2003	Increase (Decrease)
Contributions	\$ 368,191	\$ 323,199	\$ 44,992
Investment Income	845,423	676,894	168,529
Total	<u>\$ 1,213,614</u>	<u>\$ 1,000,093</u>	<u>\$ 213,521</u>

Additions consist of contributions from the Board of Commissioners of the Port of New Orleans (sponsoring entity), contributions from Harbor Police active members, from employee buybacks and investment income. Contributions increased 11.9%. Investment income increased 24.9% mainly due to changes in the investment policy and improved market conditions. Investment expenses as a component are able to be separated due to having specific investment consultants and managers. Total additions increased 21.7%.

DEDUCTIONS FROM PLAN ASSETS

	2004	2003	Increase (Decrease)
Benefits	\$ 744,138	\$ 625,177	\$ 118,961
Refunds & Adjustments	38,791	21,808	17,983
Administrative Expenses	82,787	71,857	10,930
Total	<u>\$ 865,716</u>	<u>\$ 718,842</u>	<u>\$ 146,874</u>

Deductions consist of pension and death benefit payments to retirees and beneficiaries, refunds of contributions and administrative expenses. Benefit expenses increased by 19.2% due to a reduction in the number of members receiving benefits offset by a \$157,603 lump sum DBOP payment. Refunds and adjustments increased by \$17,983. Administrative expense increased 23.7% because of administrative changes during the year.

RETIREMENT SYSTEM AS A WHOLE

The Plan uses the aggregate actuarial cost method whereby the actuarial liability is equal to the actuarial value of assets and there is no unfunded actuarial accrued liability. The Retirement Committee of the Louisiana State Legislature have adopted the rule of the actuarial value of assets to the Projected Benefit Obligation (PBO) as one of the measures of funding progress of public retirement systems in the State. The PBO is the actuarial accrued liability under the Projected Unit Credit Actuarial Cost Method. The funded ratio on this basis is 91.1%.

THE PLAN FINANCIAL MANAGEMENT

The financial report is designed to provide our members, customers and other interested parties with a general overview of the Plan's finances and to show the Plan's accountability for the money it receives. If there are any questions about this report or a need for additional information, contact the plan administrator at Post Office Box 2883, Gretna, LA 70054-2882.

FINANCIAL STATEMENTS

**BARBOUR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA**

**STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
ASSETS		
RECEIVABLES:		
Member contributions	\$ 1,790	\$ 8,048
Employer contributions	14,325	14,800
Accrued interest	53,607	180,749
Other	2,315	6,076
Total receivables	<u>62,037</u>	<u>129,797</u>
INVESTMENTS, at fair value:		
U.S. Government	791,610	1,097,888
Municipal obligations	-	70,168
Federal agencies	484,919	1,283,180
Corporate bonds	1,379,874	1,116,176
Money-market mutual funds	408,435	397,820
Equity securities	4,256,600	1,673,310
Limited partnerships	3,487,752	-
Total investments	<u>11,717,910</u>	<u>18,773,622</u>
TOTAL ASSETS	<u>11,779,947</u>	<u>18,903,419</u>
LIABILITIES	<u>12,887</u>	<u>6,000</u>
NET ASSETS HELD IN TRUST FOR EMPLOYEES REPORTED	<u>\$ 11,767,060</u>	<u>\$ 18,897,419</u>

The accompanying notes are an integral part of these statements.

HARRIS POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>ADDITIONS:</u>		
Contributions:		
Members	\$ 107,476	\$ 181,748
Employer	198,978	181,676
Employee prior period pay back	38,430	-
Fines and other	31,737	26,779
Investment income:		
Net appreciation in fair value of investments	612,781	121,388
Interest and dividends	258,854	358,708
Investment expense	<u>(15,257)</u>	<u>-</u>
Total additions	<u>1,214,615</u>	<u>1,000,297</u>
<u>DEDUCTIONS:</u>		
Benefits paid:		
Life annuity payments	586,523	628,177
Deferred pension obligation, payments-lump sum	137,613	-
Refunds and transfers of contributions	39,791	21,888
Administrative expenses	<u>87,307</u>	<u>71,807</u>
Total deductions	<u>851,234</u>	<u>721,872</u>
<u>INCREASE IN PLAN NET ASSETS</u>	363,380	278,425
<u>NET ASSETS HELD IN TRUST FOR PENSION</u>		
<u> <u>BENEFITS - BEGINNING OF YEAR</u></u>	<u>10,961,432</u>	<u>10,613,796</u>
<u>NET ASSETS HELD IN TRUST FOR PENSION</u>		
<u> <u>BENEFITS - END OF YEAR</u></u>	<u>\$ 11,324,812</u>	<u>\$ 10,892,221</u>

The accompanying notes are an integral part of these statements.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

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 Board of Commissioners Port of New Orleans (the "Police Department"). The Plan is administered by an eight member Board of Trustees. The Plan was created by Act 88 of 1971, as amended by various subsequent Acts, of the Louisiana Legislature (the "Act").

