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**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**

FINANCIAL REPORT

Year Ended June 30, 1958

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

Released Date: FEB 3 1959

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A FORT WORTH CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Firemen's Pension and Relief Fund
of the City of Kenner, Louisiana

We have audited the accompanying statement of plan net assets of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** (the "Fund"), a component unit of the City of Kenner, Louisiana, as of and for the year ended June 30, 1998, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** as of June 30, 1998, and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 1998 on our consideration of the **Firemen's Pension and Relief Fund's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the **Pension and Relief Fund of the City of Kenner, Louisiana** taken as a whole. The required supplementary information and supporting schedule listed in the table of contents, which are also the responsibility of the Fund's management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Roberts & Company

October 30, 1998

FINANCIAL STATEMENTS

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**

STATEMENT OF PLAN NET ASSETS

June 30, 1998

ASSETS

Cash	\$ 1,026,003
Receivables:	
Interest Receivable	83,241
Fire Insurance Tax Receivable	134,607
Other Receivables	<u>80</u>
Total Receivables	<u>217,928</u>
Investments, at fair value:	
U.S. Government Securities	1,897,622
U.S. Instrumentality Securities	768,255
Corporate Bonds	2,482,335
Stocks	5,352,980
Other Investment - Money Market	<u>336,312</u>
Total Investments	<u>10,637,104</u>
Prepaid Expenses	<u>586</u>
Total Assets	<u>\$11,006,543</u>

LIABILITIES

Accrued Expenses	<u>8,285</u>
Total Liabilities	<u>8,285</u>
Fund Balance Reserved for Employees' Pension Benefits (A Schedule of Pending Progress is presented on Page 11)	<u>\$11,018,258</u>

The accompanying notes are an integral part of these financial statements.

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 1999

ADDITIONS

Contributions:

Participants	\$ 217,033
Employees:	
City of Kenner	338,576
State of Louisiana - Fire Insurance Premium Tax	<u>134,863</u>
Total Contributions	<u>688,472</u>

Investment Income:

Net Appreciation in Fair Value	1,413,884
Interest	344,887
Dividends	<u>96,523</u>
Total Investment Income	<u>1,855,294</u>

Less Investment Expense 31,581

 Net Investment Income 1,823,713

 Total Additions 2,512,185

DEDUCTIONS

Member Benefits	653,079
Continued Service Income	38,316
Refunds to Terminated Employees	2,448
Administrative Expenses	<u>37,083</u>
Total Deductions	<u>731,926</u>

Net Increase 1,780,259

Plan Net Assets

Beginning of Year	<u>9,323,371</u>
End of Year	<u><u>\$11,038,135</u></u>

The accompanying notes are an integral part of these financial statements.

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

NOTE A - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

General

The Firemen's Pension and Relief Fund of the City of Kenner, Louisiana (the "Fund"), is a single employer, Public Employee Retirement System (PERS). The Fund provides retirement, disability, and death benefits for plan members and their beneficiaries. Cost of living adjustments (COLA) are provided as amended under ACT 388 of the 1995 Regular Session of the Louisiana Legislature. Act 19 of the 1968 Regular Session of the Louisiana Legislature assigns the authority to establish and amend the benefit provisions of the Plan to the Louisiana Legislature.

The Firemen's Pension and Relief Fund adopted Statement No. 31 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". GASB Statement No. 31 requires that all investments be reported at fair value with gains and losses included in the statement of changes in plan net assets. There was no cumulative effect on equity for the year ended June 30, 1998 because investments were already reported at fair value in the prior year due to implementation of GASB Statement No. 29.

Eligibility

Every permanent, active employee of the Fire Department of the City of Kenner who is qualified as a permanent employee under the rules of the Municipal Fire and Police Civil Service Systems of the City of Kenner is eligible for participation. Coverage is also extended to those individuals who have not yet been made permanent members of the Fire Department, to provide benefits to those individuals who are injured in the line of duty, and to provide coverage for the widows and children of firemen who are killed in the line of duty.

To be eligible for normal retirement an employee must have 20 years of service if hired before April 1, 1938, 30 years of service if hired on or after April 1, 1938 and on or before September 30, 1996, and 30 years of service and upon reaching age 55 if hired after September 30, 1996.

