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REPORT

FIREFIGHTERS' PENSION AND RELIEF FUND OF THE CITY OF NEW ORLEANS

DECEMBER 31, 2003

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS

INDEX TO REPORT

DECEMBER 31, 2003

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INDEPENDENT AUDITOR'S REPORT

June 10, 2004

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

We have audited the statements of plan net assets of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and Old System as of December 31, 2003, and the related statements 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 position of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and Old System as of December 31, 2003, and the results of operations and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have audited the financial statements of the Firefighters' Pension and Relief Fund New System and Old System for the year ending December 31, 2003 and issued our unqualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 36 – 38 and the supplemental schedules on pages 32 – 35 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such required statistical information for the years ending December 31, 1998 – 2003 and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2004 on our consideration of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting and our tests of its compliance with laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2003**

The following is management's discussion and analysis of the financial performance of the Firefighters' Pension and Relief Fund of the City of New Orleans (NOFF). It is presented as a narrative overview and analysis for purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements, which are comprised of three components:

- Statements of plan net assets
- Statements of changes in plan net assets, and
- Notes to the financial statements

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

The statements of plan net assets report the pension fund's assets, liabilities, and resultant net assets held in trust for pension benefits. They disclose the financial position of the Fund as of December 31, 2003 and 2002.

The statements of changes in plan net assets report the results of the pension fund's operations during the year disclosing the additions to and deductions from the plan net assets. They support the change that has occurred to the prior year's net asset value on the statements of plan net assets.

Required supplementary information consists of two schedules and related notes concerning the funded status of the Fund.

Supporting schedules include information on changes in reserve balances and administrative expenses.

NOFF FINANCIAL ANALYSIS

NOFF provides retirement allowances and other benefits for firefighters of the City of New Orleans. The Fund consists of two systems, the Old System and the New System. The Old System includes firefighters employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have elected coverage under the New System.

FIREFIGHTERS' PENSION AND RELIEF FUND OF THE CITY OF NEW ORLEANS MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF DECEMBER 31, 2003

Statements of Plan Net Assets
December 31, 2003 and 2002

	New System		Old System	
	2003	2002	2003	2002
Cash	$ 341,884	$ 202,769	$ 3,562,169	$ 2,981,990
Receivables	4,526,438	2,856,311	98,252,071	98,228,121
Investments	192,670,996	175,524,059	8,181,330	7,507,616
Property and equipment	--	--	69,369	99,342
	197,539,318	178,583,139	110,064,939	108,817,069
Total liabilities	11,436,122	10,999,948	104,016	44,360
Net assets held in trust for pension benefits	$ 186,103,196	$ 167,583,191	$ 109,960,923	$ 108,772,709

Statements of Changes in Plan Net Assets
For the Years Ended December 31, 2003 and 2002

	New System		Old System	
	2003	2002	2003	2002
Additions:				
Contributions	$ 6,170,081	$ 4,849,772	$ 1,131,948	$ 1,026,312
Investment gain (loss)	23,615,273	(9,647,390)	18,380,118	(12,996,678)
Other	--	98,744	--	--
Total additions	29,785,354	(4,698,874)	19,512,066	(11,970,366)
Total deductions	11,265,349	9,095,362	18,323,852	17,928,223
Increase (decrease) in plan net asse	$ 18,520,005	$ (13,794,236)	$ 1,188,214	$ (29,898,589)

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2003

Additions to Plan Net Assets

Additions to NOFF plan net assets were derived from member and employer contributions, state fire insurance rebates, and investment income. The increases in investment income are primarily related to the improved market performance during 2003.

	New System			Old System		
	2003	2002	Percentage Change	2003	2002	Percentage Change
Member contributions	$ 993,560	$ 879,824	13%	$ –	$ –	–
City appropriations	5,176,521	3,969,948	30%	–	–	–
Fire insurance rebate	–	–	–	1,131,948	1,026,312	10%
Net investment gain (loss)	23,615,273	(9,647,390)	345%	18,380,118	(12,996,678)	241%
Miscellaneous income	–	98,744	-100%	–	–	–
	$ 29,785,354	$ (4,698,874)		$ 19,512,066	$ (11,970,366)	

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits, PLOP and DROP withdrawals and administrative expenses. Deductions from plan net assets increased by $2,169,987 in the New System in 2003, primarily due to a increase in PLOP withdrawals and retirement benefits. Deductions from plan net assets increased by $395,629 in the Old System, primarily as a result of an increase in retirement benefits and IRS penalties and interest in 2003.

	New System			Old System		
	2003	2002	Percentage Change	2003	2002	Percentage Change
Retirement benefits	$ 8,548,113	$ 7,670,625	11%	$ 17,492,937	$ 17,213,959	1.6%
Refund of contributions	21,346	47,454	-55%	–	–	–
Death benefits	15,000	9,000	67%	57,000	63,000	-10%
Administrative expenses	325,982	372,959	-13%	496,654	310,454	60%
DROP withdrawal	874,536	209,803	317%	83,270	270,810	-69%
PLOP withdrawal	1,456,761	785,521	85%	20,752	70,000	-70%
IRS penalties & interest	–	–	–	173,239	–	100%
Transfer to other systems	23,611	–	100%	–	–	–
	$ 11,265,349	$ 9,095,362		$ 18,323,852	$ 17,928,223	

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2003

Investments

NOFF is responsible for the prudent management of funds held in trust for the exclusive benefit of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at December 31, 2003 amounted to $192,670,996 and $8,181,330 for the New and Old Systems, respectively, as compared to $175,524,059 and $7,507,616 at December 31, 2002. Total investments increased approximately ten percent and nine percent in the New and Old Systems, respectively. The major contributing factor to this increase is the improved performance in the market.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Richard J. Hampton, Jr., CEO/Secretary-Treasurer of the Firefighters' Pension and Relief Fund of the City of New Orleans, 329 S. Dorgenois, New Orleans, LA 70119.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2003

	New System			Old System		
	Regular Pensions	Restricted DROP	Total	Regular Pensions	Restricted DROP	Total
ASSETS:						
Cash (Note 5)	$ 323,602	$ 18,282	$ 341,884	$ 2,709,212	$ 852,957	$ 3,562,169
Prepaid insurance	-	-	-	59,023	-	59,023
Receivables:						
Accrued investment income	2,600,369	146,912	2,747,281	2,431	766	3,197
Investment receivable	1,684,015	95,142	1,779,157	6,346	1,998	8,344
Due from other system	-	-	-	12,371	-	12,371
Contributions receivable (Note 3)	-	-	-	98,169,136	-	98,169,136
Total current assets	4,607,986	260,336	4,868,322	100,958,519	855,721	101,814,240
INVESTMENTS (at fair value): (Notes 1 and 5) (Page 34)						
Cash equivalents	14,303,100	808,079	15,111,179	6,222,322	1,959,008	8,181,330
Collateral held under Securities Lending Program (Notes 5 and 10)	11,150,461	-	11,150,461	-	-	-
Bonds	27,355,131	1,545,475	28,900,606	-	-	-
Stock	54,133,777	3,058,381	57,192,158	-	-	-
Notes receivable (Note 12)	22,110,692	1,249,182	23,359,874	-	-	-
Mutual funds (Note 16)	19,204,840	1,085,010	20,289,850	-	-	-
Investment in corporation (Note 15)	9,560,363	540,129	10,100,492	-	-	-
Investment in limited liability corporations (Note 14)	10,282,852	580,947	10,863,799	-	-	-
Investment in partnerships (Note 13)	13,871,818	783,712	14,655,530	-	-	-
Investment in trust (Note 17)	991,055	55,992	1,047,047	-	-	-
Total investments	182,964,089	9,706,907	192,670,996	6,222,322	1,959,008	8,181,330
Property and equipment, net of accumulated depreciation of $90,906 (Note 1)	-	-	-	69,369	-	69,369
Total assets	187,572,075	9,967,243	197,539,318	107,250,210	2,814,729	110,064,939
LIABILITIES:						
Accounts payable	163,405	-	163,405	4,542	-	4,542
Due to Internal Revenue Service	-	-	-	78,788	-	78,788
Payroll taxes payable	41,521	-	41,521	18,099	-	18,099
Investment payable	68,364	-	68,364	-	-	-
Notes payable	-	-	-	2,587	-	2,587
Due to other system	12,371	-	12,371	-	-	-
Obligation under Securities Lending Program (Notes 5 and 10)	11,150,461	-	11,150,461	-	-	-
Total liabilities	11,436,122	-	11,436,122	104,016	-	104,016
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 176,135,953	$ 9,967,243	$ 186,103,196	$ 107,146,194	$ 2,814,729	$ 109,960,923

