
POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS

DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Police Pension Fund of the City of New Orleans (the "Fund"), a fiduciary fund of the City of New Orleans, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Police Pension Fund of the City of New Orleans as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7, the Schedule of Changes in Net OPEB Liability (Assets) and Related Ratios on page 16, the Schedule of Employer Contributions on page 17, and the Schedule of Investment Returns on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Statement of Changes in Reserve Balances, Schedule of Administrative Expenses, and Schedule of Compensation, Benefits, and Other Payments to Agency Head on pages 19, 20, and 21 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Statement of Changes in Reserve Balances, Schedule of Administrative Expenses, and Schedule of Compensation, Benefits, and Other Payments to the Agency Head are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with the *Government Auditing Standards*, we have also issued our report dated June 27, 2019 on our consideration of the Fund's internal control over financial reporting and on 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 controls 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*, in considering the Fund's internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana

June 27, 2019

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

The following is management's discussion and analysis of the financial performance of Police Pension Fund of the City of New Orleans (the "Fund"). 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.

FINANCIAL HIGHLIGHTS

- Assets of the Fund exceeded its liabilities at year end by \$1,565,287 (net position).
- For the Fund's year ended December 31, 2018, drivers and chauffeurs' licenses increased by 7% or \$16,255.
- The Fund recorded an overall decrease in net position of \$25,210.

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 fiduciary net position
- Statement of changes in fiduciary net position, and
- Notes to the financial statements

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

The statement of fiduciary net position reports the pension fund's assets, liabilities and net position held in trust for pension benefits. It discloses the financial position of the Fund as of December 31, 2018. The statement of changes in fiduciary net position reports the results of the pension fund's operations during the year disclosing the additions to and deductions from the plan's net position. It supports the change that has occurred to the prior year's net position value on the statement of fiduciary net position. In 2004, the Fund moved all pension operations and activities to the Municipal Police Employee's Retirement System ("MPERS"). The Fund currently exists for two reasons, to provide a fixed \$2,000 death and survivor benefit, and to hold deposits due to inactive members who left service without vesting in the prior plan and have not requested a refund.

Supplemental schedules include information on changes in reserve balances, administrative expenses, and compensation for the agency head.

FUND FINANCIAL ANALYSIS

The Police Pension Fund of the City of New Orleans 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 MPERS to transfer all active policemen who were participating in the City's Police Pension Fund.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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.

Administrative costs 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. The amount by which the value of plan assets exceeds the accrued benefits and administrative costs shall be paid to MPERS for satisfaction of any debt or obligation owed by the City of New Orleans to that system.

Statement of Fiduciary Net Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash	\$ 45,515	\$ 89,687
Receivables	17,852	18,541
Investments	<u>1,507,920</u>	<u>1,486,269</u>
Total assets	<u>1,571,287</u>	<u>1,594,497</u>
 Total liabilities	 <u>6,000</u>	 <u>4,000</u>
 Net position restricted for for pension benefits and other postemployment benefits	 <u>\$ 1,565,287</u>	 <u>\$ 1,590,497</u>

Statement of Changes in Fiduciary Net Position
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Additions:		
Drivers' and chauffeurs' licenses	\$ 253,319	\$ 237,064
Miscellaneous	135	1,040
Net investment income	<u>22,243</u>	<u>7,683</u>
Total additions	<u>275,697</u>	<u>245,787</u>
 Total deductions	 <u>300,907</u>	 <u>278,757</u>
 Decrease in plan net position	 <u>\$ (25,210)</u>	 <u>\$ (32,970)</u>

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Additions to Plan Net Position

Additions to Fund plan net position were derived primarily from drivers' license revenue and investment income. The change in drivers' and chauffeur's license revenues is consistent with prior year's numbers and fluctuates annually based on applications. Net investment income increased by 190% as a result of the increase in dividends received during the year ended December 31, 2018 due to more favorable market outcomes throughout 2018 compared to prior year.

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) Percentage</u>
Drivers' and chauffeur's licenses	\$ 253,319	\$ 237,064	7%
Other - Miscellaneous	135	1,040	-87%
Net investment income	<u>22,243</u>	<u>7,683</u>	190%
	<u>\$ 275,697</u>	<u>\$ 245,787</u>	12%

Deductions from Plan Net Position

Deductions from plan net position include death and survivor benefits, transfers to other retirement systems and administrative expenses. Death benefits are paid to the beneficiaries of a deceased member from the Fund. Drivers' and chauffeur's license revenues in excess of administrative expenses are remitted to MPERS each month or when paid. Deductions from plan net position increased by 8% as a result of the increase of death benefits and refund. Transfers to other retirement systems increased by 16% as a result of the increase in drivers' and chauffeur's license revenues and increase in death benefits paid.

