Upon the application of a member or the head of his department, any member whom the Board finds has been totally and permanently incapacitated for duty as the natural and proximate result of an accident sustained in service as an active member and occurring while in the actual performance of his duty at some definite time and place without willful negligence on his part may be retired by the Board; provided, that a physician nominated by the Board will certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for accidental disability, a member will receive a service retirement allowance, if eligible, otherwise he will receive an accidental disability retirement allowance which will consist of:

a) An annuity which is the actuarial equivalent of his accumulated contributions at the time of retirement; and

b) An annual pension equal to the difference between his annuity and 65% of his earnable compensation

Any employee whose withdrawal from active service occurs prior to his attainment of the age of sixty, who has completed at least 10 years of creditable service, may remain a member of the Retirement System by permitting his accumulated contributions to remain on deposit with the System.

Should the member have served at least 10 years before such separation, he will be entitled to receive a full service retirement after sixty which he may elect, subject to the reductions applicable to retirement before the age of sixty-two, which will be based upon the amount earned and accrued at the date of withdrawal from service.

Upon withdrawal without 10 years of creditable service, the employee is entitled to the return of his accumulated contributions with interest or the employee may allow contributions to remain on deposit for a maximum of five years.

Effective July 16, 1974, provisions were made for reciprocal transfers of service and funds between this System and the Employees' Retirement System of the Sewerage and Water Board of New Orleans. In the event an employee transfers from one employer to the other, service credits are transferred from the employee's previous account plus earned interest and all employer contributions, plus agreed-upon interest, are transferred.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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 the financial statements of the Employees' Retirement System of the City of New Orleans (the Plan), as of December 31, 1995 and have issued our report thereon dated August 23, 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 Employees' Retirement System as of December 31, 1994, were audited by other auditors whose report dated March 31, 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.

Luther C. Speight & Company

New Orleans, Louisiana
August 23, 1996

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current benefit for the each year of retirement, with a maximum the greater of $600 or $75 times each year of retirement. It was provided from the earnings on investments in excess of 6%. The Board plans to continue the cost-of-living bonus benefit as long as interest earnings are sufficient. The 1994 bonus, which totaled $1,338,486 was calculated at the rate of 3% of the current benefit for each year of retirement, with a maximum of the greater of $600 or $100 times each year of retirement.

J. CHANGE IN ACTUARIAL VALUATION

Beginning with the January 1, 1992 actuarial valuation, the actuarial valuations will be prepared using the Frozen Entry Age Actuarial Cost Method of funding. Prior to the change in funding method, the Plan had been funded using the Entry Age Normal Cost Method.

Under the Frozen Entry Age Actuarial Cost Method, the normal cost of the plan is designed to be a level percentage of payroll, calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future working lifetime is determined from each participant's hypothetical entry age into the plan assuming the plan had always been in existence, to his expected retirement date.

For the first year the actuarial accrued liability is the amount of total liability not covered by future entry age normal costs and is called the frozen actuarial liability since it is not affected by actuarial experience gains or losses in future years. This amount is composed of actuarial value of benefits already funded (assets) and those not yet funded (unfunded frozen actuarial liability).

Once established, and for valuations in subsequent years until fully amortized, the unfunded frozen actuarial liability is affected only by the normal cost, the valuation interest rate and plan contributions. The normal cost must then become the balancing item as the allocated annual portion of the remaining actuarial present value of retirement benefits. As a result, normal cost will fluctuate from year to year to account for actuarial experience.

The amortization period, which ends December 31, 2003, is being maintained. Beginning with the January 1, 1992 actuarial valuation, the amortization amount was 'frozen' and is equal to the 13 year remaining amortization amount over the period January 1, 1992 through December 31, 2003.

As a result of the change in method, the actuarial valuation of assets reflected a net decrease of $31,179,613.

The deposit administration contracts are with mutual life insurance companies. The insurance companies maintain the initial contributions and credit interest to the Retirement System at the end of each contract year at annual rates. If the Retirement System elects to make any additional contribution to the accounts, rate of interest on such amounts may vary. Although these contracts include provisions for annuities to be set up and paid directly from the accounts. Management's intent is to use these accounts as guaranteed rate investment contracts.

