
HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2005

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 4-19-06

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2005

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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, 2005 and 2004 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, 2005 and 2004, 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 15 and 16 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 February 7, 2006 on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 audits.

Metairie, Louisiana
February 7, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005

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 Years ended June 30, 2005 and 2004. Please read it in conjunction with the Plan's financial statements, which follow this section.

2005 FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits increased by \$566,887 as a result of this year's operations from \$11,244,415 to \$11,811,302.
- Additions for the year were \$1,431,855 which comprises contributions of \$352,986, including fines of \$18,403, and net investment income of \$1,078,869.
- Deductions for the year were \$864,968 which comprises benefit payments and refunds of \$813,978 and administrative expense of \$50,990.

2004 FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits increased by \$342,980 as a result of fiscal year 2004 operations from \$10,901,435 to \$11,244,415.
- Additions for the year were \$1,214,616 which comprises contributions of \$368,193 including fines of \$31,727 and net investment income of \$846,423.
- Deductions for the year were \$871,636 which comprises benefit payments and refunds of \$783,929 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.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS

2005 STATEMENTS OF PLAN NET ASSETS

The Plan's assets consist mainly of investments and receivables related to contributions. Between Fiscal Year 2004 and 2005, total assets increased by \$558,884 from \$11,257,262 to \$11,816,146 because the revenues received by the Plan exceeded pension benefit payments to retirees and beneficiaries.

Liabilities mainly consist of administrative expenses and have decreased from \$12,847 to \$4,844 from Fiscal Year 2004 to 2005.

Net assets held in trust for pension benefits increased \$566,887 or 5.0% primarily due to improved investment returns.

2004 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 \$349,827 from \$10,907,435 to \$11,257,262 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 \$6,000 to \$12,847 from Fiscal Year 2003 to 2004.

Net assets held in trust for pension benefits increased \$342,980 or 3.1% primarily due to improved investment returns, and higher total contributions.

2005 STATEMENTS OF CHANGES IN PLAN NET ASSETS

ADDITIONS TO PLAN ASSETS

	2005	2004	Increase (Decrease)
Contributions	\$ 352,986	\$ 368,193	\$ (15,207)
Investment Income	1,078,869	846,423	232,446
Totals	\$ 1,431,855	\$ 1,214,616	\$ 217,239

Additions consist of contributions from the Board of Commissioners of the Port of New Orleans (sponsoring entity), contributions from Harbor Police active members, fines, and investment income. Contributions decreased 4.1%. Investment income increased 27.5% 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 17.9%.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2005

DEDUCTIONS FROM PLAN ASSETS

	2005	2004	Increase (Decrease)
Benefits	\$ 812,762	\$ 744,138	\$ 68,624
Refunds & Adjustments	1,216	39,791	(38,575)
Administrative Expense	50,990	87,707	(36,717)
Totals	<u>\$ 864,968</u>	<u>\$ 871,636</u>	<u>\$ (6,668)</u>

Deductions consist of pension and death benefit payments to retirees and beneficiaries, refunds of contribution and administrative expenses. Benefit expense increased by 9.2% primarily due to a cost of living adjustment during 2005 and a slight increase in lump sum DROP payments. Refunds and adjustments decreased by \$38,575 due to a significant refund being given in 2004. Administrative expense decreased 41.9% because of administrative changes during the year.

2004 STATEMENTS OF CHANGES IN PLAN NET ASSETS

ADDITIONS TO PLAN ASSETS

	2004	2003	Increase (Decrease)
Contributions	\$ 368,193	\$ 323,199	\$ 44,994
Investment Income	846,423	678,094	168,329
Totals	<u>\$ 1,214,616</u>	<u>\$ 1,001,293</u>	<u>\$ 213,323</u>

Additions consist of contributions from the Board of Commissioners of the Port of New Orleans (sponsoring entity), contributions from Harbor Police active members, fines, employee buybacks and investment income. Contributions increased 13.9%. Investment income increased 24.8% 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 21.3%.

DEDUCTIONS FROM PLAN ASSETS

	2004	2003	Increase (Decrease)
Benefits	\$ 744,138	\$ 620,177	\$ 123,961
Refunds & Adjustments	39,791	21,958	17,833
Administrative Expense	87,707	71,507	16,200
Totals	<u>\$ 871,636</u>	<u>\$ 713,642</u>	<u>\$ 157,994</u>

Deductions consist of pension and death benefit payments to retirees and beneficiaries, refunds of contribution and administrative expenses. Benefit expense increased by 19.9% due to a reduction in the number of members receiving benefits offset by a \$157,615 lump sum DROP payment. Refunds and adjustments increased by \$17,833. Administrative expense increased 22.7% because of administrative changes during the year.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2005

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 Committees of the Louisiana State Legislature have adopted the ratio 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 97.1% for 2005 and 98.1% for 2004.

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 2892, Gretna, LA 70054-2892.