Contributions

The Fire Department employees contribute 9% and the City of Kenner contributes 3.5% of the gross salary of participating employees. In addition, the City also contributes the fire insurance tax it receives from the State of Louisiana to the Fund. These contribution requirements were not actuarially computed, but rather were determined and authorized by Act 705 of the 1989 Regular Session of the Louisiana Legislature and approved by the City Council of the City of Kenner, Louisiana Resolution D-1679 dated February 15, 1990. Act 534 of the 1995 Regular Session of the

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1998

NOTE A - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

Louisiana Legislature was approved on June 18, 1995 and provides that the employees' contribution percentage may be increased by a vote of two-thirds of the active contributors and that the City's contribution percentage may be increased by a vote of two-thirds of the members of the Council of the City of Kenner. Administrative costs of the Plan are financed through investment earnings.

Benefits

The Plan provides for the pensioning of disabled, superannuated and/or retired members of the Fire Department of the City of Kenner, Louisiana, and their widows and/or orphans, and for the relief and aid of any member of the Fire Department in case of temporary disability. Benefit provisions of the Plan include retirement disability and death benefits for members and their beneficiaries, at varying percentages of salary or compensation, and its various stipulated amounts including workmen's compensation as defined in and limited by the Plan. In addition, funeral and burial expenses are provided for in a stated lump-sum payment.

Annual incentive bonuses equal to 10 percent of salary are available to members who continue in the service of the Fire Department after they are eligible to retire under the provisions of the Plan. All members are fully vested in their contributions to the Fund, for which contributions are refundable.

Members, upon permanent separation from service (as defined in the Plan), shall receive a lump-sum payment consisting of their individual accumulated contributions into the Plan, together with interest thereon, as determined by the Board of Trustees, but not less than 3 percent per annum. Effective October 1996, no interest will be paid until the Plan becomes actuarially sound.

Covered Payroll

The covered payroll for the Plan for the year ended June 30, 1998 was \$2,522,992.

Membership

As June 30, 1997 (latest date for which such information was available at the date of this report), the Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees who are entitled to receive benefits but not currently receiving benefits	20
Active Plan participants:	
Fully vested	1
Partially vested	83
Total	<u>100</u>

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1998

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

The following is a summary of the significant accounting policies which have been consistently applied in the preparation of the accompanying financial statements of the Fund:

Reporting Entity

GASB Codification Section 2140 establishes criteria for determining the governmental reporting entity and its component units. Component units are defined as legally separate organizations for which the elected officials of a primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit may be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Firemen's Pension and Relief Fund of the City of Kenner, Louisiana (the "Fund"), provides pensions for members and survivors of the Fire Department of the City of Kenner and is a single employer, Public Employee Retirement System (PERS). The Fund was created by Act 19 of the 1964 Regular Session of the Louisiana Legislature (as revised and amended in 1974, 1978, 1981, 1989 adopted 1990, and 1995). The Board of Trustees of the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana is the administrator of the Plan. The board is composed of five members of which three of those members include the City of Kenner's (the primary government) Mayor and two members of the City Council.

Based on the criteria listed above, it has been determined that the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana is a component unit of the City of Kenner, Louisiana for financial reporting purposes. The accompanying statements present only transactions of the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana.

Annually, the City of Kenner, Louisiana (the primary government) issues general-purpose financial statements which include the activity contained in the accompanying financial statements as a pension trust fund.

Basis of Accounting

The Fund's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized when they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1998

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS (CONTINUED)

Method Used to Value Investments

As required by Governmental Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Investments that do not have an established market are reported at estimated fair value. The Board of Trustees is authorized by Act 19 of the 1964 regular session of the Louisiana Legislature to purchase insurance policies and to invest in investments as listed in Louisiana Revised Statute 22:344 with no limitation on the percentage of capital invested.

Besides investments in the U.S. Government obligations, the Plan has no investments in any one organization which represented more than 5% of net assets held in trust for pension benefits.

Reserves

There are no assets legally reserved for purposes other than the payment of plan members benefits. There are no long-term contracts for contributions.