	CATEGORY				
	1	2	3	Cost or Amortized Cost	Market Value
Deposit Administrative Contracts		20,108,831		20,108,831	20,108,831
Cash Equivalents		15,337,526		15,337,526	15,337,526
U. S. Government Obligations	48,766,645			48,766,645	48,766,645
Corporate Securities					
Bonds		19,719,639		19,719,639	29,972,201
Mortgages		34,494,079		34,494,079	38,143,050
Other		735,090		735,090	805,982
Equities		80,038,106		80,038,106	105,763,832
TOTAL	48,766,645	170,433,271		219,199,916	258,898,067

G. TREND INFORMATION

Trend information which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, are presented on pages 16 and 17.

H. EARLY RETIREMENT WINDOW

Based upon a request of the Administration of the City of New Orleans, on December 8, 1986, the Board approved the opening of an "Early Retirement Window" effective January 1, 1987 through April 30, 1987. This "window" allowed any member with at least 15 years of service, and whose age plus service totals at least 70 years, to retire with no early retirement reduction. The actuarial valuation as of December 31, 1989 included estimated adjustments for this "window", since not all requests were received and approved prior to the preparation of the actuarial request.

I. COST-OF-LIVING BENEFITS BONUS

Retired members, for 33 consecutive years were paid a cost-of-living bonus benefit. The 1995 bonus, which totaled $1,368,009 was calculated for each individual at the rate of 3% of the

Significant actuarial assumptions used to complete contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in Note C.

	December 31	
	1995	1994
Actuarial present value of credited projected benefits at the beginning of year	$ 185,685,601	$ 180,044,150
Increase (decrease) during year attribute to:		
Benefits accumulated, interest and losses (gains)	23,465,523	19,193,393
Benefits paid	(13,982,721)	(13,551,942)
Actuarial present value of credited projected benefits at year end	$ 195,168,403	$ 185,685,601

F. CASH AND INVESTMENTS

As of December 31, 1995, the Employees' Retirement System 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
FNBC 700301613	$ 246,272	$ 422,831	$ 422,831
Liberty Bank 2214369	7,985	8,547	8,547
Total	$254,257	$ 431,378	$ 431,378

Investments including repurchase agreements, made by the EMPLOYEES' RETIREMENT SYSTEM are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 — Insured or registered, or securities held by the EMPLOYEES' RETIREMENT SYSTEM or its agent in the EMPLOYEES' RETIREMENT SYSTEM's name.

Category 2 — Insured and registered, with securities held by the counterparty's trust department or agent in the EMPLOYEES' RETIREMENT SYSTEM's name.

Category 3 — Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the EMPLOYEES' RETIREMENT SYSTEM's name.

D. CHANGE IN ACTUARIAL VALUATION

Beginning with the January 1, 1995 actuarial valuation, the actuarial valuations will be prepared using the "Frozen Entry Age Actuarial Cost Method" of funding. Prior to the change in the funding method, the Plan had been funded using the "Entry Age Normal Cost Method".

Under the Frozen Entry Age Actuarial Cost Method, the normal cost of the plan is designed to be a level percentage of payroll, calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future working lifetime of the participant is determined from each participant's hypothetical entry age into the plan assuming the plan had always been in existence, to his expected retirement date.

For the first year the actuarial accrued liability is the amount of total liability not covered by future entry age normal costs and is called the frozen actuarial liability since it is not affected by actuarial experience gains or losses in future years. This amount is composed of actuarial value of benefits already funded (assets) and those not yet funded (unfunded frozen actuarial liability).

Once established, and for valuations in subsequent years until fully amortized, the unfunded frozen actuarial liability is affected by the normal cost, the valuation interest rate and plan contributions. The normal cost must then become the balancing item as the allocated annual portion of the remaining actuarial present value of retirement benefits. As a result, normal cost will fluctuate from year to year to account for actuarial experience.

The amortization period, which ends December 31, 2003 is being maintained. Beginning with January 1, 1992 actuarial valuation, the amortization amount was "frozen" and is equal to the 13 year remaining amortization amount over the period January 1, 1992 through December 31, 2003.