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) Percentage</u>
Death benefits	\$ 48,000	\$ 42,000	14%
Transfer to other retirement systems	140,315	120,876	16%
Refunds	-	1,068	-100%
Administrative expenses	<u>112,592</u>	<u>114,813</u>	-2%
	<u>\$ 300,907</u>	<u>\$ 278,757</u>	8%

Investments

The Police Pension Fund of the City of New Orleans 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. As such, funds are invested in U.S. Treasury Money Market Funds. Total investments at December 31, 2018 amounted to \$1,507,920 as compared to \$1,486,269 at December 31, 2017, which is consistent between both years.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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 408, 715 South Broad Avenue, New Orleans, Louisiana 70119.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

Assets

Cash	\$ 45,515
Receivables:	
Drivers' and chauffeurs' license receivable	17,852
Investments:	
US Treasury securities money market fund	<u>1,507,920</u>
 Total assets	 <u>1,571,287</u>

Liabilities

Benefits payable	<u>6,000</u>
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Net Position - Restricted for Pension Benefits and
Other Postemployment Benefits

\$ 1,565,287

The accompanying notes are an integral part of this statement.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Additions: (Note 1)	
Other income:	
Drivers' and chauffeurs' licenses	\$ 253,319
Miscellaneous	135
	<u>253,454</u>
Investment income	<u>22,243</u>
Total additions	<u>275,697</u>
Deductions: (Note 1)	
Benefits paid	48,000
Transfer to other retirement system	140,315
Administrative expenses	112,592
Total deductions	<u>300,907</u>
Net decrease	(25,210)
Net position - restricted for pension benefits and other postemployment benefits	
Beginning of year	1,590,497
End of year	<u><u>\$ 1,565,287</u></u>

The accompanying notes are an integral part of this statement.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Description of Plan

General

The Police Pension Fund of the City of New Orleans (the "Fund"), a fiduciary fund of the City of New Orleans (the "City"), is the administrator of a single employer pension plan. The Fund is a defined benefit pension plan established under the laws of the State of Louisiana. The Fund was originally created for the purpose of providing retirement allowances and other benefits as stated under the provisions of Louisiana Revised Statute 11 for police officers, members and employees of the police department in the City of New Orleans. As described below, as the Fund now provides only death and survivor benefit, the Fund is considered to be an other postemployment benefit plan ("OPEB" plan) as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

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 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.

Act No. 793 of the 2004 Regular Session was enacted into law on July 8, 2004. This law provided for the disposition of the assets of the Fund by requiring that the total and final actuarial liabilities of the Fund be determined and maintained as well as funds sufficient to administer the Fund for a period of not less than the retirement age of the youngest member. Any amounts above these amounts were transferred to MPERS for the 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Description of Plan (Continued)

After July 8, 2004, the Fund moved all pension operations and activities to MPERS. The Fund now exists solely to provide a \$2,000 death and survivor benefit, and to hold deposits due to inactive members who left service without vesting in the prior plan and have not requested a refund. An unfunded actuarial liability is no longer applicable to the Fund due to the transfer of pension operations to MPERS.

Plan Membership:

At December 31, 2018, the Fund's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	299
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	-
	299

Effective March 6, 1983, the Fund was closed to new entrants.

Death and Survivor Benefits:

When a retired policeman dies, a death benefit of two thousand dollars shall be paid to the beneficiary of the deceased member from the Fund.

Administrative Expenses

Administrative expenses of \$112,592 were paid out of the Fund's assets for the year ended December 31, 2018. Expenses include salaries to administer the Fund and office expenses.

Contributions:

The Fund receives fifty percent of the license fee on the sale of drivers' and chauffeurs' licenses in the City of New Orleans. The Fund received \$253,319 in 2018.

Act No. 793 of the 2004 regular session went into effect July 8, 2004 requiring that all excess revenue over operating expenses related to driver's license fees in New Orleans be remitted to Municipal Police Employees' Retirement System. The Fund remitted \$140,315 during the year ended December 31, 2018.

Plan Administration and Trusteeship

The Fund is administered by a Board of Trustees. Based on State statute, the board shall be composed of the Superintendent of Police, Director of Finance, Deputy Chief of the Police Department, all former Chiefs of Police, 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.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of Accounting Policies

The financial statements are prepared in accordance with the standards established by the GASB.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Investment Transactions

The Fund holds only short-term investments with a remaining maturity at the time of purchase of one year or less which are reported at amortized costs, which approximate fair value.