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

	New System			Old System		
	Regular Pensions	Restricted DROP	Total	Regular Pensions	Restricted DROP	Total
ADDITIONS: (Note 1)						
Contributions:						
Member	$ 993,560	$ -	$ 993,560	$ -	$ -	$ -
Employer (Note 3)	2,061,937	3,114,584	5,176,521	-	-	-
Fire insurance rebate	-	-	-	715,950	415,998	1,131,948
Total contributions	3,055,497	3,114,584	6,170,081	715,950	415,998	1,131,948
Investment income:						
Recapture commission	25,387	-	25,387	-	-	-
Interest and dividends on investments	5,050,418	-	5,050,418	2,348,075	-	2,348,075
Net appreciation in fair value of investments	18,593,362	-	18,593,362	632,921	-	632,921
Net appreciation in fair value of investments held in trust	-	-	-	15,864,339	-	15,864,339
Other investment income	741,197	-	741,197	-	-	-
	24,410,364	-	24,410,364	18,845,335	-	18,845,335
Less investment expense:						
Investment management fees	793,800	-	793,800	436,575	-	436,575
Investment custodian fees	1,291	-	1,291	25,776	-	25,776
Foreign taxes	-	-	-	2,866	-	2,866
	795,091	-	795,091	465,217	-	465,217
Net investment gain	23,615,273	-	23,615,273	18,380,118	-	18,380,118
Total additions	26,670,770	3,114,584	29,785,354	19,096,068	415,998	19,512,066
DEDUCTIONS:						
Retirement benefits paid	8,548,113	-	8,548,113	17,492,937	-	17,492,937
Refund of contributions	21,346	-	21,346	-	-	-
Death benefits	15,000	-	15,000	57,000	-	57,000
Administrative expenses (Page 35)	325,982	-	325,982	496,654	-	496,654
DROP withdrawal	-	874,536	874,536	-	83,270	83,270
PLOP withdrawal	1,456,761	-	1,456,761	20,752	-	20,752
Transfer to other retirement systems	23,611	-	23,611	-	-	-
Internal Revenue Service interest and penalties	-	-	-	173,239	-	173,239
Total deductions	10,390,813	874,536	11,265,349	18,240,582	83,270	18,323,852
NET INCREASE	16,279,957	2,240,048	18,520,005	855,486	332,728	1,188,214
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:						
Beginning of year	159,855,996	7,727,195	167,583,191	106,290,708	2,482,001	108,772,709
END OF YEAR	$ 176,135,953	$ 9,967,243	$ 186,103,196	$ 107,146,194	$ 2,814,729	$ 109,960,923

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

The Firefighters' Pension and Relief Fund was created, pursuant to Louisiana Revised Statute 11:3361, for the purpose of providing retirement allowances and other benefits for firefighters of the City of New Orleans. The fund is administered by a Board of Trustees. Benefits, including normal retirement, early retirement, disability retirement and death benefits, are provided as specified in La. R.S. 11:3361 et seq.

The Fund consists of two systems, the Old System and the New System. The Old System covers firefighters who were employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have given written application to the board to elect coverage under the New System.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

In addition, these financial statements include the implementation of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and related standards. This new standard provides for inclusion of a management discussion and analysis as supplementary information and other changes.

Basis of Accounting:

The Fund's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest and dividend income is recognized when earned. Fire insurance rebate monies are recognized when due.

Methods Used to Value and Report Investments:

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. Investments in notes receivables, partnerships, limited liability corporations, corporations and closed-end corporations are reported at fair value, except for investments in limited liability corporations totaling $4,109,145 and investments in partnerships totaling $6,319,818, which are valued using the equity method of accounting.

Investments of the Old and New Systems are allocated to the restricted DROP Fund based on total DROP deposits. The investments in the two funds are maintained in one account.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Futures Contracts:

The margin accounts for the purchase of the futures contracts are invested in cash equivalents and are included in that investment category in the statement of plan net assets. The changes in the market value of the contracts are reported as gains or losses in the period in which the change occurs.

Property and Equipment:

Property and equipment is valued on the basis of historical cost and depreciated using the straight-line method of depreciation. Depreciation expense for the year ended December 31, 2003 is $36,151.

2. PLAN DESCRIPTION:

The Firefighters' Pension and Relief Fund was established and placed under the management of the board of trustees for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:3361 et seq. for active firefighters employed by the City of New Orleans.

The Fund consists of two systems, the Old System and the New System. The Old System covers firefighters who were employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have given written application to the board to elect coverage under the New System.

At December 31, 2003, the Firefighters' Pension and Relief Fund's membership consisted of:

	New System	Old System
Current retirees and beneficiaries	392	835
Terminated with contributions on deposit with the System	20	--
Terminated vested employees who have not withdrawn contributions (DROP)	85	7
Vested and nonvested active employees covered	691	--
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	1,188	842

Retirement Benefits

Members may retire with twelve years of creditable service at age fifty. The retirement benefit paid is two and one-half percent of average compensation for each year of creditable service during the best four consecutive years of service preceding the date of retirement. For members with more than twenty years of service, benefits are an additional two and one-half percent per year to be increased by one half percent for each year of service over twenty upon attaining age fifty-five. The maximum benefit payable is 100% of average compensation earned during any three highest average consecutive years of service preceding retirement.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
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2. PLAN DESCRIPTION: (Continued)

Retirement Benefits (Continued)

Members covered under the Old System may retire with twenty years of creditable service regardless of age. For the first twenty years of service, the retirement benefit paid is 50% of average compensation during the best year of service preceding the date of retirement. For each year of service in excess of twenty years, benefits are an additional 2.5% per year not to exceed 100%. In addition, if the member has attained age 50, his benefit is increased by .5% for each year of service over 25.

Disability Benefits

Under both systems, disability benefits are paid to employees who become physically or mentally disabled and unable to perform their duties. Nonservice related benefits are 30% of final compensation for those members with ten years of service or less; 40% of final compensation for those members with more than ten years but less than fifteen years of service; and 50% of final compensation for those members with more than fifteen years of service. Service related benefits for those unable to do any work are the greater of 2/3 of monthly compensation or a regular retirement benefit if the member is so eligible. For those unable to perform firefighting duties but able to do other work, service related benefits are equal to the greater of 1/2 of monthly compensation or a regular retirement benefit if the member is so eligible.

Survivor Benefits

Under the New System, survivor benefits are payable in accordance with each member's option elections under La. R.S. 11:3385. However, if a member dies from service-connected causes while actively employed, irrespective of his years of service or eligibility for pension by age, the member's surviving spouse receives a presumptive benefit based on twenty years of service, calculated as a husband-and-wife benefit. In addition, a $3,000 lump sum benefit is payable to the firefighter's designated beneficiary.

Under the Old System, nonservice related survivor benefits of $500 per month are payable to a spouse. Service related spousal death benefits are 50% of the firefighter's salary. In addition, survivor benefits of $75 per month are payable for each dependent child under the age of eighteen, until each reaches age 18 or marries. If the child is mentally or physically handicapped, and totally and permanently disabled, the benefit is payable for life. If the firefighter is unmarried and leaves no dependent children at death, the service related survivor benefit is payable to the firefighter's widowed dependent parent. If the firefighter is unmarried and leaves no dependent children at death, nonservice related survivor benefits are payable to the firefighter's widowed parent. A $3,000 lump sum benefit is payable upon the death of any active or retired member to the named beneficiary.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
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2. PLAN DESCRIPTION: (Continued)

Refund Benefits

Under the New System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of accumulated contributions plus interest. For the Old System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of 80% of accumulated contributions.

DROP Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member who has twenty or more years of service may elect to participate in the Deferred Retirement Option Plan (DROP) for up to five years and defer the receipt of benefits. Upon commencement of participation in the plan, active membership in the system terminates. During participation in the plan, employer contributions cease. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. This fund does not earn interest during a member's DROP participation. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the system has been terminated for at least one full year.

Upon completion of participation in the DROP, and regardless of whether the member terminates employment, the DROP fund will earn interest annually based on a five-year rolling average of the composite rate of return of the Fund, minus an administrative fee of no more than two percent, to be deducted from the member's account each year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan may receive, at his option, a lump sum from the account equal to the payments into the account. The monthly benefits that were being paid into the deferred retirement option plan fund will begin to be paid to the retiree. If a participant dies during the participation in the plan, a lump sum equal to his account balance in the plan fund shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the five years, payments into the plan fund cease and the person resumes active contributing membership in the system.