E. CONTRIBUTIONS REQUIRED AND CONTRIBUTION MADE

The Employees' Retirement Systems' funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of employer payroll contribution rates are determined using the "Entry Age Normal Actuarial Funding Method". The Employees' Retirement System also uses the "Percentage of Payroll Method" to amortize the unfunded liability over a thirty year period effective July 1, 1974.

Employees contribute 4% of their earnable compensation in excess of $1,200 per year. Earnable compensation is the annual compensation paid to an employee which includes overtime and/or supplementary pay earned prior to April 29, 1979. Effective April 29, 1979, it is defined as annual compensation paid to an employee plus tenure pay.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE 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 the financial statements of the Employees' Retirement System of the City of New Orleans (the Plan), as of December 31, 1995 and have issued our report thereon dated August 23, 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 Employees' Retirement System as of December 31, 1994, were audited by other auditors whose report dated May 31, 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.

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Membership includes:

1. Employees hired on or after July 1, 1947, who become members as a condition of employment, except for those over 65, unless they have 10 years prior service.

2. Employees hired before July 1, 1947 became members, unless they elected not to join.

3. Officials elected or appointed for fixed terms, however, membership is optional.

4. All officers and employees of various judicial and political offices, except those covered by another system and those for whom no contributions are made by respective offices.

Under the System, employees with 30 years of service, or who attain age 60 with 10 years of service, or age 65 irrespective of length of service are entitled to a retirement allowance, consisting of the following:

1. An annuity, which is the actuarial equivalent of the employee's accumulated contribution at the time of retirement; plus

2. An annual pension, which together with the above annuity, provides a total retirement allowance equal to 2% of average compensation times first 10 years, plus 2-1½% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years, maximum not to exceed 100% of average compensation. For service retirement prior to age 62 with less than 30 years of service, this amount is reduced by 3% for each year below age 62. For service retirement prior to age 55 with 30 years of service , this amount is reduced by 2% (1% for members who retire prior to January 1, 1983) for each year below age 55. For service retirements at age 55 with 30 or more years of service, this amount is not reduced.

Average compensation is defined as average annual earned compensation (which includes overtime earned prior to April 29, 1979 and tenure pay) of a member for the highest thirty-six successive months of service as a member, minus $1,200.

An additional pension equal to 2% of $1,200 times the first 10 years, plus 2-1½ % of $1,200 times next 10 years, plus 3% of $1,200 times next 10 years, plus 4% of $1,200 times creditable service over 30 years, for members who retired on or after January 1, 1983, will be provided if an employee retires on service retirement allowance after attaining age 55 while still a member. This ceases when the employee becomes eligible for Social Security. For service retirement prior to age 62 with less than 30 years of service, this amount is reduced by 3% for each year below age 62 (1% for each year below age 55) for service accrued prior to January 1, 1983.

REVENUE BY SOURCE

Year	Employee Contributions	Employer Contributions	Investment Income	Total
1989	2,233,330	9,078,892	9,805,514	21,117,736
1990	2,471,806	8,947,779	6,178,486	17,598,071
1991	2,697,920	9,019,773	13,127,442	24,845,135
1992	2,904,482	9,258,071	12,006,674	24,169,227
1993	2,790,849	9,274,320	22,385,320	34,450,489
1994	2,646,225	9,238,967	13,367,184	25,252,376
1995	2,921,784	10,629,702	18,240,535	31,792,021

EXPENSE BY TYPE

Year	Benefits	Refunds	Other/Transfers	Total
1989	11,635,227	896,176	0	12,531,403
1990	12,380,502	959,172	0	13,339,674
1991	13,162,350	884,881	5,269	14,052,500
1992	12,803,048	714,953	0	13,518,011
1993	12,862,616	1,037,761	186,607	14,086,984
1994	12,927,298	1,665,775	297,357	14,890,430
1995	13,345,749	1,141,519	863,462	15,350,730

A. PLAN DESCRIPTION

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS (Retirement System) is a Combination Defined Benefit and Defined Contribution Pension plan established under the laws of the State of Louisiana. The City Charter provided that the Retirement Ordinance (Chapter 55 of the Code) continues to govern and control the Retirement System under the management of the Board of Trustees, and also for changes in the Retirement System by council action, subject to certain limitations for the purpose of providing retirement allowances, death, and disability benefits to all officers and employees of the parish, except those officers and employees who are already or may hereafter be included in the benefits of any other pension or retirement system of the city, the state or any political subdivision of the state.