Purchases and sales of investments are recorded on a trade date basis. Costs of investments disposed of are determined on the average cost basis. Interest income is recognized on an accrual basis.

Payments of Death Benefits

Benefits and refunds are recognized when due and payable in accordance with the terms of the fund.

3. 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. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve.

The Annuity Savings balance is \$366,494 at December 31, 2018 and it is fully funded. 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.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. Reserves (Continued)

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 \$616,635 at December 31, 2018 and it is fully funded.

C) Pension Accumulation:

The Pension Accumulation consists of contributions from the driver's license fees, interest earned on investments, and any other income not covered by other accounts. This fund is relieved when expenditures are not covered by other accounts. The Pension Accumulation balance is \$582,158 at December 31, 2018.

4. Cash

Demand deposits account at December 31, 2018, for the Fund is summarized as follows:

<u>Carrying Amount</u>	<u>Bank Balance</u>
\$45,515	\$46,998

The Fund's bank balance of deposits at December 31, 2018, is not exposed to any custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned.

5. Investments

Investment policy - The Board of Trustees shall have full power to invest and reinvest such funds, subject to the prudent-man rule limitations regarding investments set forth in Subtitle I, Chapter 4, Part II, Subpart I of Title 11 of Louisiana Revised Statutes and shall have full power to hold, purchase, sell, assign, transfer, and dispose of any of the securities and investments in which any of the funds created herein shall have been invested, as well as the proceeds of said investments and any monies belonging to said funds. The following was the asset allocation policy as of December 31, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Money Market	100%

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 1.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

6. Net Other Postemployment Benefits Liability (Assets) of the City of New Orleans

The components of the net OPEB liability (asset) of the Fund at December 31, 2018, were as follows:

Total OPEB liability	\$ 495,757
Plan fiduciary net position	1,565,287
City's net OPEB liability (asset)	<u>\$ (1,069,530)</u>

Plan fiduciary net position as a percentage of the total OPEB liability (asset) (215.74)%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	None
Salary increases	None
Discount rate	2.5% annually, which is the Federal Funds Rate at December 31, 2018
Healthcare cost trend rates	None

Mortality rates were based on the SOA RP 2000 Combined Tables.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of ongoing evaluations of the assumptions from December 31, 2014 to December 31, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Money Market	2.5%

POLICE PENSION FUND OF THE
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

6. Net Other Postemployment Benefits Liability (Asset) of the City of New Orleans (continued)

Discount Rate – The discount rate used to measure the total OPEB liability was 2.50%. The projection of cash flows used to determine the discount rate assumed that the City’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Fund’s investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB asset to changes in the discount rate – The following represents the net OPEB asset of Police Pension Fund, as well as what the Police Pension Fund’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.5%) or 1-percentage-point higher (3.5%) than the current discount rate:

	1.0% Decrease (1.5%)	Current Discount Rate (2.5%)	1.0% Increase (3.5%)
Total OPEB liability	\$ 532,756	\$ 495,757	\$ 463,034
Plan fiduciary net position	1,565,287	1,565,287	1,565,287
Net OPEB liability (asset)	<u>\$ (1,032,531)</u>	<u>\$ (1,069,530)</u>	<u>\$ (1,102,253)</u>

7. Measurement of Pension Liability

GASB Statement No. 67 defines the financial reporting standards for pension plans. Statement No. 67 enhances note disclosures and required supplementary information for defined benefit pension plans. The Fund is a fiduciary fund to provide for the payment of remaining assets to the beneficiaries of deceased members and refunding of deposits that are being held for inactive members who left without vesting and have not yet requested a refund. The Fund no longer functions as a pension trust fund. The Fund Administrator has evaluated the requirements of Statement No. 67 and determined that the reporting requirements are not applicable to the Fund.

REQUIRED SUPPLEMENTARY INFORMATION

Police Pension Fund of the City of New Orleans
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
For the Year Ended December 31, 2018

Total OPEB Liability	
Service cost	\$ -
Interest	12,252
Changes of benefit terms	-
Differences between expected and actual experience	(6,572)
Changes of assumptions	-
Benefit payments	-
Net change in total OPEB liability	<u>5,680</u>
Total OPEB liability - beginning	<u>490,077</u>
Total OPEB liability - ending (a)	<u><u>\$ 495,757</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 253,454
Contributions - member	-
Net investment income	22,243
Benefit payments	(48,000)
Administrative expense	(112,592)
Net change in plan fiduciary net position	<u>(25,210)</u>
Plan fiduciary net position - beginning	<u>1,590,497</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,565,287</u></u>
Net OPEB liability (asset) - ending (a) - (b)	<u><u>\$ (1,069,530)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	-215.74%
Covered payroll	\$ -

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended December 31, 2018.

