



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Firefighters' Pension and Relief Funds of the City of New Orleans (the Plan), as of December 31, 1995 and have issued our report thereon dated August 7, 1996. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion based on our audit. The financial statements of the Firefighters' Pension and Relief Fund as of December 31, 1994, were audited by other auditors whose report dated May 22, 1995, expressed an unqualified opinion on those statements.

We have conducted our audit in accordance with generally accepted auditing standards 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.

The management of the Plan is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Plan, for the year ended December 31, 1995, we obtained an understanding of the internal control structure.

With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion. For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

**E. CASH AND INVESTMENTS**

As of December 31, 1995, the Firemen Pension and Relief Funds had the following cash accounts and related FDIC insurance and/or other types of collateral to secure the plans accounts:

Institution and Account	Book Balance	Bank Balance	Amount of Depository Ins. or Collateral
<i>Old System</i>			
<u>FNBC</u>			
433778	\$1,775,110	\$1,416,380	\$1,416,380
440455	2,214	2,229	2,229
440444	37,696	46,055	46,055
<u>New Orleans Firemen Federal Credit Union</u>			
01000	51,372	51,373	51,373
Cash On Hand	12		
TOTAL	<u>\$1,866,404</u>	<u>\$1,516,037</u>	<u>\$1,516,037</u>
<i>New System</i>			
<u>FNBC</u>			
440356	<u>\$412,645</u>	<u>\$ 336,059</u>	<u>\$ 336,059</u>

State statutes restrict the City of New Orleans and all subdivisions, except for the Pension Trust Fund, to invest in U.S. bonds, treasury notes, and other federally-insured investments. The City of New Orleans also may invest in repurchase agreements secured by U.S. Government obligations.

The Plan investments are categorized below to give an indication of the level of risk assumed by the Plan at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Plan's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institutions or by its trust departments, or agent, but not in the Plan's name.

## OLD SYSTEM

	CATEGORY			Cost	Market Value
	1	2	3		
Third Attranco Tanker Corp.	\$ 510,000			\$ 510,000	\$ 510,000
REPO	2,300,000			2,300,000	2,300,000
Franchise Finance Corp. (FFCA)	51,779			51,779	51,779
<b>TOTAL</b>	<b>\$2,861,779</b>			<b>\$2,861,779</b>	<b>\$2,861,779</b>

## NEW SYSTEM

	CATEGORY			Cost	Market Value
	1	2	3		
Cash Equivalent Trusts			\$3,049,392	\$ 3,049,392	\$ 3,049,392
U.S. Government Securities		\$29,173,435		29,173,435	30,848,940
Municipal Bonds		11,558,115		11,558,115	11,612,710
Corporate Bonds		15,888,968		15,888,968	16,340,468
Common Stock	\$56,731,805			56,731,805	71,399,514
Preferred Stock	151,227			151,227	175,050
	<b>\$56,883,032</b>	<b>\$56,620,518</b>	<b>\$3,049,392</b>	<b>\$116,552,942</b>	<b>\$133,426,074</b>

### F. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments relate to several prior year accounting errors noted during our examination, as follows:

Prior Period Adjustment - Amortization of Bonds Prior to 1995

Amortization of premiums and/or discounts of bonds were not properly recorded during the prior years, affecting prior year fund balance totaling \$307,667.

Prior Period Adjustment - Money Management Fee for 4th Quarter 1994

The fees payable to the money manager for the fourth quarter of 1994 had not been properly recorded, totaling \$142,836.

Prior Period Adjustment - Other Adjustments

This balance of \$171,213 represents the net affect of other accounting errors which were noted during our examination. We were unable to specifically identify the nature of the errors other than their effect on fund balance.

Accounting Controls

- Revenue, Accounts Receivable, and Cash Receipts Cycle
- Purchases, Accounts Payable, and Cash Disbursements Cycle
- Property, Plant, and Equipment
- General ledger and Financial Reporting
- Compliance with Laws and Regulations

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and the City of New Orleans. However, this report is matter of public record, and its distribution is not limited.