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS became operative on July 1, 1947. It is supported by joint contributions of the City and employee members and income from investments. The City makes contributions for members during active service as well as for periods of service of member employed prior to July 1, 1947. In this way, reserves are accumulated from the city and employee contributions.

The general administration and the responsibility for the proper operation of the Retirement System and for making effective the provisions of the Retirement Ordinance are vested in the five member Board of Trustees of the Retirement System.

At December 31, 1995 and 1994, EMPLOYEES' RETIREMENT SYSTEM membership consisted of:

	December 31	
	1995	1994
Retirees and beneficiaries currently receiving benefits	1,716	1,739
Terminated employees entitled to benefits but not yet receiving them	88	74
	1,804	1,813
Current employees:		
Vested	1,607	1,644
Non-Vested	2,255	2,303
TOTAL CURRENT EMPLOYEES	3,862	3,947
TOTAL ACTIVE EMPLOYEES	5,666	5,760

The City of New Orleans requires membership in the EMPLOYEES' RETIREMENT SYSTEM for all City of New Orleans regularly employed persons.

If a member dies after retirement and before receiving the amount of this accumulated contributions in annuity and pension payments, the lump sum balance of his contributions is paid to his beneficiary.

When an active employee dies, a death benefit, equal to the employee's accumulated contributions, with interest, is paid to the beneficiary designated by the employee or, in the absence of such designation, to his estate. Should the employee have completed three or more years of creditable service, there shall be paid additionally a lump sum of benefit equal to one-fourth of the earnable compensation of such deceased employee for the year immediately preceding the date of death, plus 5% of said earnable compensation for each additional year of creditable service, excluding credit for military service purchased, and shall not exceed the earnable compensation of the employee for the year immediately preceding the date of death. If the employee at the date of his death was eligible for retirement and leaves a surviving spouse, the surviving spouse is entitled to elect to receive retirement benefits equal to the amount which would have been paid, had the member retired on the date he died and had he elected option 2 of a reduced retirement allowance payable throughout life with the provisions that, upon his death, his reduced retirement allowance would be continued throughout the life of his surviving spouse as beneficiary. The surviving spouse who elects this option will not be entitled a refund of the accumulated contributions, including interest, of the deceased member nor to additional lump sum death benefit.

Any amounts which may be paid or payable under the provisions of any Workmen's Compensation Statute or similar law to a member or to a dependent or a member on account of accidental disability or accidental death shall, in such a manner as the Board shall approve, be offset against and payable in lieu of any benefits payable out of the funds provided by the City under the provisions of the Retirement system on account of the same accidental disability or on account of death.

Upon written application of a member in active service or of the head of his department, any member who has had 10 or more years of creditable service may be retired by the Board on an ordinary disability retirement allowance if an physician nominated by the Board shall certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for ordinary disability, a member will receive a service retirement allowance, if eligible, otherwise the member will receive a disability retirement allowance which will consist of:

a) An annuity which shall be the actuarial equivalent of the employee's accumulated contributions at the time of retirement; and

b) An annual pension, which together with the annuity in (a), shall be 75% of the service allowance that would have been payable upon service retirement at the age of sixty-five, had the member continued in service to the age sixty-five. Such allowance is to be computed on the average compensation, plus the sum of $1,200 provided, however, that the minimum annual retirement allowance will be $300 per year.

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 "straight line method", subject to adjustment for market declines judged to be other than temporary. Investment income is recognized as earned gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date.

C. PENSION BENEFIT OBLIGATION

The amount shown below as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help assess the funding statutes of the Employees' Retirement System on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employees' retirement systems.

The reason is independent of the actuarial funding method used to determine contributions to the Employees' Retirement System.