Changes of Assumptions. There were no changes of assumptions for the year ended December 31, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Police Pension Fund of the City of New Orleans
Schedule of Employer Contributions
For the Year Ended December 31, 2018

Actuarially determined contribution	\$ -
Contributions in relation to the actuarially determined contribution	
Employer contributions to trust	-
Employer-paid retiree premiums	-
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	<u>\$ -</u>
Contributions as a percentage of covered payroll	0.00%

Notes to Schedule:

Valuation date December 31, 2018
Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported.

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Inflation	None
Healthcare trend	None
Salary increases	None
Investment return	2.50%
Retirement age	100% of participants are retired
Mortality	SOA RP-200 Combined Mortality Table
Turnover	0%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Police Pension Fund of the City of New Orleans
Schedule of Investment Returns
For the Last Nine Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	1.46%	0.48%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Annuity Savings</u>	<u>Pension Reserve</u>	<u>Pension Accumulation</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR	\$ 366,494	\$ 664,635	\$ 559,368	\$ 1,590,497
REVENUES AND TRANSFERS				
Drivers' and chauffeurs' licenses	-	-	253,319	253,319
Other - Miscellaneous	-	-	135	135
Net investment income	-	-	22,243	22,243
	<u>-</u>	<u>-</u>	<u>275,697</u>	<u>275,697</u>
EXPENDITURES AND TRANSFERS				
Benefits paid	-	48,000	-	48,000
Transfers to other state retirement systems	-	-	140,315	140,315
Administrative services	-	-	112,592	112,592
	<u>-</u>	<u>48,000</u>	<u>252,907</u>	<u>300,907</u>
NET (DECREASE) INCREASE	<u>-</u>	<u>(48,000)</u>	<u>22,790</u>	<u>(25,210)</u>
BALANCE - END OF YEAR	<u>\$ 366,494</u>	<u>\$ 616,635</u>	<u>\$ 582,158</u>	<u>\$ 1,565,287</u>

See independent auditors' report.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Office salaries	\$ 103,200
Office expense	1,497
Payroll taxes	<u>7,895</u>
	<u>\$ 112,592</u>

See independent auditors' report.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head Name: Harold Hand

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 53,628
Benefits	-
Reimbursements	-
	<u>\$ 53,628</u>

See independent auditors' report.

**INDEPENDENT AUDITORS' 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**

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

We have audited, in accordance with the 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, the financial statements of the Pension Fund of the City of New Orleans (the Fund) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2019

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF AUDITORS' RESULTS:

1. The opinion issued on the financial statements of Police Pension Fund of the City of New Orleans for the year ended December 31, 2018 was unmodified.

2. **Internal Control:**

Significant deficiencies: None noted

Material weaknesses: None noted

3. **Compliance and Other Matters:**

Noncompliance material to financial statements: None noted.

**FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:**

None

SUMMARY OF PRIOR YEAR FINDINGS:

None

**POLICE PENSION FUND OF
THE CITY OF NEW ORLEANS**

**REPORT ON STATEWIDE AGREED-UPON PROCEDURES
ON COMPLIANCE AND CONTROL AREAS**

FOR THE YEAR ENDED DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To Board of Trustees of the Police Pension Fund of the City of New Orleans
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Police Pension Fund of the City of New Orleans (the "Fund") and the Louisiana Legislative Auditor ("LLA") ("specified users") on the control and compliance ("C/C") areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the fiscal period January 1, 2018 through December 31, 2018. The Fund's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2019

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*”. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, “*procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity*” is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

No exceptions noted.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Fund does not have a purchase requisition and purchase order system due to the nature of the Fund. Most expenses are related to payroll expenses and benefit payments.

Policies lack detail for (1) how purchases are initiated; (2) how vendors are added to the vendor list; (4) controls to ensure compliance with the public bid law or state purchasing rules and regulations; and (5) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving

No written policies and procedures were provided.

- d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No written policies and procedures were provided.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No written policies and procedures were provided.

- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No written policies and procedures were provided.

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

No exception noted. No credit cards, debit card, fuel cards and P-cards were used.

- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

No written policies and procedures were provided.

- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

No written policies and procedures were provided.

- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable. No debt issued by the Fund.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Management identified the Fund's one bank account which is the main operating account.

We selected 1 bank account and obtained the bank reconciliation for the month ending June 30, 2018, and subjected to the below procedures.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Not applicable.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the 1 deposit site and performed the procedures below.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for the deposit site selected in procedure #4 was provided and included a total of 1 collection location. No exceptions were noted as a result of performing this procedure.