NOTE C - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Plan's contribution requirements are established by state statute. Employees contribute nine percent (9%) of their gross salary and the employer is required to contribute thirteen percent (13%) of the gross salary of participating employees. In addition, the employer also contributes the fire insurance premium tax it receives from the State of Louisiana to the Fund.

Contributions required and made for the year ended June 30, 1998 totaled \$700,076, which consisted of \$473,645 (18.38 percent of covered payroll) from the City and \$226,431 (9.00 percent of covered payroll) from participants.

NOTE D - DEPOSITS AND INVESTMENTS

At June 30, 1998, the carrying amount of the Fund's deposits was \$149,025 and the bank balance was \$194,385. These deposits are fully insured by the FDIC and the collateralization of securities owned by the bank.

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1998

NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

Categories of Asset Risk

The investments of the Fund are governed primarily by an investment authority known as the "prudent person" rule. The prudent person rule, as set forth by State Statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the Plan. The Fund's investments at June 30, 1998 are categorized below to give an indication of the level of risk assumed by the Fund at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Fund's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Fund's name.

	Category			Market Value
	1	2	3	
U.S. Government Securities	\$ 1,887,822	\$ -	\$ -	\$ 1,887,822
U.S. Insurability Securities (FIRAC, FINSIA and FISA)	768,155	-	-	768,155
Corporate Bonds	2,492,528	-	-	2,492,528
Stocks	236,212	-	-	236,212
Money Market	-	-	-	-
Total	\$ 5,384,717	\$ -	\$ -	\$ 5,384,717

NOTE E - PRIORITIES UPON FUND TERMINATION

Upon termination of the Fund all funds held at the time of termination shall vest and become property of the members of the Fund, and under no circumstances shall the net assets revert to the City of Kenner or any governmental agency. The Plan further provides that the City of Kenner shall reimburse the Fund in amounts equivalent to any deficit resulting from the payment of the benefits provided by the Plan.

NOTE F - TAX STATUS

The United States Treasury Department advised on October 9, 1974, that the Fund constitutes a qualified trust under Section 501(c) of the Internal Revenue Code and is, therefore, exempt from federal income taxes under the provisions of Section 501(a).

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1998

NOTE G - STATEMENT OF CASH FLOWS

In a prior year, the Fund implemented Statement No. 9 of the Governmental Accounting Standards Board, "Reporting Cash Flows of Proprietary and Nonproprietary Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". This Statement requires trust funds from reporting a statement of cash flows, and also eliminates the previous requirement that a statement of changes in financial position be included in the financial statements.

NOTE H - REQUIRED SUPPLEMENTARY INFORMATION

Funding progress and six-year historical trend information related to the Fund is presented in the required Supplementary Information section of this report. The information is presented to enable the reader to assess the progress made by the Fund in accumulating sufficient assets to pay pension benefits as they become due.

NOTE I - SUBSEQUENT EVENT

In March 1998, the required three-fourths vote of the active and inactive members approved the merger with the Statewide Firefighters Retirement System (SFRS). Approval for the merger was received from the SFRS and the Joint Retirement Commission. The City Council approved the merger in December 1998 and is reviewing a draft copy of the agreement sent by SFRS regarding the payment of the merger liability. This liability is estimated at \$518,307 for 30 annual payments. Because of the difference in contributions between the City's contribution of 17% as compared to the SFRS's 5% and the inclusion of the Fire Insurance Premium Tax paid into the Plan by the City this liability is reduced to an estimated \$94,251. This amount is estimated at \$1,250,000 when the present value of the liability is computed over 30 years.

The City has budgeted \$250,000 in the 98/99 fiscal year for this liability. It also plans to budget the same amount for the fiscal years 2000 through 2003.

REQUIRED SUPPLEMENTARY INFORMATION

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**
SCHEDULE OF FUNDING PROGRESS
(IN THOUSANDS OF DOLLARS)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age (B)	Unfunded AAL (A-AAL) (C=D)	Funded Ratio (D/E)	Covered Payroll (E)	AAL as a Percentage of Covered Payroll (D÷E)×100
June 30,						
1987	\$ 9,232	\$ 13,673	\$ 4,451	67.45%	\$ 2,523	176.42%
1986	7,042	12,217	5,175	57.84%	2,224	232.69%
1985	6,554	15,603	9,051	42.80%	2,649	441.75%
1984	6,128	14,783	8,655	41.45%	1,940	446.15%
1983	5,677	13,757	8,080	41.35%	1,964	410.39%
1982	5,193	12,662	7,469	41.01%	1,859	381.27%

Analysis of the dollar amounts of actuarial assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund.