The pension benefit obligation was determined as part of the actuarial valuations at December 31, 1995 and 1994 based on reports dated January 1, 1996 and 1995 respectively. Significant actuarial assumptions used in the latest valuation are as follows:

- Life Expectancy of Participants - 1971 Group Annuity Mortality Table.
- Retirement Age Assumptions - Based on the results of the 1995-1989 periodic actuarial experience study.
- Investment Return - 7%
- Projected Salary Increases - Based on U.S. Department of Commerce, adjusted for projected increases in the standard of living.

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:

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.

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.

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. However, we believe that the following are matters of material weaknesses as defined above:

- No interim financial statements were prepared within the audit period.

- Investment subsidiary ledgers were not adequately maintained.

- Investment activity source documents (i.e. confirmations and investment statements) were not maintained in an orderly fashion.

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.

Luther Speight & Company

New Orleans, Louisiana
August 23, 1996

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
HISTORICAL TREND INFORMATION
(Unaudited)

Historical trend information since 1989 is designed to provide information about the EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS' progress made accumulating sufficient assets to pay benefits when due is presented in the following schedule:

Year	Net Assets Available for Benefits (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	148,638,645	159,309,841	93.12	10,671,196	59,074,057	18.06
1990	152,897,042	164,100,632	93.17	11,203,590	63,285,914	17.70
1991	163,689,677	168,476,350	97.15	4,786,673	66,205,279	7.23
1992	174,340,893	174,852,648	99.70	511,755	70,163,161	0.01
1993	194,704,398	180,044,150	108.14	(14,660,248)	65,578,056	-22.35
1994	205,126,988	185,685,601	110.47	(19,441,387)	66,910,493	-29.05
1995	221,783,014	226,348,016	97.98	4,565,002	68,492,113	6.66

* Pension Benefit Obligation for 1995 includes Actuarial Adjustment of $31,179,613.

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A Corporation of Certified Public Accountants

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EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF NEW ORLEANS

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 1995
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 1994)

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 The Employees' Retirement System 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

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EXHIBIT I

FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

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1. INVESTMENT SUBSIDIARY LEDGER NOT MAINTAINED

The Employees' Retirement System did not maintain investment subsidiary ledgers which adequately accounted for the investment activity and reconciled to their general ledger. Our initial audit work disclosed a significant unreconciled difference existed between the general ledger balance and the investment balance reported by the investment manager. The amounts were ultimately reconciled with assistance from the auditors.

We recommend that management maintain a detailed subsidiary ledger that provides for an investment roll forward and reconciles to the general ledger.

2. INTERIM FINANCIAL STATEMENTS NOT PREPARED

Interim financial statements were not prepared by the Employees' Retirement System during the audit period. Financial statements were not prepared until year-end closing.

We recommend that financial statements be prepared in accordance with generally accepted accounting principles at least on a quarterly basis. The financial statements should be reconciled to the investment subsidiary ledger and be reviewed by management.

3. INVESTMENT SOURCE DOCUMENTS NOT MAINTAINED ON FILE

Our examination disclosed that investment activity source documents, including transaction confirmations and investment statements were not maintained on file in an orderly fashion which would facilitate an audit. Much of the information required to complete our test work was requested from the investment managers.

We recommend that all source documents supporting investment activity be maintained on file in an orderly fashion.

4. 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 entitys' 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 the 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.

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet of the Employees' Retirement System of the City of New Orleans (a component unit of the City of New Orleans) (the Plan) as of December 31, 1995 and 1994, and the related statements 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 Employees' Retirement Fund as of December 31, 1994, were audited by other auditors whose report dated May 31, 1995, expressed an unqualified opinion on those 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 Employees' Retirement System of the City of New Orleans as of December 31, 1995 and 1994, and the changes in its financial status for the years then ended in conformity with generally accepted accounting principles.