PLOP Benefits

If a member has not participated in the DROP, upon application for retirement, he may elect to receive the actuarial equivalent of his retirement benefit as a reduced monthly benefit payable for life, plus an initial lump-sum benefit. The amount of the initial lump-sum benefit, as determined by the member, shall not exceed an amount equal to the member's normal retirement benefit times sixty. The member's monthly retirement benefit will be actuarially reduced based on the lump-sum amount withdrawn and the member's age at retirement. The partial lump-sum benefit, together with the member's reduced normal retirement benefit, must be actuarially equivalent to the member's normal retirement benefit. The cost-of-living adjustment granted by

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. PLAN DESCRIPTION: (Continued)

PLOP Benefits (Continued)

the Board of Trustees to retirees who elect to receive a reduced retirement benefit and a partial lump-sum benefit shall be based only on the reduced retirement benefit and not on the partial lump-sum benefit.

3. CONTRIBUTION RECEIVABLE, CONTRIBUTIONS AND RESERVES:

Contribution Receivable

In 2000, the Council of the City of New Orleans, the Trustees of the Fund, and the Board of City Trusts entered into an agreement to fund a portion of the City's projected pension obligations under La. R.S. 11:3375 and thereby funding in advance such deficit.

A Trust was created in 2000 by the City of New Orleans for the purpose of funding a portion of the projected unfunded accrued liability of the Old System. $157,243,748 of the proceeds of a Taxable Pension Revenue Bonds, Series 2000, issued by the City of New Orleans was delivered to the Trust to be disbursed solely for the purpose of paying pension benefits to the beneficiaries of the Old System. The creation of the Trust is irrevocable and the City of New Orleans has no rights to alter, amend, or terminate the Trust. The beneficiaries of the Old System are the sole beneficiaries of the Trust. The Trust shall terminate when all amounts held by the Trust are distributed to the Old System.

The Board of City Trusts solely administers, directs, and controls the Trust and invests such funds in accordance with the provision of Part XIII of Chapter 2 of Subtitle IV of Title 11 of the Revised Statutes of Louisiana as amended including no more than sixty-five percent of such funds in equities as limited by La. R.S. 11:3370(G).

The City and the Fund agree that the proceeds of the bonds deposited in the Trust constitute contributions of public funds to a pension program for the benefit of public employees but do not constitute a deposit to the Fund until distributed by the Board of City Trusts from the Trust to the Fund in accordance with the agreement. The assets of the Trust are not assets of the Fund.

In accordance with Governmental Accounting Standards, a long-term contribution receivable in the amount of $157,243,748 was recognized in 2000 because the contributions are due from the City; there is a formal commitment under the cooperative agreement with the City and the Board of City Trusts; and due to the fact that the funds are set aside in trust solely for the benefit of the Fund.

FIREFIGHTERS' PENSION AND RELIEF FUND
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3. CONTRIBUTION RECEIVABLE, CONTRIBUTIONS AND RESERVES: (Continued)

Contribution Receivable (Continued)

The terms of the receivable are that the difference between the contributions from the City and the amounts actuarially certified as required to fund pensions will be disbursed from the Trust and reduce the receivable. In addition, any income earned on the assets in the Trust increase the receivable; and any expenses incurred on assets in the Trust decrease the receivable. When the value of the Trust is 75% of the amount necessary to actuarially fund the Old System, then the City may determine not to make payments in which case all payments to fund pensions shall be made in full by the Trust. All payments from the Trust reduce the receivable.

The balance of the receivable was $97,752,824 at January 1, 2003. During the year the receivable was reduced by $17,205,888 for the payment of 2003 pensions, $458,004 for investment management fees, $55,146 for fiduciary insurance and $13,590 for actuarial fees. The receivable was increased by $15,864,339 for the net appreciation in fair value of the investments and $2,284,600 for interest and dividends earned on assets in the Trust. The balance of the receivable at December 31, 2003 is $98,169,136. Information is not available to compute the annual maturities of the receivable.

Contributions

The New System is funded by employee and employer contributions established by state statute. Employees contribute 6% of salary for the first twenty years of employment. Employer contributions are made monthly to pay the actuarially determined contributions for the prior year.

The Old System is funded by employer contributions established by state statute. There are no active employees in the Old System, thus no employee contributions are required.

Employer contributions for the Old System are made monthly by the City of New Orleans. In addition, the Old System receives fire insurance taxes of 2% of the fire insurance premiums written in the City of New Orleans. The difference between the contributions made by the City and the amount actuarially certified as required by the Old System are made monthly from the Firefighters' Pension and Retirement Fund Trust (the Trust) in accordance with a Cooperative Endeavor Agreement among the City, the Fund and the Trust. During the year ended December 31, 2003, all contributions were made from the trust. Annual contributions to the Old System do not include amortization of past service cost.

Administrative costs of the Fund are financed through employer contributions.

Reserves:

Use of the term "reserve" by the Fund indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

FIREFIGHTERS' PENSION AND RELIEF FUND
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3. CONTRIBUTION RECEIVABLE, CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

A) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the fund from which such pensions and other benefits are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Pension Reserve balance of the New System is $115,875,912 and it is fully funded. The Pension Reserve Balance of the Old System is $171,571,873 and it is 62% funded.

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Fund. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. When a member retires, the amount of his accumulated contributions is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance of the New System is $16,937,002 and it is fully funded. The Annuity Savings balance of the Old System is $-0-.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This fund is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance of the New System is $42,840,015 and it is 93% funded. The Pension Accumulation balance of the Old System is $-0-.

D) Deferred Retirement Option Plan Account:

The Deferred Retirement Option Plan (DROP) Account receives and holds the monthly retirement benefits deposited on behalf of DROP participants while they continue to work. At termination, a lump sum payment of the DROP deposits is made to the participant or the participant may elect to leave the accumulated benefits on deposit in the DROP account. The DROP account balance of the New System is $9,967,243 and it is fully funded. The DROP balance of the Old System is $2,814,729 and it is fully funded.

FIREFIGHTERS' PENSION AND RELIEF FUND
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3. CONTRIBUTIONS AND RESERVES: (Continued)

E) Partial Lump-Sum Option Payment Account:

The Partial Lump-Sum Option Payment (PLOP) Account receives and holds until requested an initial lump-sum benefit which shall not exceed an amount equal to the member's normal retirement benefit times sixty, for those members who have not participated in the DROP, and who upon application for retirement, elect to receive the actuarial equivalent of their retirement benefit as a reduced monthly benefit plus an initial lump-sum benefit. The PLOP account balance of the New System is \$3,671,857 and it is fully funded. The PLOP balance of the Old System is \$735,431 and it is fully funded.

4. ACTUARIAL COST METHOD:

The Aggregate Level Normal Cost Method was used to calculate the funding requirements of the New System. This funding method allocates pension costs as a level percentage of payroll over the future working lifetime of current members. The Aggregate Cost Method produces no unfunded accrued liability. Under the Aggregate Cost Method, actuarial gains and losses are spread over future normal costs. Based on actual experience future normal costs will increase or decrease.

The Entry Age Normal Cost Method was used to calculate the funding requirements of the Old System. Under this cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis as percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of the future normal cost is called the actuarial accrued liability. Gains and losses directly increase or decrease the unfunded accrued liability.

Although the Entry Age Normal Cost Method was used to calculate the funding requirements of the Old System, it is funded on a "pay-as-you-go" basis, as more fully described in Footnote 3. Current contributions cover current expenses only.

FIREFIGHTERS' PENSION AND RELIEF FUND
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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Pension and Relief Fund's deposits, cash equivalents and investments at December 31, 2003:

	NEW SYSTEM	OLD SYSTEM
Deposits (Bank balance)	$ 747,660	$ 4,223,089
Cash equivalents	15,111,179	8,181,330
Investments	177,559,817	--

Deposits:

The Fund's bank account balances as of December 31, 2003 were entirely covered by federal depository insurance and pledged securities.

Cash Equivalents:

Cash equivalents of the New System and Old System consist of government backed pooled funds and commercial paper. The funds are held by the Fund's custodian's trust department in the Fund's name. The cash equivalents of the Old System also consist of repurchase agreements which are collateralized.

Investments:

Statutes authorize the Fund to invest under the Prudent-Man Rule. The Prudent Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of the system to act with care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the Fund shall not invest more than sixty-five percent of the total portfolio in common stock.