New Orleans, Louisiana

August 7, 1996



## SCHEDULE II

### REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

#### **FIREFIGHTERS' PENSION AND RELIEF FUND NEW SYSTEM HISTORICAL TREND INFORMATION**

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Historical trend information since 1989 is designed to provide information about the Firefighters' Pension and Relief Fund-New System's progress made in accumulating sufficient assets to pay benefits when due, is presented on the following schedule:

#### ANALYSIS OF FUNDING PROGRESS

Year	Net Assets (1)	Pension Benefit Obligation (2)	Percentage Funded (1÷2) (3)	Unfunded Pensions Benefit Obligation (2-1) (4)	Annual Covered Payroll (5)	Unfunded Pension Benefit as a Percentage of Covered Payroll (4÷5) (6)
1989	\$ 70,133,476	\$ 69,765,384	1.01%	\$ (368,092)	\$17,304,950	2.127%
1990	77,600,872	76,758,408	1.01%	(842,464)	17,976,156	4.687%
1991	86,552,303	86,421,287	1.00%	(131,016)	18,638,970	0.703%
1992	94,435,887	94,700,909	1.00%	265,022	19,912,587	1.331%
1993	107,440,280	99,907,330	1.08%	(7,532,950)	20,867,630	36.099%
1994	113,303,832	107,916,844	1.05%	(5,386,988)	20,840,264	25.849%
1995	117,610,265	117,846,447	1.00%	236,182	22,220,453	1.063%

## SCHEDULE I (Continued)

### OLD SYSTEM REVENUE BY SOURCE

Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total
1989	(37)	11,950,800	114,363	447,412	12,512,538
1990	0	13,029,780	173,361	767,677	13,970,818
1991	0	13,165,416	110,966	729,277	14,005,659
1992	0	12,474,761	120,277	748,259	13,343,297
1993	0	13,628,524	82,543	859,812	14,570,879
1994	0	14,123,932	84,299	766,302	14,974,533
1995	0	13,923,172	179,002	853,254	14,955,428

### OLD SYSTEMS EXPENSES BY TYPE

Year	Benefits	Administrative Expenses	Refunds	Total
1989	12,190,318	174,124	0	12,364,442
1990	12,729,873	222,792	38	12,952,703
1991	13,036,493	260,225	0	13,296,718
1992	13,362,732	320,251	0	13,682,983
1993	13,696,072	344,874	0	14,040,946
1994	13,849,806	328,854	0	14,178,660
1995	14,423,875	384,818	0	14,808,693

# SCHEDULE I

## REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

### FIREFIGHTERS' PENSION AND RELIEF FUND OLD SYSTEM HISTORICAL TREND INFORMATION

---

Historical trend information since 1989 is designed to provide information about the Firefighters' Pension and Relief Fund-Old System's progress made in accumulating sufficient assets to pay benefits when due, is presented on the following schedule:

#### ANALYSIS OF FUNDING PROGRESS

Year	Net Assets (1)	Pension Benefit Obligation (2)	Percentage Funded (1÷2) (3)	Unfunded Pensions Benefit Obligation (2-1) (4)	Annual Covered Payroll (5)	Unfunded Pension Benefit as a Percentage of Covered Payroll (4÷5) (6)
1989	\$ 909,377	\$151,677,622	0.60%	\$150,768,245	\$4,049,380	3723.24%
1990	1,927,530	152,545,622	1.26%	150,618,092	3,597,052	4187.26%
1991	2,636,433	153,158,283	1.72%	150,521,850	3,295,196	4567.92%
1992	2,296,747	155,159,169	1.48%	152,862,422	3,019,121	5063.14%
1993	2,826,979	155,197,728	1.82%	152,370,749	2,864,367	5319.53%
1994	3,622,853	154,585,346	2.34%	150,962,493	2,617,351	5767.76%
1995	3,769,588	166,030,162	2.27%	162,260,574	2,505,605	6475.90%