Plan administration

The Board of Trustees has engaged third parties 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 accounting principles generally accepted in the United States of America. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Investment purchases and sales are recorded as of their trade date. Employee and member contributions are recorded in the period the related salaries are earned. Administrative expenses are funded from investment earnings. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments

Investments are reported at fair value. 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.

Pension plan investments and financial statements are subject to market fluctuations that can rapidly change the fair value on a day-to-day basis. Such market swings can create material changes in measured appreciation (depreciation) of investments.

Use of estimates

The Plan Administrator and vendors have made significant estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of factors related to such assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. 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 single-employer defined benefit, contributory plan that covers all commissioned officers and certain employees of the Harbor Police Department of the Board of Commissioners Port of New Orleans who were under the age of 30 on the date of employment.

Membership

At June 30, 2004 and 2003 there were 31 and 33 active members of the Plan, respectively. Inactive members consist of the following:

<u>Inactive Members</u>	<u>2003/2003</u>	<u>2003/2004</u>
Retirees	29	28
Unk.O.P.	1	1
Beneficiaries	0	0
Funding Refunds	28	25
	<u>58</u>	<u>54</u>

Benefits

The Plan, as amended, allows for members to retire at age 40 with 10 years of service, at age 50 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 100% 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. If a member resigns from the Police Department before retirement, accumulated employer contributions are refunded to the employee without interest.

The Plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROFP). This option permits HPERB members to continue working at their jobs and draw regular salary for the lesser of five years or the number of years which, when added to their number of years of creditable service equals thirty-one. While in DROFP neither employee nor employer contributions are paid into the plan. The retirement benefits that would be payable to the retiree are allowed to accumulate in a special account for later distribution. Interest is not paid on the account but if the member waives his contractual obligation of retiring at the end of the DROFP period then he

**BARBOUR POLICE EMPLOYEES RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

2. DESCRIPTION OF THE PLAN

Benefits (continued)

receives an amount compounded in a manner like interest that is based on a percentage rate set annually by the Board of Trustees. At the end of the DRDP period the member can receive a lump payment of the DRDP account, a life annuity or other method approved by the Board of Trustees.

The Board of Trustees is authorized, under certain conditions, to provide annual cost-of-living increases. The cost-of-living adjustments may not exceed 3% of the current benefit (3% of the current benefit for age 65 or older). Cost-of-living adjustments were not made for the 2004 or 2003 calendar years. An action of the Board of Trustees with respect to cost-of-living adjustments as provided in R.S. 11:3635(D), employer contributions as provided in R.S. 11:154, and actuarial assumptions as provided in R.S. 11:3636(D), are considered amendments to the provisions of the Plan. Other amendments would require the Louisiana Legislature to revise the statutes. No amendment to the plan can deprive any member of a benefit to which he is already entitled.

3. INVESTMENTS

The plan invests funds received in accordance with guidelines established by the Act, which specifies that the Board of Trustees shall have the power to invest and reinvest funds in accordance with the prudent-man rule limitations set forth in subtitle 1, Chapter 4 Part D of Title 11.

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. The Money Market Funds are not categorized.

Investments at June 30, 2004 and 2003 were as follows:

Investment Type	Credit Risk Category			Carrying Amount (Fair Value)
	1	2	3	
2004				
U.S. government	\$ -	\$ 1,481,854	\$ -	\$ 791,000
Federal agencies	-	494,819	-	494,819
Corporate bonds	-	1,578,874	-	1,578,874
Equity securities	-	4,256,682	-	4,256,682
Limited Partnerships	-	-	3,447,732	3,447,732
Money Market Funds	-	-	-	496,633
Total investments at June 30, 2004	\$ -	7,832,429	\$ 3,447,732	\$ 11,776,813

**HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

Security Type	Credit Risk Category			Carrying Amount (Fair Value)
	1	2	3	
2004				
U.S. government	\$ -	\$ 1,897,848	\$ -	\$ 1,897,848
Municipal obligations	-	76,168	-	76,168
Federal agencies	-	2,800,185	-	2,800,185
Corporate bonds	-	3,188,778	-	3,188,778
Equity securities	-	3,477,538	-	3,477,538
Money Market Funds	-	-	-	217,523
Total investments at June 30, 2004	\$ -	\$ 15,240,117	\$ -	\$ 15,240,117

In fiscal year 2004, the Plan invested \$3,300,000 in three limited partnerships. Each partnership investment is managed by nonaffiliated independent managers employing various investment strategies. The following table summarizes the partnership investments with managers as of June 30, 2004.

Investments	Cost	Market Value	Net Unaffiliated Appreciation
Golden Tree High Value Yield Fund Offshore, L.P.	\$ 1,000,000	\$ 1,221,649	\$ 221,649
Investment Capital Partners L.P.	1,000,000	1,211,753	211,753
Janey Partners, L.P.	1,000,000	1,087,381	87,381
Total partnership investments	\$ 3,000,000	\$ 3,447,783	\$ 347,783

Following is a brief description of the partnership investments as of June 30, 2004.