The Fund's investments are categorized to give an indication of the level of custodial credit risk assumed by the entity 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 broker's or dealer's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Fund's name.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments: (Continued)

	Market Value	Category
New System		
Collateral held under Securities Lending Program	$ 11,150,461	2
Bonds	25,040,584	1
Stocks	50,293,544	1
Notes receivable	23,359,874	N/A
Mutual funds	20,289,850	N/A
Investment in corporation	10,100,492	N/A
Investment in partnerships	14,655,530	N/A
Investment in limited liability corporations	10,863,799	N/A
Investment in trust	1,047,047	N/A
Investments held by broker-dealers in which collateral may be reinvested:		
Bonds	3,860,022	N/A
Stocks	6,898,614	N/A
TOTAL	$ 177,559,817	

Market values for the New System are furnished by the Fund's custodial bank and independent public sources.

6. PER DIEM PAID TO BOARD MEMBERS:

Board members are not paid per diem for attending board meetings.

7. OFFICE RENTAL:

The fund leases office space under an operating lease expiring December 2004. Total rent expense for the year ended December 31, 2003 was $40,126. Future minimum rent payments under the lease are as follows:

Year	Rent Expense	Sublease Income	Net Amount
2004	$ 70,119	$ 24,150	$ 45,969

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DECEMBER 31, 2003

8. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, evenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits and is presented on pages 36 - 38.

10. SECURITY LENDING AGREEMENTS:

The Board of Trustees of the Fund authorized the Fund to enter into reverse repurchase agreements in the operation of its securities lending program. These agreements consist of the loan of stock and bonds with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The Fund requires the dealer to transfer cash or collateral of 100% of the market value of the securities underlying the reverse repurchase agreements.

In cases of security loans in which the collateral received by the Fund is cash, the Fund is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the Fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the Fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the balance sheet and in footnote 5. The cash collateral was invested in cash equivalents and fixed income securities at December 31, 2003. The maturities of these investments match the maturities of the securities loans.

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net income received from the transactions in the amount of $20,293 is recorded on the financial statements in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
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11. FUTURES CONTRACTS:

The Fund has entered into futures contracts for the purpose of trading. At December 31, 2003, the New System had outstanding forty-eight index futures contracts, all maturing March 2004. The Old System had outstanding eight treasury bond and note futures contracts and ten index futures contracts, all maturing March 2004. The notional value of the open contracts at December 31, 2003 was $13,145,100 and $3,663,484 for the New System and Old System, respectively. The fair value of the open contracts at December 31, 2003 was $13,508,400 and $3,664,484 for the New System and Old System, respectively.

The Fund is exposed to credit loss in the event of nonperformance by the other parties to the futures contracts. However, the Fund does not anticipate nonperformance by the counterparties. The Fund is exposed to market risk as a result of possible future changes in market prices. The maximum amount of credit or market risk to the Fund is the notional value of the contracts. During the year ended December 31, 2003, the New System realized net gains of $1,364,955 on futures trading. The Old System realized gains of $632,832 on futures trading. The net gains and losses are recorded on the financial statements in investment income.

The Fund is required to pledge $790,000 of treasury bills as collateral for the trading account for the New System. At December 31, 2003, the pledged bills' carrying value was $789,866. The Fund is also required to maintain a margin account to serve as the source of funds for any required variation margin. At December 31, 2003, the margin account's balance was $5,439,571.

The Fund is required to pledge $180,000 in treasury bills as collateral for the trading account for the Old System. At December 31, 2003, the pledged treasury bills' carrying value was $179,969. The Fund is also required to maintain a margin account to serve as the source of funds for any required margin variation. At December 31, 2003, the margin account's balance was $4,147,844.

12. NOTES RECEIVABLE:

During the year ended December 31, 2003, the New System of the Fund had notes receivable from eight corporations and partnerships. The terms and details of the notes are as follows:

a) On October 1, 1997, the Fund loaned $3,000,000 to Weston Lakes Country Club and Sierra Golf Corp. (the Corporations). The loan bears interest at 9% which is due in quarterly installments commencing from the date of the loan. Principal is to be paid in quarterly installments commencing January 31, 2002 and ending January 31, 2008.

FIREFIGHTERS' PENSION AND RELIEF FUND
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12. NOTES RECEIVABLE: (Continued)

On December 15, 2000, the agreement was amended. Effective on that date, the loan bears interest at 9%, which is due in quarterly installments commencing from the date of the amended loan agreement. Interest is to be paid in quarterly installments commencing February 15, 2001 and ending December 15, 2005, when, unless sooner paid in full, all unpaid principal and interest shall be due and payable. The note is collateralized by a deed of trust granting a mortgage ranking in first position on the property and improvements of Weston Lakes Country Club.

On December 15, 2000, the Fund loaned an additional $400,000 to the corporations. The loan bears interest at 9%, which is due in quarterly installments commencing from the date of the loan agreement. Interest is to be paid in quarterly installments commencing March 15, 2001 and ending December 15, 2005, when, unless sooner paid in full, all unpaid principal and interest shall be due and payable. The note is collateralized by a second lien deed of trust on the property and improvements of Weston Lakes Country Club.

On December 5, 2002, the agreement was again amended. Effective on that date, the Fund received a principal payment of $2,663,000 and a new second lien promissory note was issued in the amount of $737,000. The loan bears interest at 9%, which is due in quarterly installments commencing December 15, 2002. Interest is to be paid in quarterly installments beginning on that date and ending December 15, 2004, when, unless sooner paid in full, all unpaid principal and interest shall be due and payable. The note is collateralized by a second lien deed of trust on the property and improvements of Weston Lakes Country Club. The loan was paid in full during the year ended December 31, 2003.

The Fund earned interest of $43,252 which is recorded as investment income.

b) The Fund has loaned $1,760,000 to BSL Golf of California, Inc. The loan bears interest at 8.5%, due in quarterly installments. Principal is to be paid in quarterly installments commencing January 31, 2004 until the balance due is $10,000. The remaining $10,000 will be due on January 14, 2037.

The Fund may, by giving written notice of its desire to do so on or before July 31, 2004, accelerate the balance due under the loan, and in said event, BSL is required to pay, on January 31, 2005, all unpaid amounts of principal, interest, 20% of net cash flow or projected net cash flow through the year 2002 (whichever is greater) and 20% of the amount by which the appraised value of the property and improvements exceed the aggregate value of the sum due under this note and the senior indebtedness. In the event the Fund does not elect to accelerate the loan, BSL may give written notice of its desire to do so after July 31, 2004 but on or before October 31, 2004, to prepay this note as of January 31, 2005 under the same terms as the Fund's acceleration.

FIREFIGHTERS' PENSION AND RELIEF FUND
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12. NOTES RECEIVABLE: (Continued)

The note is collateralized by a deed of trust granting a mortgage ranking in second position on property and improvements for BSL's golf course facilities. As of December 31, 2001 the first mortgage on the property and improvements was $15,000,000. As additional collateral, the Fund holds a security interest in 1,000 shares of the stock of BSL. Additional interest of the greater of 20% of net cash flow (gross income of the property less operating expenses of the property) or projected net cash flow (as detailed in the loan agreement) is due in annual installments commencing January 31, 2000, until the note is paid in full. The balance of the loan is $1,760,000 at December 31, 2003. For the year ended December 31, 2003, the Fund earned interest (including additional interest) of $163,817 which is recorded as investment income.

c) On November 21, 2001, the Fund loaned $4,100,000 to the Spillman Development Group, Ltd. (the partnership). The loan bears interest at 10% and has been prepaid through the second anniversary of the note. Thereafter, all interest which has accrued from the second anniversary date through December 31, 2003 will be due and payable on or before December 31, 2003. Henceforth, interest will be due in quarterly installments. Unless sooner accelerated, a balloon principal payment of $4,090,000 will be payable on December 31, 2011. Thereafter, the remaining $10,000 will be payable on or before December 31, 2099.

The Fund may, by giving written notice of its desire to do so on or before April 30, 2006, accelerate the balance due under the loan and, in said event, the partnership is required to pay all unpaid principal to an unpaid balance of $10,000, plus all accrued interest with respect to the simple interest component and the additional interest component. The partnership will subsequently be required to pay to the Fund the applicable prepayment penalty as provided for in the agreement.