**REQUIRED SUPPLEMENTARY INFORMATION**



## SCHEDULE II (Continued)

### NEW SYSTEM REVENUE BY SOURCE

Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total
1989	1,004,032	2,300,376	5,224,311	0	8,528,719
1990	939,725	2,847,583	5,898,748	0	9,686,056
1991	1,001,139	2,635,584	8,047,573	0	11,684,296
1992	929,870	2,932,621	7,580,048	0	11,442,539
1993	892,937	2,943,408	4,576,362	0	8,412,707
1994	1,015,389	3,060,000	5,562,594	0	9,637,983
1995	880,460	2,432,809	4,657,772	4,733	7,975,774

### NEW SYSTEMS EXPENSES BY TYPE

Year	Benefits	Administrative Expenses	Refunds	Total
1989	1,523,013	0	54,103	1,577,116
1990	1,755,952	461,358	1,350	2,218,660
1991	2,144,416	512,597	75,853	2,732,866
1992	2,529,351	874,477	155,125	3,558,953
1993	2,553,532	762,243	141,679	3,457,454
1994	2,842,177	701,467	59,483	3,603,127
1995	3,297,893	694,170	13,322	4,005,385

**FIREFIGHTERS' PENSION AND RELIEF FUNDS**

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to pay current expenses. Employer contributions made at December 31, 1995 and 1994 were \$13,923,172 and \$14,123,932 respectively. In addition, the fund receives fire insurance premium taxes amounting to 2% of the fire insurance premiums written in the City of New Orleans.

The following actuarial assumptions are based upon the presumption that the plan will continue. Were the plan to terminate, different actuarial assumptions and other factors might be applicable in determining the pension benefit obligations.

At December 31, 1995, the unfunded pension benefit obligation was \$162,260,574 and \$236,182 for the Old System and New System, respectively. The following is an illustration of the Pension Benefit Obligation:

Pension Benefit Obligations:

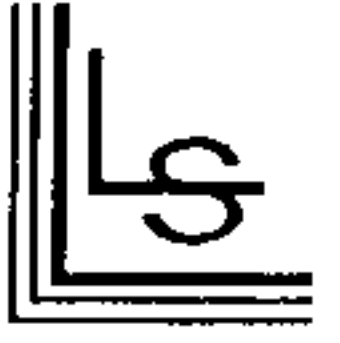
	OLD SYSTEM	NEW SYSTEM
Retirees and Beneficiaries Currently Receiving benefits and terminated employees	\$146,737,393	\$ 40,860,085
Not yet receiving benefits		
Accumulated employee contributions allocated investment income	1,239,737	16,972,391
Employer-financed non-vested	18,053,032	60,013,971
Total Pension Benefit Obligation	166,030,162	117,846,447
Net Assets Available for Benefits at Cost	3,769,588	117,610,265
Unfunded Pension Benefit Obligation	<u>\$162,260,574</u>	<u>\$ 236,182</u>

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*A Corporation of Certified Public Accountants*

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**FIREFIGHTERS' PENSION AND RELIEF FUNDS  
OF THE CITY OF NEW ORLEANS**

**FINANCIAL STATEMENTS**

**TOGETHER WITH AN INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED**

**DECEMBER 31, 1995**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1994)**

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

Release Date **DEC 24 1996**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Firefighters' Pension and Relief Funds of the City of New Orleans (the Plan), as of December 31, 1995 and have issued our report thereon dated August 7, 1996. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion based on our audit. The financial statements of the Firefighters' Pension and Relief Funds as of December 31, 1994, were audited by other auditors whose report dated May 22, 1995, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards 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 from material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Plan is the responsibility of the Plan's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Plan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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 of the Board of Directors, management, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.