- Golden Tree High Value Yield Fund Offshore, L.P.** - (Approximate ownership is 378%) is an exempted limited partnership organized under the laws of the Cayman Islands which commenced operations on November 5, 2003. The Partnership's principal objective is to achieve, risk-adjusted total returns by investing on a long-only basis in primarily public and private non-investment grade and non-rated debt securities. Golden Tree High Value Yield Offshore GP, Ltd. is the General Partner responsible for the management and operation of the Partnership. Golden Tree Asset Management, L.P. is the management company that provides administrative services to the Partnership and is the investment manager of the fund.

**HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

- **Integrated Capital Partners, L.P.** - (Approximate ownership is 1.723%) is Delaware limited partnership, which commenced operations on July 1, 2008. The Partnership's objective is to achieve substantial capital appreciation with limited variability of returns. The Partnership attempts to accomplish this objective by allocating capital among a number of independent investment managers acting through pooled entities such as limited partnerships, limited liability companies and offshore corporations or through managed accounts. The majority of these managed accounts employ "relative value" and arbitrage strategies whereby they attempt to limit risk by investing both long and short in related securities and other financial instruments in a manner that reduces overall market sensitivity.
- **Energy Partners, L.P.** - (Approximate ownership is 1.799%) was organized on April 29, 1999 under the laws of the State of California. The Partnership is engaged primarily in speculative trading of options on futures contracts and futures contracts on financial instruments, physical commodities, and other commodity interests. *Stile Partners, LLC*, a Delaware limited liability company, is the general partner of the Fund.

Excluding the above partnerships and investments issued or guaranteed by the U.S. Government, the Plan has no investments in any single organization that represents five percent or more of the Plan's net plan assets, nor does the Plan hold more than five percent of any corporation's stock at June 30, 2004 and 2005.

4. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

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

The Port is required to make contributions to the Plan at actuarially determined rates expressed as a percentage of members' defined compensation; however, the maximum contribution by the Port shall not exceed thirteen percent of defined compensation. Level percentages of payroll employer contribution rates are determined using the entry age normal actuarial method with assets valued at actuarial liability, at which point the aggregate actuarial method is used. The aggregate method was applicable for fiscal years 2004 and 2005. This method produced required employer contribution levels, including fees, of 21.73% and 23.63% of covered payroll for 2004 and 2005, respectively. Fees for fiscal years ending 2004 and 2005 were approximately 7% of covered payroll. The Port directly funded at the limited rate of 13% of covered payroll for fiscal years 2004 and 2005.

5. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB No. 35, required supplementary information can be found in the attached schedule.

REQUIRED SUPPLEMENTARY PLAN INFORMATION

**BALANCE FOR COLLEGE EMPLOYEES RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA**

**RECORDED EMPLOYERS' CONTRIBUTIONS
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FINES**

Fiscal Year Ended June 30	Employer Contributions		Contributions		Total	Employee Annual Required Contribution (Including Fees)	Employee Contributions and Fines as a Percentage of Annual Required Contributions	Employee's Contributions (Including Fees) Incurred to 10% by Act
	Employer Contributions	Fines	Employer Contributions	Fines				
1997	150,509		34,340		175,700	100,000	100%	151,348
1998	156,039		34,021		190,064	215,408	88%	181,261
1999	142,376		8,126		151,230	205,666	74%	183,418
2000	194,348		-		194,348	212,979	91%	180,178
2001	182,381		8,845		191,227	204,214	94%	189,818
2002	194,032		4,277		198,269	244,349	81%	194,812
2003	193,674		26,779		220,411	260,828	85%	193,875
2004	199,979		26,573		226,250	239,290	95%	199,370

HARBOR POLICE EMPLOYERS' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION
ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2004

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

Valuation date	June 30, 2004
Actuarial cost method	Aggregate actuarial cost method, a method which does not identify or separately amortize unfunded actuarial liabilities
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return	7% per annum
Mortality	Mortality rates were projected based on the 1970 Group Annuity Mortality Table, Male set 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. Early retirement rates assumed were 10% for ages 45 to 49, 20% for ages 50 to 62, and 100% for ages 63 and over. Actual retirement of people eligible for retirement prior to the traditional age of 62 are dependent on intangible things such as the economy, health, financial ability, the Social Security System, and work patterns.
Salary growth	1% per year
Cost-of-living adjustments	Accumulated cost-of-living adjustments are included in costs. Adjustments for the next year are projected but future cost-of-living increases which are contingent on satisfaction of statutory requirements and approved by the Board of Trustees are not projected.

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

Board of Trustees
Harbor Police Employees' Retirement System

We have audited the financial statements of the Harbor Police Employees' Retirement System (the Plan), as of and for the year ended June 30, 2004, and have issued our report thereon dated September 18, 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 *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, 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 *Governmental 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. Under Louisiana Revised Statute 24:113, this report is distributed by the Legislative Auditor as a public document.

Paul W. Williams + Mitchell

Monroe, Louisiana
September 10, 2004

**HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

None

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable

SECTION III MANAGEMENT LETTER

Compliance with A-2
Record Keeping

Resolved
Resolved