The note is collateralized by a deed of trust granting a mortgage ranking in second position on property and improvements for the Spillman Ranch golf course. Additional interest of the greater of 17% of net cash flow (gross income of the property less operating expenses of the property) or priority net cash flow (as detailed in the loan agreement) is due in annual installments commencing the last day of April following the first calendar year during which there is positive net cash flow or the priority of net cash flow payment required in conjunction with the loan is greater than zero. The balance of the loan is $4,100,000 at December 31, 2003. For the year ended December 31, 2003, the Fund earned interest of $46,055 which is recorded as investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
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12. NOTES RECEIVABLE: (Continued)

d) The Fund had a note receivable of $1,195,841 from Riverwood Estates Phase I, L.L.C. (Riverwood) as a result of its investment in Firewood Estates, L.L.C. (see Note 14). The loan bore interest at 10%, commencing from the date of the advance of the funds, with payments due in quarterly installments commencing June 30, 2001. The principal balance was paid in full during the year ended December 31, 2003. For the year ended December 31, 2003, the Fund earned interest of $97,451 which is recorded as investment income.

e) On December 2, 2002, the Fund loaned $2,900,000 to GreenTech Panels, L.L.C. (the corporation). The loan bears interest at 12% and has been prepaid through the first anniversary of the note. Thereafter, principal and interest will be due in sixteen quarterly installments as follows: the first four installments shall be of accrued interest only beginning on February 5, 2004. The remaining twelve installments shall be installments of principal and interest in the amount of $291,340 each. The loan is subordinate and subject in right of payment to the prior payment in full of all senior indebtedness of the corporation.

As consideration for the closing and funding of the subordinated debt, the Fund has been granted a 23.5% membership interest in the corporation. The balance of the loan is $2,900,000 at December 31, 2003. For the year ended December 31, 2003, the Fund earned interest of $348,000 which is recorded as investment income.

On November 12, 2003, the Fund loaned an additional $1,000,000 to the corporation. The loan bears interest at the prime rate as published in the Wall Street Journal plus 2%. The loan is due on demand. The loan is subordinate and subject in right of payment to the prior payment in full of all senior indebtedness of the corporation. For the year ended December 31, 2003, the Fund earned interest of $7,333 which is recorded as investment income.

f) On March 19, 2003, the Fund loaned $5,000,000 to American Pension Consultants, L.L.C. (the corporation). The loan bears interest at 9.5%, commencing from the date of the advance of the funds, with payments due in quarterly installments commencing March 31, 2003. The principal balance is due at a date mutually agreed to by the Fund and the corporation. The loan is collateralized by a minimum of $5,250,000 of life insurance policies to be purchased with the loan proceeds. For the year ended December 31, 2003, the Fund earned interest of $371,087, which is recorded in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
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12. NOTES RECEIVABLE: (Continued)

g) On April 16, 2003, the Fund loaned $2,150,000 to Santa Maria Interest, L.L.C. (the corporation). The loan bears interest at 10%, commencing from the date of the advance of the funds, with payments due in quarterly installments beginning on June 30, 2003. The principal balance is due on April 15, 2005. The loan is subordinate and subject in right of payment to the prior payment in full of the senior indebtedness of the corporation. The balance of the loan is $1,853,440 at December 31, 2003. For the year ended December 31, 2003, the Fund earned interest of $134,498, which is recorded in investment income.

h) On May 9, 2003, the Fund loaned $6,300,000 to Lakewood Restoration Partners, Ltd. (the partnership). The loan bears interest at 9%, commencing from the date of the advance of the funds, with payments due in quarterly installments commencing June 30, 2003. The principal balance is due on May 10, 2005. During the year ended December 31, 2003, the Fund loaned an additional $446,434 to the partnership subject to the terms of the original agreement. The loan is collateralized by the property and improvements of the partnership which includes a golf course. The balance of the loans is $6,746,434 at December 31, 2003. For the year ended December 31, 2003, the Fund earned interest of $389,759, which is recorded in investment income.

13. INVESTMENT IN PARTNERSHIPS:

During the year ended December 31, 2003, the New System of the Fund had investments in eight partnerships as follows:

a) The New System of the Fund has an investment of $5,223,849 as a limited partner in First America Asia Fund I, L.P. (the partnership). The partnership was formed to achieve significant long-term capital gains through investment in holding companies owned by companies which will use the funds to invest in private joint ventures in Asia, excluding Japan.

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their respective capital accounts. The Fund's share of partnership loss for 2003 was $2,568,177 and is recorded in investment income in the financial statements.

b. The New System of the Fund has committed to invest $2,000,000 in Trans-Europe Buyout Partners III, L.P. (the partnership). As of December 31, 2003, the Fund has invested $1,100,000 in the partnership. The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds. As of December 31, 2003, the Fund has an investment of $1,360,115 in the partnership.

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13. INVESTMENT IN PARTNERSHIPS: (Continued)

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership income for 2003 was $192,533 and is included in investment income.

c. The New System of the Fund has committed to invest $3,000,000 in Trans-Europe Buyout Partners IV, L.P. (the partnership). As of December 31, 2003, the Fund has invested $1,650,000 in the partnership. The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds. As of December 31, 2003, the Fund has an investment of $1,833,884 in the partnership.

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership income for 2003 was $278,096 and is included in investment income.

d. The New System of the Fund committed and invested $2,000,000 in the Clarion CRA Hedge Fund, L.P. (the partnership). The partnership was formed to serve as a fund through which the assets will be utilized to invest, hold and trade in securities and other financial instruments, and rights and options relating thereto. As of December 31, 2003, the Fund has an investment of $2,508,561 in the partnership.

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership income for 2003 was $485,105 and is included in investment income.

e. The New System of the Fund has committed to invest $3,000,000 in the LEM Real Estate Mezzanine Fund, L.P. (the partnership). As of December 31, 2003, the Fund has invested $743,051 in the partnership. The partnership was formed to seek current and deferred returns through investments in high yielding, subordinated real estate related debt and preferred equity interests including junior or subordinated mortgage loans, loans secured by pledges of partnership interests, preferred equity investments and other high-yielding investments collateralized by various types of real estate properties. As of December 31, 2003, the Fund has an investment of $727,103 in the partnership.

Net losses are allocated to the partners in proportion to the partners' participating percentages. Net income is allocated and based on the partners' respective ownership interests. The Fund's share of partnership income for 2003 was $19,032 and is included in investment income.

f. The New System of the Fund has committed and invested $387,841 in the OCM Mezzanine Fund, L.P. (the partnership) net of distribution of $74,659. The partnership was formed for the purpose of allowing qualified investors to pool their assets to invest in mezzanine investments. As of December 31, 2003, the Fund has an investment of $368,866 in the partnership.

FIREFIGHTERS' PENSION AND RELIEF FUND
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13. INVESTMENT IN PARTNERSHIPS: (Continued)

Net income or loss is allocated to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership loss for 2003 was $10,436 and is included in investment income.

g. The New System of the Fund has committed to invest $3,000,000 in Montagu Newhall Global Partners II, L.P. (the partnership). As of December 31, 2003, the Fund has invested $60,000 in the partnership. The partnership was formed to generate significant returns for its partners, principally through long-term capital appreciation, by making, holding and disposing of privately negotiated equity and equity-related investments, principally in venture capital and private equity partnerships and operating companies. As of December 31, 2003, the Fund has an investment of $21,275 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of partnership loss for 2003 was $38,725 and is included in investment income.

h. The New System of the Fund has committed to invest $5,000,000 in Kreate Fund No. 1 Ltd. (the partnership). As of December 31, 2003, the Fund has invested $2,732,567 in the partnership. The partnership was formed to acquire strategic commercial real estate properties occupied by public sector tenants meeting established criteria for conversion to a capital lease program. As of December 31, 2003, the Fund has an investment of $2,611,877 in the partnership, net of capital distributions of $86,835.

Net income or loss is allocated to the capital accounts of the partners in proportion to their respective ownership interests. The Fund's share of partnership loss for 2003 was $33,865 and is included in investment income.

14. INVESTMENT IN LIMITED LIABILITY CORPORATIONS:

During the year ended December 31, 2003, the New System of the Fund had investments in eleven limited liability corporations as follows:

a. The Fund has an investment of $3,726,764 in Flashover Properties, L.L.C. (Flashover). The Fund is the sole member of Flashover. Flashover has invested solely as a limited partner in the South Peters Hotel Investors, L.P. (the partnership). The partnership was formed for the purpose of acquiring, developing and operating a hotel and parking garage complex.

Net income of the partnership is allocated to the capital accounts of the partners based upon each partner's capital contribution in relation to the total capital contributions made or required to be made by all of its partners. In addition, Flashover was entitled to an annual return of seven and one-half percent on its capital contribution, which accrued from the date of investment of the capital contribution until the date of operation of the hotel. Flashover is also entitled to an annual priority return of fourteen percent of its capital contribution from the date the hotel is in operation. The hotel began operations near the end of 2000. Flashover reported a loss for 2003 in the amount of $283,360. The loss was recorded as investment income (loss) in the financial statements of the Fund.