FINANCIAL STATEMENTS

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
<u>RECEIVABLES:</u>		
Member contributions	\$ 1,320	\$ 8,790
Employer contributions	2,452	16,325
Accrued interest	44,605	53,007
Other	4,762	2,325
Total receivables	<u>53,139</u>	<u>80,447</u>
<u>INVESTMENTS</u> , at fair value		
U.S. Treasury notes	179,672	791,035
U.S. Agencies	684,059	694,919
Corporate bonds	1,439,541	1,579,874
Money market funds	284,736	406,633
Equity securities	4,915,670	4,256,602
Limited partnerships	4,259,329	3,447,752
Total investments	<u>11,763,007</u>	<u>11,176,815</u>
<u>TOTAL ASSETS</u>	11,816,146	11,257,262
<u>LIABILITIES</u>	<u>4,844</u>	<u>12,847</u>
<u>NET ASSETS HELD IN TRUST FOR</u> <u>PENSION BENEFITS</u>	<u>\$ 11,811,302</u>	<u>\$ 11,244,415</u>

The accompanying notes are an integral part of these statements.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>ADDITIONS:</u>		
Contributions:		
Members	\$ 117,104	\$ 107,676
Employer	217,479	199,970
Employee prior period pay back	-	28,820
Fines and other	18,403	31,727
Total contributions	<u>352,986</u>	<u>368,193</u>
Investment income:		
Net appreciation in fair value of investments	898,373	612,751
Interest and dividends	227,010	286,854
	<u>1,125,383</u>	<u>899,605</u>
Less investment expense	<u>(46,514)</u>	<u>(53,182)</u>
Net investment income	<u>1,078,869</u>	<u>846,423</u>
Total additions	<u>1,431,855</u>	<u>1,214,616</u>
<u>DEDUCTIONS:</u>		
Benefits paid:		
Life annuity payments	636,872	586,523
Deferred pension obligation payments-lump sum	175,890	157,615
Refunds and transfers of contributions	1,216	39,791
Administrative expenses	50,990	87,707
Total deductions	<u>864,968</u>	<u>871,636</u>
<u>INCREASE IN PLAN NET ASSETS</u>	<u>566,887</u>	<u>342,980</u>
<u>NET ASSETS HELD IN TRUST FOR PENSION</u>		
<u>BENEFITS - BEGINNING OF YEAR</u>	<u>11,244,415</u>	<u>10,901,435</u>
<u>NET ASSETS HELD IN TRUST FOR PENSION</u>		
<u>BENEFITS - END OF YEAR</u>	<u>\$ 11,811,302</u>	<u>\$ 11,244,415</u>

The accompanying notes are an integral part of these statements.

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.

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 80 of 1971, as amended by various subsequent Acts, of the Louisiana Legislature (the "Act").

Plan administrator

The Board of Trustees has engaged third parties to provide actuarial services and to assist with certain administrative functions of the Plan.

General

The Plan is a single-employer defined benefit, contributory plan that covers all commissioned officers and certain employees of the Police Department who were under the age of 50 on the date of employment.

Membership

At June 30, 2005 and 2004 there were 56 and 53 active members of the Plan, respectively. Inactive members consist of the following:

<u>Inactive Members</u>	<u>06/30/2005</u>	<u>06/30/2004</u>
Retirees	29	28
D.R.O.P.	3	3
Beneficiaries	6	6
Pending Refunds	26	25
	<u>64</u>	<u>62</u>

Benefits

The Plan, as amended, 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.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

Benefits (continued)

Member benefits are equal to 3½% 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 employee contributions are refunded to the employee without interest.

The Plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits Plan 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-two. While in DROP 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 meets his contractual obligation of retiring at the end of the DROP period then he 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 DROP period the member can receive a lump payment of the DROP 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 (5% of the current benefit for age 65 or older). A cost-of-living adjustment was made in 2005 in the form of a lump sum payment equal to 71.72% of the participant's monthly benefit amount for participants under age 65 and 114.75% for participants age 65 and over. A cost-of-living adjustment was not made for the 2004 calendar year. An action of the Board of Trustees with respect to cost-of-living adjustments as provided in R.S. 11:3685(D), employee contributions as provided in R.S. 11:154, and actuarial assumptions as provided in R.S. 11:3688(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Employer 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.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments, including limited partnerships, 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 unrealized appreciation (depreciation) of investments.

Use of estimates

The Plan Administrator and custodian 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.

Payment of benefits

Benefit payments to participants are recorded upon distributions.

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 II of Title 11.

Investments at June 30, 2005 and 2004 were as follows:

<u>Securities Type</u>	<u>2005</u>	<u>2004</u>
U.S. Treasury notes	\$ 179,672	\$ 791,035
U.S. Agencies	684,059	694,919
Corporate bonds	1,439,541	1,579,874
Money market funds	284,736	406,633
Equity securities	4,915,670	4,256,602
Limited partnerships	4,259,329	3,447,752
Total investments	<u>\$ 11,763,007</u>	<u>\$ 11,176,815</u>

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2005, the Plan had the following investment types and maturities for investments subject to interest rate risk.