New Orleans, Louisiana  
August 7, 1996

## **EXHIBIT I**

### **FINDINGS AND RECOMMENDATIONS**

#### **PROPER RECORDING OF AMORTIZATION OF PREMIUMS AND DISCOUNTS**

As a result of our examination we noted that the proper amortization of premiums and discounts on investments were not computed and recorded. This condition resulted in misstatement of the gain or loss on sale of investments in prior periods. Prior period adjustments were recorded in our audit to properly correct the affect of the misstatement.

We recommend that management establish an investment subsidiary report to track the amortized and unamortized discounts and premiums on investments.

#### **AUDIT REPORT NOT TIMELY FILED**

The Legislative Auditor for the State of Louisiana requires that audits of municipalities and their related component units be filed with the Legislative Auditor's Office within six (6) months of the close of the entity's fiscal year. Due to delays in availability of accurate and complete accounting records, the audit report was submitted after the required deadline.

We recommend that management take necessary measures to expedite the year-end closing and preparation of complete and accurate financial statements. These improvements should allow for timely submission of the annual audit report.





**INDEPENDENT AUDITORS REPORT**

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

We have audited the accompanying balance sheet of the Firefighters' Pension and Relief Funds of the City of New Orleans (a component unit of the City of New Orleans) as of December 31, 1995, and the related statement of revenue, expenses, and changes in fund balance for the year 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 audit. The financial statements of the Firefighters' Pension and Relief Funds as of December 31, 1994, were audited by other auditors, whose report dated May 31, 1995, expressed an unqualified opinion on these statements.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. 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 the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Firefighters' Pension and Relief Funds of the City of New Orleans as of December 31, 1995, and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles.

New Orleans, Louisiana  
August 7, 1996

**NEW ORLEANS FIREFIGHTERS' PENSION AND RELIEF FUNDS**

**BALANCE SHEET**

**AS OF DECEMBER 31, 1995**

**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 1994)**

	OLD SYSTEM 1995	OLD SYSTEM 1994	NEW SYSTEM 1995	NEW SYSTEM 1994
<b>ASSETS</b>				
Cash (Note E)	\$1,866,404	\$2,215,383	\$412,645	\$ 1,448,788
Accrued Interest and Dividends	9,067	265	852,901	708,466
Employer Contributions Receivable	289,926	0	202,579	65,154
INVESTMENTS AT COST (Note E)	2,861,779	2,561,779	116,552,942	111,341,795
Equipment, Net of Accumulated Depreciation of \$6,877	15,321	0	0	0
<b>TOTAL ASSETS</b>	<b>\$5,042,497</b>	<b>\$4,777,427</b>	<b>\$118,021,067</b>	<b>\$113,564,203</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accrued Pensions	\$1,250,100	\$1,150,291	\$274,855	\$ 260,371
Accounts Payable and Accrued Expenses	22,809	4,283	135,947	0
<b>TOTAL LIABILITIES</b>	<b>1,272,909</b>	<b>1,154,574</b>	<b>410,802</b>	<b>260,371</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$3,769,588</b>	<b>\$3,622,853</b>	<b>\$117,610,265</b>	<b>\$113,303,832</b>
<b>Fund Balance</b>				
Actuarial Present Value of Projected Benefits Payable to Current Retirants and Beneficiaries	\$146,737,393	\$135,668,048	\$ 40,792,965	\$ 37,126,824
Actuarial Present Value of Projected Benefits Payable to Terminated Vested Participants	0	0	67,120	0
Actuarial Present Value of Credited Projected Benefits for Active Employees	0	0	0	0
Member Contributions	1,239,737	1,411,991	16,972,391	16,023,720
Employer- Financed Portion	18,053,032	17,505,307	60,013,971	54,766,300
<b>TOTAL ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS</b>	<b>166,030,162</b>	<b>154,585,346</b>	<b>117,846,447</b>	<b>107,916,844</b>
Net Assets (Liability) in Excess of Actuarial Present Value of Credited Projected Benefits (Note D)	(162,260,574)	(150,962,493)	(236,182)	5,386,988
<b>TOTAL FUND BALANCE</b>	<b>3,769,588</b>	<b>3,622,853</b>	<b>117,610,265</b>	<b>113,303,832</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 5,042,497</b>	<b>\$ 4,777,427</b>	<b>\$ 118,021,067</b>	<b>\$ 113,564,203</b>