FIREFIGHTERS' PENSION AND RELIEF FUND
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14. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

b. The Fund is the sole member of a limited liability corporation named Firewood Estates, L.L.C. (Firewood). Firewood is a 30% member of Riverwood Estates Phase I, L.L.C. (Riverwood), which was formed to develop unimproved property in St. Rose, Louisiana. Since the Fund is the sole member of Firewood, the assets of Firewood are consolidated with the Fund. The assets include a note receivable from Riverwood (detailed in Note 12) and the investment in Riverwood of $419,199.

For the year ended December 31, 2003, the Fund earned interest of $97,457 on the note, which is recorded in investment income. The Funds' share of Riverwood's net income was $55,539 which is recorded in investment income.

c. The New System of the Fund has committed to invest $4,000,000 in the Wilton Private Equity Fund, L.L.C. (the corporation). As of December 31, 2003, the Fund has invested $1,381,541 in the corporation. The corporation is a Delaware limited liability corporation that invests in closed-end private investment funds that target investments in leveraged buyouts, mezzanine financings, distressed debt, natural resources and venture capital. As of December 31, 2003, the Fund has an investment of $1,421,351 in the corporation, net of distributions of $47,215.

For the year ended December 31, 2003, the Fund's share of the corporation's net income was $47,325, which is recorded in investment income.

d. The New System of the Fund has invested $200,000 in 725 Heavens, L.L.C. (the company). The Fund has a 28.571% interest in the company, which was formed to own and operate an apartment complex in Mandeville, Louisiana. At December 31, 2003, the Fund has an investment of $201,647 in the company.

Net income or loss of the company is allocated as follows:

1. To the members and assignees until cumulative profits allocated are equal to all prior cumulative losses allocated.

2. To the members in the investor group until the cumulative profits allocated is equal to the sum of the priority return actually paid to the members.

3. Until the adjusted contributions of the members in the investor group have been reduced to zero according to their sharing ratios per the operating agreement.

4. After the adjusted contributions noted above have been reduced to zero, to the members and assignees in proportion to any cash distributions made pursuant to the operating agreement.

The Fund's share of the company's net loss was $10,872 which is recorded in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
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14. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

e. The New System of the Fund has committed to invest $4,000,000 in the Intercontinental Real Estate Investment Fund III, L.L.C. (the corporation). As of December 31, 2003, the Fund has invested $720,000 in the corporation. The corporation is a closed-end, commingled real estate investment fund which targets properties which are generating a current return and also have the potential for capital appreciation through some degree of asset repositioning, re-tenanting or through physical or financial repositioning. As of December 31, 2003, the Fund has an investment of $692,495 in the corporation.

For the year ended December 31, 2003, the Fund's share of the corporation's net loss was $27,505, which is recorded in investment income.

f. The Fund has committed and invested $3,000,000 in the Endgame Entertainment Fund, L.L.C. (the corporation), a Delaware limited liability corporation that was created to enable its investors to participate in entertainment investment opportunities across a variety of sectors at various stages of funding. As of December 31, 2003, the Fund has an investment of $2,882,196 in the corporation.

For the year ended December 31, 2003, the Fund's share of the corporation's net loss was $117,804, which is included in investment income.

g. The Fund has committed and invested $500,000 in PMAT The Prado Investment, L.L.C. (the corporation), a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in Bonita Springs, Florida. As of December 31, 2003, the Fund has an investment of $431,323 in the corporation.

For the year ended December 31, 2003, the Fund's share of the corporation's net loss was $68,677, which is included in investment income.

h. The Fund has committed and invested $250,000 in Hillcrest Apartment Homes, L.L.C. (the corporation), a Louisiana limited liability corporation that was formed to own and operate an apartment complex in Mobile, Alabama. As of December 31, 2003, the Fund has an investment of $240,086 in the corporation.

For the year ended December 31, 2003, the Fund's share of the corporation's net loss was $9,914, which is included in investment income.

i. The Fund has committed and invested $650,000 in PMAT Morningside Plaza, L.L.C. (the corporation), a Delaware limited liability corporation that was formed to acquire, operate and manage a retail shopping center in Dade City, Florida. As of December 31, 2003, the Fund has an investment of $646,625 in the corporation.

For the year ended December 31, 2003, the Fund's share of the corporation's net loss was $3,375, which is included in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
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14. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

j. The Fund has an investment of $21,379 in Santa Maria Interest, L.L.C. (the corporation), a Louisiana limited liability corporation that was formed to develop, own and operate a residential development in Baton Rouge, Louisiana. The Fund also has a note receivable from the corporation (detailed in Note 12).

For the year ended December 31, 2003, the Fund earned interest of $134,498 on the note, which is recorded in investment income. The Fund's share of the corporation's net income was $21,379, which is included in investment income.

k. The Fund has an investment of $180,734 in GreenTech Panels, L.L.C. (the corporation), which was established to build and operate the first North American thin fire retardant particleboard mini-mill, utilizing 100% recycled post-consumer waste wood as raw material. The plant is located in Shreveport, Louisiana. The Fund also has a note receivable from the corporation (detailed in Note 12).

For the year ended December 31, 2003, the Fund earned interest of $355,333 on the note, which is recorded in investment income. The Fund's share of the corporation's net income was $180,734, which is included in investment income.

15. INVESTMENT IN CORPORATION:

The New System of the Fund committed and invested $9,204,364 in the OCM Emerging Markets (Cayman) Fund, Ltd. (the corporation), a Cayman Islands corporation that acts solely as a feeder fund and invests all of its assets in the OCM Emerging Markets Fund, L.P. (the partnership). The partnership invests in equity securities and obligations of emerging markets entities with a primary emphasis on Asia excluding Japan and a secondary emphasis on Latin America, Eastern Europe and Russia. The partnership focuses primarily on listed equities but, in some instances, may also invest in private or unlisted equity interests, debt securities and derivative products. The partnership also engages in short selling strategies and may leverage its capital. As of December 31, 2003, the Fund has an investment of $10,100,492 in the corporation.

The corporation's net income for the year ended December 31, 2003, which includes income from foreign currency transactions, was $607,486 and is included in investment income.

16. MUTUAL FUNDS:

During the year ended December 31, 2003, the New System of the Fund had invested in mutual funds as follows:

16. MUTUAL FUNDS: (Continued)

a. The New System of the Fund has invested $4,000,000 in Structured Servicing Holdings (Offshore), Ltd. (the "Company")(a Cayman Islands exempt company). The Company was formed as an offshore feeder fund of Structured Servicing Master Fund, L.P. (the "Master"), and in 2003 invested substantially all of its net assets in the Master. The objective of the Company is to buy and hold nonconforming interest-only strips which are subject to exposure to mortgage prepayment risk. At December 31, 2003, the Fund has an investment of $4,830,408 in the Company.

   The Fund's share of income from the mutual fund for 2003 was $393,063 and is included in investment income.

b. The New System of the Fund has invested $2,000,000 in the Clinton Multistrategy Fund, Ltd. (the "Company")(a Cayman Islands exempt company). The Company was formed as a feeder fund of the Clinton Multistrategy Master Fund, Ltd. (the "Master")(a Cayman Islands exempt company) and invests exclusively in the Master. The primary objective of the Company is to achieve above-average growth through worldwide investments in fixed-income and equity-related securities while emphasizing preservation of capital. At December 31, 2003, the Fund has an investment of $2,174,472 in the Company.

   The Fund's share of income from the mutual fund for 2003 was $50,457 and is included in investment income.

c. The New System of the Fund has invested $3,000,000 in the Meridian Diversified Fund, Ltd. (the "Company")(a Cayman Islands exempt company). The Company engages principally in a diversified investment strategy utilizing a multi-manager approach to invest in securities. At December 31, 2003, the Fund has an investment of $3,216,234 in the Company.

   The Fund's share of income from the mutual fund for 2003 was $236,034 and is included in investment income.

d. The New System of the Fund has invested $9,693,275, net of redemptions, in the Fletcher Income Arbitrage Fund, Ltd. (the "Company")(a Cayman Islands company). The Company was formed as a feeder fund that invests in an affiliated master fund, Income Arbitrage Corporation. The purpose of the Company is to engage in the business of trading financial instruments through proprietary trading as well as investing in the master fund. At December 31, 2003, the Fund has an investment of $10,068,736 in the Company.