	Fair Value	Remaining Maturity (in Years)		
		Less Than One	1 - 5	6 - 10
U.S. Treasury notes	\$ 179,672	\$ 30,414	\$ -	\$ 149,258
U.S. Agencies	684,059	155,194	314,403	214,462
Corporate bonds	1,439,541	232,060	1,030,850	176,631
	<u>\$ 2,303,272</u>	<u>\$ 417,668</u>	<u>\$ 1,345,253</u>	<u>\$ 540,351</u>

Credit Risk

Under the Act, the Board of Trustees has the power to invest and reinvest funds in accordance with the prudent-man rule limitations set forth in subtitle 1, Chapter 4 Part II of Title 11. The Plan has no investment policy that would further limit its investment choices. As of June 30, 2005, the Plan's investments in U.S. Agencies securities were rated AAA by Standard and Poor's. As of June 30, 2005, the Plan's investments in corporate bonds were rated by Standard and Poor's as follows:

<u>Credit Rating</u>	<u>Fair Value</u>
AA	\$ 402,143
AA-	70,115
A+	393,792
A	432,528
BBB	67,674
BB-	73,289
	<u>\$ 1,439,541</u>

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

Limited Partnerships

In fiscal years 2005 and 2004, the Plan invested \$500,000 in one limited partnership and \$3,200,000 in three limited partnerships, respectively. Each partnership investment is managed by nonaffiliated independent managers employing various investment strategies. These investments are 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 following table summarizes the partnership investments with managers as of June 30, 2005.

<u>Investments</u>	<u>Cost</u>	<u>Market Value</u>	<u>Net Unrealized Appreciation</u>
Golden Tree High Value Yield Fund Offshore, L.P.	\$ 1,100,000	\$ 1,356,418	\$ 256,418
Ironwood Capital Partners L.P.	1,100,000	1,298,157	198,157
Emory Partners, L.P.	1,000,000	1,056,240	56,240
Ashmore Management Company Limited	500,000	548,514	48,514
Total limited partnerships	<u>\$ 3,700,000</u>	<u>\$ 4,259,329</u>	<u>\$ 559,329</u>

Following is a brief description of the partnership investments as of June 30, 2005.

- **Golden Tree High Value Yield Fund Offshore, L.P.** – (Approximate ownership is 0.338%) is an exempted limited partnership organized under the laws of the Cayman Island which commenced operations on November 5, 2001. 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 Yield Value 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)

- **Ironwood Capital Partners, L.P.** – (Approximate ownership is 1.655%) is Delaware limited partnership, which commenced operations on July 1, 2000. 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.
- **Emory Partners L.P.** – (Approximate ownership is 1.619%) was organized on April 19, 1995 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 Pool.
- **Ashmore Management Company Limited** – (Approximate ownership is 0.029%) consists of several portfolios. The Plan's funds are invested in the Ashmore Emerging Markets Liquid Investment Portfolio which was constituted in Guernsey as an open-ended Unit Trust by a Trust Deed dated October 23, 1992. The portfolio seeks a high return through capital appreciation and income on emerging market investments in a diversified and leveraged portfolio.

Concentration of Credit Risk

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, 2005 and 2004.

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

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 until assets exceed the accrued actuarial liability, at which point the aggregate actuarial method is used. The aggregate method was applicable for fiscal years 2005 and 2004. This method produced required employer contribution levels, including fines, at 20.89% and 21.72% of covered payroll for 2005 and 2004, respectively. Fines were approximately 1% and 2%, respectively, of covered payroll for fiscal years ending 2005 and 2004. The Port directly funded at the limited rate of 13% of covered payroll for fiscal years 2005 and 2004.

5. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB No. 25, required supplementary information can be found in the attached schedules.

6. SUBSEQUENT EVENT

On August 29, 2005 the New Orleans region suffered significant damage to property and lives when *Hurricane Katrina* struck the Gulf Coast area. Management is not aware of any significant impact to the Plan at this time.

REQUIRED SUPPLEMENTARY PLAN INFORMATION

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM
NEW ORLEANS, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FINES

Fiscal Year Ended June 30	Contributions		Total	Employer Annual Required Contribution (including fines)	Employer Contributions and Fines as a Percentage of Annual Required Contributions	Employers' Contribution (excluding fines) limited to 13% by Act
	Employer Contributions	Fines				
1997	139,369	34,340	173,709	162,309	107%	153,344
1998	156,639	24,025	180,664	216,408	83%	191,381
1999	143,370	8,150	151,520	205,666	74%	188,418
2000	104,348	-	104,348	232,970	45%	180,178
2001	102,282	9,845	112,127	304,274	37%	188,824
2002	194,012	4,277	198,289	344,349	58%	194,012
2003	192,676	26,775	219,451	363,803	60%	192,676
2004	199,970	30,315	230,285	330,290	70%	199,970
2005	217,479	18,403	235,882	340,775	69%	217,479

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, 2005
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 1971 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 65 are dependent on intangible things such as the economy, health, financial ability, the Social Security System, and work patterns.
Salary growth	5% 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 approval by the Board of Trustees are not projected.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS 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, 2005, and have issued our report thereon dated February 7, 2006. 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.

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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, 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*.

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 24:513, this report is distributed by the Legislative Auditor as a public document.

Barthelme & Metairieville

Metairie, Louisiana
February 7, 2006