Luther C. Speight & Company

New Orleans, Louisiana
August 23, 1996

10001 Lake Forest Blvd., Suite 404 • New Orleans, LA 70127 • Tel: (504) 244-9400 • Fax: (504) 244-8240

EMPLOYEES' RETIREMENT SYSTEM, CITY OF NEW ORLEANS
BALANCE SHEET

	FOR THE YEARS ENDED DECEMBER 31, 1995	1994
ASSETS		
CASH	$ 254,257	$ 644,184
RECEIVABLES:		
Contributions	497,556	72,713
Accrued Interest - Stocks, Bonds	1,517,889	1,545,196
Due from the City of New Orleans	693,466	92,949
Prepaid Expenses	315,054	260,015
Other Receivables	57,916	0
TOTAL RECEIVABLES:	3,081,881	1,970,873
INVESTMENTS:		
Stocks, Bonds, Other, at Cost or Amortized Cost (Note F) (Market Value $238,789,236, $188,425,969 for 1995 and 1994 respectively)	199,091,085	185,592,297
Insurance Contracts at Cost (Note F) (Market Value $20,108,831, $18,260,789 for 1995 and 1994 respectively)	20,108,831	18,260,789
TOTAL INVESTMENTS:	219,199,916	203,853,086
TOTAL ASSETS	$222,536,054	$ 206,468,143
LIABILITIES		
Due to Terminated Employees	$ 61,002	$ 97,625
Accrued Management and Custodial Fees	279,494	245,069
Due to City of New Orleans	409,560	0
Other Accounts Payable	2,984	998,461
TOTAL LIABILITIES	753,040	1,341,155
NET ASSETS AVAILABLE FOR BENEFITS	$ 221,783,014	$ 205,126,988
FUND BALANCE		
Actuarial present value of projected benefits payable to current reitrants and beneficiaries	$103,899,374	105,257,319
Actuarial present value of projected benefits payable to terminated vested participants	4,100,377	3,224,863
Actuarial present value of credited projected benefits for active employees:		
Member contributions	29,471,124	27,789,335
Employer-financed portion	57,697,528	49,414,084
TOTAL ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS	$ 195,168,403	$ 185,685,601
Actuarial Adjustment (Note D)	31,179,613	24,501,285
Unfunded actuarial present value of credited benefits	(4,565,002)	(5,059,898)
TOTAL FUND BALANCE	221,783,014	205,126,988
TOTAL LIABILITIES AND FUND BALANCE	$ 222,536,054	$ 206,468,143

EMPLOYEES' RETIREMENT SYSTEM, CITY OF NEW ORLEANS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

	FOR THE YEARS ENDED DECEMBER 31, 1995	1994
OPERATING REVENUES		
Contributions:		
Employer	$ 10,629,702	$ 9,238,967
Employees	2,921,784	2,646,225
Transfers from S&WB	94,218	0
Payments for Military Services	8,692	9,755
Transfers from State System	111,825	50,888
Total Contributions:	$ 13,766,221	$ 11,945,835
Investment Income:		
Interest	10,850,736	10,210,852
Gain/(Loss) on Sale of Investments	8,421,407	4,148,143
Commission Recapture	18,892	0
Securities Lending	73,149	0
Investment Expenses	(1,162,739)	(931,086)
Amortization of Premium/Discounts	39,090	(60,725)
Net Investment Income	18,240,535	13,367,184
TOTAL OPERATING REVENUES	32,006,756	25,313,019
OPERATING EXPENSES		
Retirement Allowances	9,842,456	9,641,236
Ordinary Disability Retirements	1,080,904	1,036,207
Accidental Disability Retirement	594,246	555,295
Separation Retirements	335,223	275,264
Refunds to Members	1,141,519	1,665,775
Transfers to the State Retirement System	446,878	147,229
Transfer to the Sewerage and Water Board	188,001	150,128
Transfer to M.P.E.R.S.	228,583	0
Lump Sum Benefits Due to Death of Members	124,911	80,810
Cost of Living Benefits	1,368,009	1,338,486
Other Administrative Expenses	0	0
TOTAL OPERATING EXPENSES	15,350,730	14,890,430
EXCESS OF REVENUES OVER EXPENSES	16,656,026	10,422,589
FUND BALANCES		
Beginning of Year	205,126,988	194,704,399
FUND BALANCE, END OF YEAR	$ 221,783,014	$ 205,126,988

REQUIRED SUPPLEMENTARY INFORMATION