   The Fund's share of income from the mutual fund for 2003 was $382,913 and is included in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

17. INVESTMENT IN TRUST:

The New System of the Fund committed and invested $1,000,000 in the MLM Index Fund (the trust), a Delaware business trust that invests in commodities futures. The trust is a recognized benchmark of the returns available to a futures investor. It is based on daily closing prices of the nearby contract month of a portfolio of the most active futures markets. As of December 31, 2003, the Fund has an investment of $1,047,047 in the trust.

For the year ended December 31, 2003, the Fund's share of the trust's net income was $47,047, which is included in investment income.

18. INTEREST RATE SWAPS:

The Fund uses interest rate swaps as a hedge against its investment in the Fletcher Income Arbitrage Fund. Under this agreement, the Fund has agreed to pay interest to the counterparty on a notional principal amount at a floating rate indexed to LIBOR, and receive interest at a floating rate indexed to Lehman Brothers U.S. Aggregate index. The amounts of interest exchanged are calculated on the basis of notional principal amounts. Such interest rate swaps are designated and qualify as cash flow hedges under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. The Fund assumed no ineffectiveness in the respective hedging relationships. Any gain or loss on the interest rate swap was offset by the expected future cash flows on the mutual fund.

Information on the interest rate swap is as follows:

Notional amount	$10,000,000
Receiving interest rate	Lehman Brothers U.S. Aggregate Index
Paying interest rate	LIBOR plus 0.55%
Effective date	March 15, 2003
Termination date	The earlier of April 1, 2004 or the last day of any calculation period provided fifteen days written notice

The net income of the interest rate swap included in investment income is $136,048.

The Fund is exposed to credit loss in the event of nonperformance by the swap counterparty; however, the Fund does not currently anticipate nonperformance by the counterparty.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - NEW SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2003

	Pension Reserve	Annuity Savings	DROP	PLOP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JANUARY 1, 2003	$ 114,634,501	$ 16,955,983	$ 7,727,195	$ 3,560,780	$ 37,518,818	$ (12,814,086)	$ 167,583,191
REVENUES AND TRANSFERS:							
Contributions:							
Member	-	993,560	-	-	-	-	993,560
Employer	-	-	-	-	5,176,521	-	5,176,521
Interest on accumulated savings	-	550,142	-	-	-	-	550,142
Net income from investments							
and other sources	-	-	-	-	23,615,273	-	23,615,273
Transfers from annuity savings	1,534,704	-	-	-	-	-	1,534,704
Pensions transferred from pension reserve	-	-	3,114,584	1,567,838	-	-	4,682,422
Actuarial transfers	12,952,242	-	-	-	-	9,625,253	22,577,495
Total revenues	14,486,946	1,543,702	3,114,584	1,567,838	28,791,794	9,625,253	59,130,117
EXPENDITURES AND TRANSFERS:							
Retirement benefits paid	8,548,113	-	874,536	1,456,761	-	-	10,879,410
Refunds to members	-	21,346	-	-	-	-	21,346
Transfers to pension reserve	-	1,534,704	-	-	-	-	1,534,704
Pensions transferred to DROP	3,114,584	-	-	-	-	-	3,114,584
Pensions transferred to PLOP	1,567,838	-	-	-	-	-	1,567,838
Death benefits	15,000	-	-	-	-	-	15,000
Transfers to other retirement systems	-	6,633	-	-	16,978	-	23,611
Interest transferred to							
annuity savings	-	-	-	-	550,142	-	550,142
Administrative expenses	-	-	-	-	325,982	-	325,982
Actuarial transfers	-	-	-	-	22,577,495	-	22,577,495
Total expenditures	13,245,535	1,562,683	874,536	1,456,761	23,470,597	-	40,610,112
NET INCREASE (DECREASE)	1,241,411	(18,981)	2,240,048	111,077	5,321,197	9,625,253	18,520,005
BALANCES - DECEMBER 31, 2003	$ 115,875,912	$ 16,937,002	$ 9,967,243	$ 3,671,857	$ 42,840,015	$ (3,188,833)	$ 186,103,196

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - OLD SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2003

	Pension Reserve	Annuity Savings	DROP	PLOP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JANUARY 1, 2003	$ 167,945,115	$ -	$ 2,482,001	$ 735,399	$ -	$ (62,389,806)	$ 108,772,709
REVENUES AND TRANSFERS:							
Contributions:							
Fire insurance rebate	-	-	-	-	1,131,948	-	1,131,948
Net income from investments and other sources	-	-	-	-	18,206,879	-	18,206,879
Pensions transferred from pension reserve	-	-	415,998	20,784	-	-	436,782
Actuarial transfers	21,613,477	-	-	-		-	21,613,477
Total revenues	21,613,477	-	415,998	20,784	19,338,827	-	41,389,086
EXPENDITURES AND TRANSFERS:							
Retirement benefits paid	17,492,937	-	83,270	20,752	-	-	17,596,959
Pensions transferred to DROP	415,998	-	-	-	-	-	415,998
Death benefits	57,000	-	-	-	-	-	57,000
Pensions transferred to PLOP	20,784	-	-	-	-	-	20,784
Administrative expenses	-	-	-	-	496,654	-	496,654
Actuarial transfers	-	-	-	-	18,842,173	2,771,304	21,613,477
Total expenditures	17,986,719	-	83,270	20,752	19,338,827	2,771,304	40,200,872
NET INCREASE (DECREASE)	3,626,758	-	332,728	32	-	(2,771,304)	1,188,214
BALANCES - DECEMBER 31, 2003	$ 171,571,873	$ -	$ 2,814,729	$ 735,431	$ -	$ (65,161,110)	$ 109,960,923

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
DECEMBER 31, 2003

	PAR VALUE OF BONDS		ORIGINAL COST		MARKET VALUE	
	New System	Old System	New System	Old System	New System	Old System
Cash equivalents	$ -	$ -	$ 15,110,123	$ 8,180,978	$ 15,111,179	$ 8,181,330
Bonds:						
U.S. Government						
and Agency Issues	1,670,669	-	1,717,012	-	1,741,867	-
Corporate bonds	24,230,355	-	23,044,425	-	24,888,608	-
Foreign bonds	2,189,000	-	2,024,812	-	2,270,131	-
Stocks	-	-	47,870,801	-	57,192,158	-
Notes receivable	-	-	23,359,874	-	23,359,874	-
Mutual funds	-	-	18,693,275	-	20,289,850	-
Investment in corporation	-	-	10,186,244	-	10,100,492	-
Investment in limited						
liability corporations	-	-	10,668,718	-	10,863,799	-
Investment in partnerships	-	-	13,890,063	-	14,655,530	-
Investment in trust	-	-	1,008,675	-	1,047,047	-
			$ 167,574,022	$ 8,180,978	$ 181,520,535	$ 8,181,330

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003

	New System	Old System
Accounting, auditing and legal	$ -	$ 197,367
Actuary fees	-	51,990
Depreciation	-	36,151
Employee benefits	-	3,726
Insurance	-	124,410
Interfund allocation	323,187	(323,187)
Office supplies and printing	-	20,701
Other	2,795	3,773
Payroll and payroll taxes	-	226,791
Pension seminars and education	-	88,491
Postage	-	9,748
Professional - medical	-	11,000
Rent	-	40,126
Telephone	-	5,567
TOTAL	$ 325,982	$ 496,654

FIREFIGHTERS' PENSION AND RELIEF FUND
SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS
DECEMBER 31, 1998 THROUGH 2003

	NEW SYSTEM	
YEAR	Actuarial Required Contributions Employer	Percent Contributed Employer
1998	$ 2,484,036	100.00 %
1999	3,518,964	100.00
2000	2,918,018	116.79
2001	3,013,446	100.00
2002	3,969,950	100.00
2003	4,837,929	107.00

	OLD SYSTEM	
YEAR	Actuarial Required Contributions Employer and Other Sources	Percent Contributed Employer and Other Sources
1998	$ 17,878,316	96.59 %
1999	18,978,384	92.87
2000	19,035,820 *	93.75
2001	21,436,565 **	84.29
2002	20,757,831 ***	92.05
2003	20,768,067 ****	88.30

* For actuarial purposes the contributions received differs from the audited contribution income. The audited amount includes contributions receivable of $152,754,748, in accordance with generally accepted accounting principles. For actuarial purposes, the receivable is not deemed an asset of the Fund.

** The percent contributed employer includes $17,167,452 received from the trust which reduced the contributions receivable.

*** The percent contributed employer includes $18,080,760 received from the trust which reduced the contribution receivable.