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF MONROE, LOUISIANA**
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND TRUST INFORMATION

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1988	\$ 473,644	100%	\$ -
1997	497,313	100%	-
1996	456,387	100%	-
1995	410,377	100%	-
1994	380,186	100%	-
1993	373,215	100%	-

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

Valuation date	6/30/97
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	38 years
Asset valuation method	Annual method of accounting and recording investments at amortized cost
Actuarial assumptions:	
Investment rate of return:	
Before administrative expenses	18.37%
After administrative expenses	17.51%
Projected salary increases	3.0% - 6.0%
Inflation rate	3.0%

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**
OPERATING REVENUES BY SOURCE AND OPERATING EXPENSES BY TYPE

Operating Revenues by Source

Fiscal Year	Employee Contrib.,	Contributing Entities		Investment Income,	Other,	Total
		Amount,	Percentage of Annual General Fund,			
1986	\$17,083	\$470,643	19.77%	\$1,826,217	\$ -	\$2,323,943
1987	20,644	477,213	19.58%	2,239,882	-	2,737,739
1988	20,188	488,987	19.77%	402,898	-	1,094,073
1989	25,291	418,271	20.84%	472,217	488	1,096,267
1990	73,628	383,134	19.59%	338,861	48	1,095,671
1991	76,794	372,211	19.66%	602,118	7,618	1,058,741
1992	76,272	368,483	19.49%	488,247	338	1,093,340
1993	78,683	371,875	19.57%	494,841	10,885	945,284
1994	111,756	388,236	14.46%	386,583	6,470	792,045
1995	128,811	377,528	17.56%	353,111	10,348	869,800

Operating Expenses by Type

Fiscal Year	Benefits	Administrative Expenses		Contract Service Accounting	Total
		Amount	Salary		
1986	\$63,899	\$77,265	\$2,448	\$98,216	\$171,568
1987	67,187	51,385	11,675	118,247	481,583
1988	51,458	70,344	1,871	123,673	305,274
1989	51,195	46,281	2,687	100,163	311,756
1990	59,775	48,975	15,105	123,855	344,138
1991	68,698	70,842	22,775	112,315	321,311
1992	59,626	63,892	46,818	110,335	313,661
1993	58,118	78,271	76,363	118,271	312,723
1994	58,890	41,296	18,831	118,917	441,108
1995	58,777	48,778	28,617	112,172	401,354

SUPPORTING SCHEDULE

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA
SCHEDULE OF INVESTMENTS (CONTINUED)
June 30, 1998**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Market Value</u>
STOCKS				
Adiant Laboratories	nil	nil	\$ 11,007	\$ 10,000
American Communications	nil	nil	11,600	10,000
American International				
Credit Inc.	nil	nil	\$1,000	100,000
Automated Data Processing	nil	nil	100,000	100,000
Cajun One Financial Corp.	nil	nil	\$1,000	100,000
Chicope	nil	nil	100,000	100,000
Chrysler	nil	nil	100,000	100,000
Clonine, Inc.	nil	nil	100,000	100,000
Fidelity National Mortgage				
Associates	nil	nil	100,000	100,000
General Electric	nil	nil	100,000	100,000
General Company	nil	nil	100,000	100,000
Greenwood	nil	nil	100,000	100,000
Home Depot	nil	nil	100,000	100,000
Intel Corp.	nil	nil	100,000	100,000
Interpublic Group/CIH, Inc.	nil	nil	100,000	100,000
Johnson & Johnson	nil	nil	100,000	100,000
Johnson & Johnson	nil	nil	100,000	100,000
Medco	nil	nil	100,000	100,000
Parsons	nil	nil	100,000	100,000
Pharmacia	nil	nil	100,000	100,000
Rockwell International, Inc.	nil	nil	100,000	100,000
Sigma-Aldrich Corp.	nil	nil	100,000	100,000
Wegman Company	nil	nil	100,000	100,000
Web Energy Co.	nil	nil	100,000	100,000
Workman, Inc.	nil	nil	100,000	100,000
TOTAL STOCKS			<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>
OTHER INVESTMENTS				
Money Market	3.40%	nil	<u>\$ 100,000</u>	<u>\$ 100,000</u>
TOTAL INVESTMENTS			<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