We selected the one collection location for the deposit site. Review of the Fund's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

We performed the procedures above and noted the following exception:

- *No written documentation stating that the person responsible for collecting cash is not required to share the same cash register or drawer with another employee.*

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

We performed the procedures above and noted the following exception:

- *No written documentation stating that the fund has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.*
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

We performed the procedures above and noted the following exception:

- *No written documentation stating that the fund has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.*
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

We performed the procedures above and noted the following exception:

- *No written documentation stating that the fund has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.*
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Management stated that all employees who have access to cash are bonded and/or covered under the Fund's insurance policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

We randomly selected two deposit dates for the bank account selected in procedure #3. We obtained supporting documentation for each of the 2 deposits and performed the procedures below.

- a) Observe that receipts are sequentially pre-numbered.

Not applicable. The Fund receives one check each month for the license fee on the sale of drivers' and chauffeurs' licenses in the City of New Orleans.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected 1 location and performed the procedures below.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

Review of the Fund's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We performed the procedures above and noted the following exception:

- *None of the items tested were initiated using a requisition/purchase order system. The Fund does not utilize a requisition / purchase order system, and written policies and procedures do not require such documentation.*

- b) At least two employees are involved in processing and approving payments to vendors.

We performed the procedures above and noted the following exception:

- *None of the items tested were initiated using a requisition/purchase order system. The Fund does not utilize a requisition / purchase order system, and written policies and procedures do not require such documentation.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

We performed the procedures above and noted the following exception:

- *None of the items tested were initiated using a requisition/purchase order system. The Fund does not utilize a requisition / purchase order system, and written policies and procedures do not require such documentation.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

We performed the procedures above and noted the following exception:

- *None of the items tested were initiated using a requisition/purchase order system. The Fund does not utilize a requisition / purchase order system, and written policies and procedures do not require such documentation.*

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Management represented that the Fund did not incur any travel or travel related expenses.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Not applicable. The Fund did not incur any travel or travel related expenses.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not applicable. The Fund did not incur any travel or travel related expenses.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Not applicable. The Fund did not incur any travel or travel related expenses.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable. The Fund did not incur any travel or travel related expenses.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
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Schedule A

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected all (2) employees/officials and performed the specified procedures. No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

We performed the procedures above and noted the following exception:

- *No documentation of daily attendance and leave was provided.*
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

We performed the procedures above and noted the following exception:

- *No documentation of daily attendance and leave was provided.*
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

We performed the procedures above and noted the following exception:

- *No documentation of daily attendance and leave was provided.*
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files:

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
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Schedule A

Management represented that no employees were terminated during the fiscal period.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

Schedule A

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management stated that there was no misappropriation of public funds or assets.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedures above and noted exceptions. The notice required by R.S. 24:523.1 was not posted on premise or website.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
DECEMBER 31, 2018

Schedule B

Written Policies and Procedures

1b) Purchasing: No written policy manual. Policy and procedures are determined by a quorum of board members. The office only makes purchases for small office expenses under \$100 (office supplies, ink, paper, etc.) There is no cost/benefit for the establishment of the written policies and procedures due to the nature of operations of the Fund.

1c) Disbursements: Disbursements are made to deceased members from the benefits account at the fixed rate of \$2,000 per member.

1d) Receipts: The only receipts are interest on investment and checking accounts.

1e) Payroll/Personnel: No written policy. Policy and procedures are determined by a quorum of board members.

1f) Contracting: We have only 1 contract for internet/computer service. This is under \$500 per year. No written policy established.

1h) Travel and expense reimbursement: We do not have any travel expenses. No written policy related to expense reimbursement.

1i) Ethics: No written policy. Form 417 is filed annually with the State of Louisiana.

Collections

5a - d) Cash Collections: No written policy. Collections are mainly received from the Municipal Police Employees Retirement System and the Louisiana Department of Public Safety. Monthly receipts and disbursements are reviewed and approved by the board quarterly.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

9) Utilization of requisition/purchase order system: The Fund has never had a requisition/purchase order system because one is not needed for the operation of the Fund.

10) Non-payroll disbursements and segregation of duties: The Fund has never had a requisition/purchase order system because one is not needed for the operation of the Fund.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14c) Written Policies: There is no written policy or procedures related to expense reimbursement. The Fund does not have travel expenses.

POLICE PENSION FUND OF THE CITY OF NEW ORLEANS
AGREED-UPON PROCEDURES
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
DECEMBER 31, 2018

Schedule B

Payroll and Personnel

17) Documentation of attendance and leave records: The Board President's review of employees' leaves is informal and there is no written documentation since there are only two employees in the office.