**** The percent contributed employer includes $17,205,888 received from the trust which reduced the contribution receivable.

FIREFIGHTERS' PENSION AND RELIEF FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OLD SYSTEM
DECEMBER 31, 1998 THROUGH 2003

OLD SYSTEM

Actuarial Valuation Date		Actuarial Valuation Assets		Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL)	Funded Ratio			Covered Payroll	UAAL As A Percentage Of Covered Payroll	
December 31, 1998	$	9,251,250	$	173,513,041	$	164,261,791	5.33	%	$	207,315	79,233	%
December 31, 1999		9,422,770		166,889,660		157,466,890	5.65			130,608	120,565	
December 31, 2000	*	9,424,836		172,456,220		163,031,384	5.47			44,040	370,189	
December 31, 2001	*	10,264,823		173,378,296		163,113,473	5.92			-	N/A	
December 31, 2002	*	11,019,885		171,162,515		160,142,630	6.88			-	N/A	
December 31, 2003	*	11,791,787		175,122,033		163,330,246	7.22			-	N/A	

*The actuarial valuation of assets differs from the audited net assets held in trust for pension benefits. The audited amount includes contributions receivable of $98,169,136, $97,752,824, $128,406,475, and $152,754,748 for the years ended December 31, 2003, 2002, 2001 and 2000, respectively, in accordance with accounting principles generally accepted in the United States of America. For actuarial purposes, the receivable is not deemed an asset of the Fund.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULES OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 1998 THROUGH 2003

The information presented in the Schedules of Contributions and the Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2003
Actuarial Cost Method	New System: The Aggregate Level Normal Cost Method.
	Old System: Entry Age Normal Cost Method.
Asset Valuation Method	New System: Market value adjusted to average realized and unrealized capital gains over a three year period.
	Old System: Market value.
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	5%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Amortization Method:	The amortization period is for a specific number of years with payments at a level amount.
Remaining Amortization Period:	9 years

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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

June 10, 2004

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

We have audited the financial statements of the Firefighters' Pension and Relief Fund of the City of New Orleans as of and for the year ended December 31, 2003, and have issued our report thereon dated June 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Firefighters' Pension and Relief Fund of the City of New Orleans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Firefighters' Pension and Relief Fund of the City of New Orleans in a separate letter dated June 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Firefighters' Pension and Relief Fund of the City of New Orleans' 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Firefighters' Pension and Relief Fund of the City of New Orleans' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is noted below:

The Fund does not have any procedures in place to perform an independent review for the completeness of interest and dividend income. Procedures should be in place to determine that all investment income is properly received and recorded. If the Fund does not perform a review of income received on investments, it risks the possibility of loss of funds. We recommend the Fund develop and implement procedures to perform this independent review. The independent review of interest and dividends could be accomplished by either having the money managers perform the review and provide the Fund with certification that all interest and dividends that should have been received were received; or by reviewing the trust statements and performing an overall test.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the use of the City Council, Board of Trustees, and the Office of the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

June 10, 2004

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804-9373

Dear Sir or Madam:

SCHEDULES AND DATA COLLECTION FORM
SECTION 1: SUMMARY OF AUDITOR'S REPORTS

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the Firefighters Pension and Relief Fund of the City of New Orleans as of and for the year ended December 31, 2003 and have issued our report thereon dated June 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit as of December 31, 2003 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING:

Internal Control:

Material weaknesses – None noted
Reportable conditions – See current year finding 03-01 below.

Compliance:

Noncompliance material to financial statements - None noted

Management Letter:

See current year finding 03-02 below.

C. FEDERAL AWARDS

N/A

SECTION 2: FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINDINGS:

03-01 Interest and Dividend Income

The Fund does not have any procedures in place to perform an independent review for the completeness of interest and dividend income. Procedures should be in place to determine that all investment income is properly received and recorded. If the Fund does not perform a review of income received on investments, it risks the possibility of loss of funds. We recommend the Fund develop and implement procedures to perform this independent review. The independent review of interest and dividends could be accomplished by either having the money managers perform the review and provide the Fund with certification that all interest and dividends that should have been received were received; or by reviewing the trust statements and performing as overall test.

03-02 DROP Interest Rate

L.R.S. 11:3385.1 states that upon completion of participation in DROP, the individual account of any member who continues employment will earn interest on his account based on a five-year rolling average of the composite rate of return of the Fund, less a two percent administrative fee. During the year ended December 31, 2003, we noted that the Fund had reduced the administrative fee to one percent. Reducing the administrative fee to 1% is in violation of L.R.S. 11:3385.1. We recommend that management review all applicable statutes to ensure compliance with all requirements.

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

02-01 Interest and Dividend Income

The Fund did not have any procedures in place to perform an independent review for the completeness of interest and dividend income. Procedures should be in place to determine that all investment income is properly received and recorded. If the Fund does not perform a review of income received on investments, it risks the possibility of loss of funds. We recommended that the Fund develop and implement procedures to perform this independent review.

During the current year, it was noted that an independent review for completeness of interest and dividend income was not performed, as reported in Finding 03-01.

02-02 Form 945 Deposits

During the audit it was noted that the Internal Revenue Service had assessed the Fund substantial penalties and interest due to untimely remittance of prior years' withholding taxes. All withholding taxes should be paid in accordance with IRS regulations. All withholding taxes were paid by the Fund during the current year. We recommended to continually avoid interest and penalties from the IRS regarding untimely deposits of withholding taxes, the Fund should periodically review their procedures to ensure compliance with all IRS regulations.
This finding was resolved in the current year.

<u>02-03 Firewood Estates, LLC</u>

The books of Firewood Estates, LLC did not reflect the activity that took place in 2002. Journal entries were made during the audit to adjust cash and interest income and interest expense. The journal entries were necessary to ensure that the Fund's financial statements were not misstated with respect to the investment agreement. We recommended that the Fund's accountant review the terms of all investment agreements to ensure that they are properly recorded.

The finding was resolved in the current year.

DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

June 10, 2004

Honorable Mayor and
Council of the City of New Orleans

In planning and performing our audit of the financial statements of Firefighters' Pension and Relief Funds of the City of New Orleans for the year ended December 31, 2003, we considered its internal control 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.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operations that we consider to be material weaknesses as defined above.

One immaterial condition of noncompliance with state laws came to our attention during the course of the audit, which is not considered a reportable condition; however, we felt this condition should be presented to management.

03-02 DROP Interest Rate

L.R.S. 11:3385.1 states that upon completion of participation in DROP, the individual account of any member who continues employment will earn interest on his account based on a five-year rolling average of the composite rate of return of the Fund, less a two percent administrative fee. During the year ended December 31, 2003, we noted that the Fund had reduced the administrative fee to one percent. Reducing the administrative fee to 1% is in violation of L.R.S. 11:3385.1. We recommend that management review all applicable statutes to ensure compliance with all requirements.

This report is intended solely for the information and use of the Mayor and City Council of the City of New Orleans, management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

William Stamm

William G. Stamm, CPA
Partner

WGS/ct

BOARD OF TRUSTEES

- OF THE -

FIRE FIGHTER'S PENSION AND RELIEF FUND

FOR THE CITY OF NEW ORLEANS
329 SO. DORGENOIS STREET
NEW ORLEANS, LOUISIANA 70119
821-4671
827-1129 fax

June 29, 2004

Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, La 70804-9397

Dear Sir or Madam,

Following is the Corrective Action Plan for the audit findings reported in the management letter for the Firefighters' Pension and Relief Fund for the City of New Orleans for the year ended December 31, 2003:

03-01

INTEREST AND DIVIDEND INCOME

Based on the advice of our Consultant, our Custodial Bank and our Accountant, the Board feels that this would be an unnecessary expense. Bank One, our Custodial Bank, our Consultant and our accountant have put into place an internal system of checks and balances on the interest and dividends paid on our Investment accounts, that the Board feels is sufficient. This procedure is consistent with federally approved reporting and audit requirements for ERISA-regulated Pension Funds.

03-02

DROP INTEREST RATE

The intent of L.R.S. 11:3385 was to give the Board authority to charge up to a 2% Administrative fee. The Board recognized a 2% fee was much higher than Administrative fees charged by other Pension Systems in the State. The Board felt the flexibility to charge up to 2% should the need ever arise was the most prudent decision. The Board's decision was reported in the Louisiana Administrative Code of June 2003 Section 1509 (I).

Should you require further information, please do not hesitate to contact me.

Very Truly Yours,

Richard J. Hampton, Jr.
CEO/Secretary-Treasurer