**REPORT REQUIRED UNDER
GOVERNMENT AUDITING STANDARDS**

REBOWE & COMPANY

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

Board of Trustees of the
Firemen's Pension and Relief Fund
of the City of Kenner, Louisiana

We have audited the financial statements of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** (the "Fund"), a component unit of the City of Kenner, Louisiana as of and for the year ended June 30, 1998, and have issued our report thereon dated October 16, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Transpca, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Company

October 30, 1998

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MEMORANDUM OF ADVISORY COMMENTS

**FIREMEN'S PENSION AND RELIEF FUND
OF THE CITY OF KENNER, LOUISIANA**

MEMORANDUM OF ADVISORY COMMENTS

For the Year Ended June 30, 1998

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
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October 30, 1998

**To the Board of Trustees of the
Firemen's Pension and Relief Fund
of the City of Kenner, Louisiana**

Dear Board Members:

We have audited the financial statements of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** as of and for the year ended June 30, 1998, and have issued our report thereon dated October 30, 1998. As part of our audit, we considered the Firemen's Pension and Relief Fund's internal control in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding this matter. We previously reported on the Firemen's Pension and Relief Fund's internal control in a separately issued report entitled *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards*, dated October 30, 1998 and noted no material weaknesses.

We will review the status of this matter during our next audit engagement. We have already discussed these comments and recommendations with various Firemen's Pension and Relief Fund personnel and would be pleased to discuss them with you in further detail at your convenience or to assist you in implementing our recommendations.

This report is intended solely for the information and use of the Firemen's Pension and Relief Fund, the Louisiana Legislative Auditor, and others within the organization.

Rebowe & Company

YEAR 2000 COMPUTER ISSUE

COMMENT

The Year 2000 Computer Issue results from a computer's inability to process year-date data accurately beyond the year 1999. Except in recent years, computer programmers consistently have abbreviated dates by eliminating the last two digits of the year, with the assumption that these two digits would always be 19. Thus January 1, 1995, became 01/01/95. Unless corrected, this structure is expected to create widespread problems when the clock strikes 12:00:01 a.m. on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and process data inaccurately or stop processing altogether. Additionally, the use of abbreviated dates may cause failures when systems currently attempt to perform calculations into the year 2000.

The Year 2000 issue presents another challenge. The algorithms used in some computers for calculating leap years is unable to detect that the year 2000 is a leap year. Therefore, systems that are not year 2000-ready may not register the additional day, and date calculations may be incorrect. Furthermore, some software programs use several dates in the year 1999 to mean something other than the date. Examples of such dates are 01/00/99, 09/00/99, and 12/31/99. As systems process information using these dates, they may produce erratic results or stop functioning.

We recommend that you take the necessary actions to remediate or replace, and test all systems that may be negatively affected by the Year 2000 issue, particularly mission-critical systems. This project should be monitored closely to ensure completion before mission-critical systems begin to fail. Such failures may be evident before January 1, 2000. If the Fireman's Pension and Relief Fund fails to take timely and appropriate action, it may experience costly and significant application-program failures that could prevent it from performing its normal processing activities. Depending on the extent of system failures, noncompliance could have catastrophic consequences for the Fund.

Also, the Fireman's Pension and Relief Fund should implement additional verification procedures to test the accuracy of information received from its vendors, service providers, bankers, and other third-party organizations with whom it exchanges date-dependent information, because these organizations also must become year 2000 ready. The Fireman's Pension and Relief Fund also should satisfy itself that vendors, service providers, bankers, and other third-party organizations will not experience problems relating to the Year 2000 issue that could affect the Fund's operations or cash flows.

Management's Response:

The Firmen's Pension and Relief Fund will contact its accountants and other necessary third-party organizations to ensure Year 2000 compliance. The critical area is the computer used for the general ledger.