*See accompanying notes to the financial statements.*

**NEW ORLEANS FIREFIGHTERS' PENSION AND RELIEF FUNDS**

**STATEMENT OF REVENUES AND EXPENDITURES  
AS OF DECEMBER 31, 1995  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 1994)**

	OLD SYSTEM 1995	OLD SYSTEM 1994	NEW SYSTEM 1995	NEW SYSTEM 1994
<b>OPERATING REVENUES</b>				
City Appropriations (Note D)	\$13,923,172	\$14,123,932	\$2,432,809	\$3,060,000
Member	0	0	880,460	1,015,389
State Insurance Rebate	853,254	766,302	0	0
Investment Income	179,002	84,299	4,071,930	4,528,557
Gain (Loss) on Sale of Investments	0	0	590,575	1,034,037
<b>Total Operating Revenues</b>	<b>14,955,428</b>	<b>14,974,533</b>	<b>7,975,774</b>	<b>9,637,983</b>
<b>OPERATING EXPENDITURES</b>				
Retirement Benefits Paid	14,384,352	13,801,806	3,287,893	2,836,270
Refunds of Contributions	0	0	13,322	59,483
Death Benefits	24,400	48,000	10,000	6,000
Drop Benefits	15,123	0	0	0
Administrative Expenses	384,818	328,854	694,170	701,467
<b>Total Operating Expenses</b>	<b>14,808,693</b>	<b>14,178,660</b>	<b>4,005,385</b>	<b>3,603,220</b>
<b>Net Income (Loss)</b>	<b>146,735</b>	<b>795,873</b>	<b>3,970,389</b>	<b>6,034,763</b>
Fund Balance At Beginning Of Year As Previously Reported	3,622,853	2,826,980	113,303,832	107,269,069
Prior Period Adjustment-Amortization of Bonds Prior to 1995	0	0	307,667	0
Prior Period Adjustment-Money Manager Fee for Fourth Quarter of 1994	0	0	(142,836)	0
Prior Period Adjustment- Other Adjustments	0	0	171,213	0
Fund Balance At Beginning of Year-Restated	3,622,853	2,826,980	113,639,876	107,269,069
Fund Balance At End of Year	<b>\$3,769,588</b>	<b>\$3,622,853</b>	<b>\$117,610,265</b>	<b>\$113,303,832</b>

*See accompanying notes to the financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

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### A. PLAN DESCRIPTION

The following brief description of the Firefighters' Pension and Relief Funds of the City of New Orleans, is provided for general information purposes only. Participants should refer to the Plan agreements from complete information.

The Firefighters' Pension and Relief Funds of the City of New Orleans are defined benefit pension plans established under the laws of the State of Louisiana. The Firefighters' Pension and Relief Funds are considered part of the City of New Orleans (the City) financial reporting entity and is included in the City's financial reports as a pension trust fund.

The Firefighters' Pension and Relief Funds of the City of New Orleans, is divided into two plans, the old system and the new system. Each of the aforementioned systems are described in detail below:

#### *Old System*

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Under the Old System, employees become eligible for retirement allowances after twenty years of active continuous service in the fire department. The pension amount is calculated based upon a percentage of the retiree's average compensation during the latest years of continuous service earned by the retiree and can range from fifty (50) to eighty (80) percent. The mandatory retirement age is sixty-five. The Old System also provides death and disabled benefits.

Employer contributions to the Old System are on a monthly basis for the amount necessary to pay current expenses. Annual contributions to the Old System do not include amortization of past service cost. In effect, this old plan is being funded on a "pay-as-you-go" basis. However, as previously noted, no new participants have entered into such plan since December 31, 1967; therefore, the City believed that the difference between this method and the method required under generally accepted accounting principles would not have a material effect on the accompanying general purpose financial statements.

Other funding received by the Old System consists of a tax equal to two (2) percent of the fire insurance premiums written in Orleans Parish.

#### *New System*

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Under the New System employees become eligible for retirement benefits after twenty years of active continuous service in the fire department. The pension amount is calculated based upon the average of the highest four (4) consecutive years' compensation, multiplied by two (2) and one half percent of each year of



At the end of December 31, 1995, the Firefighters' Pension and Relief Funds' membership consisted of the following:

	OLD SYSTEM	NEW SYSTEM
Retirement and Beneficiaries currently receiving benefits	923	208
Terminated with contributions on deposit with the System	0	67
Current Employees:		
Vested	65	199
Non-Vested	0	507
TOTAL	988	981

When an active or retired survivor dies, his designated beneficiary is entitled to death benefits. The amount of the survivor benefit is contingent upon whether the deceased fireman's death was related to his employment duties.

An employee who leaves the City fire department is entitled to a refund of all of his accumulated contribution, plus interest, made under the New System. Refunds to an employee who leaves the employment of the fire department under the Old System are based on eighty (80) percent of the employee's accumulated contributions.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies followed by the Plan:

*Basis of Accounting* - The accompanying financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed.

*Method used to Value Investments* - The Plans equity securities are reported at cost subject to adjustment for market declines judged to be other than temporary. Fixed-income securities are reported at amortized cost with discounts or premiums amortized using the effective interest rate method, subject to adjustment for market declines judged to be other than temporary. Investment income is recognized as earned. Gains and loss on sales and changes of fixed-income securities are recognized on the transaction date.

*Equipment* - Equipment is recorded at cost. Maintenance and Repairs are charged to operations as incurred, whereas, significant renewals an/or betterments are capitalized. The equipment is depreciated on a straight-line basis based over a (3) to five (5) year estimated useful life.

**C. FUNDING STATUS AND PROGRESS**

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Firefighters' Pension and Relief Funds' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the Firefighters' Pension and Relief Funds, discussed in Note D.

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1995. Significant actuarial assumptions used include:

	OLD SYSTEM	NEW SYSTEM
Life Expectancy	110% of the 1971 Group Annuity Mortality Table six year setback for females	110% of the 1971 Group Annuity Mortality Table six year set back for females
Retirement Age Assumptions	Actual experience	Projected retirement at age fifty-five or first eligible to retire 67
Valuation Interest Rate	7.5%	7.5%
Projected Salary Increases	5% Annually	5% Annually
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method	Aggregate Actuarial Cost Method

**D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

The Firefighters Pension & Relief Funds funding policy is as follows for the New System and Old System.

*New System* - Employees contribute 6% of pay. Member contributions cease when the member becomes eligible to retire. Employer contributions are made monthly to pay the actuarially determined contributions for the prior year. Actuarially determined contributions made since 1987 have been on the Aggregate Actuarial Cost Method. The City's contributions are made one year in arrears and paid on a monthly basis. Employer contributions made at December 31, 1995 and 1994 were \$2,432,809 and \$3,060,000.

*Old System* - Employees contribute 6% of pay. Member contributions cease when the member becomes eligible to retire. Employer contributions are made monthly



LUTHER C. SPEIGHT & COMPANY  
A Corporation of Certified Public Accountants

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August 23, 1996

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

Dear Mayor and Members of the City Council:

In planning and performing our audit of the financial statements of the Firefighters Pension and Relief Fund of the City of New Orleans for the year ended December 31, 1995 (on which we have issued our report dated August 23, 1996), we noted the following observations concerning certain matters related to its internal control structure and accounting policies. Our comments are presented in Exhibit I.

This report is intended solely for the information and use of the Mayor, Members of the City Council of the City of New Orleans, management, and others within the organization.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

Yours truly,

*Luther C. Speight & Company*  
Luther C. Speight & Company