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REPORT
FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
DECEMBER 31, 2001

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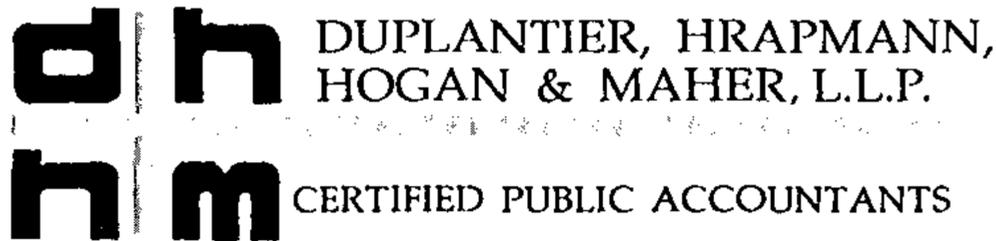
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FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS

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INDEPENDENT AUDITOR'S REPORT

June 2, 2002

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, 2001, 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, 2001, 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, 2001 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 and the supplemental schedules listed in the index to the report are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such required statistical information and supplemental schedules for the years ending December 31, 2001, 2000, 1999, 1998, 1997 and 1996, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2002 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, Hapmann, Hogan & Maher LLP

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	New System			Old System		
	Regular Pensions	Restricted DROP	Total	Regular Pensions	Restricted DROP	Total
ADDITIONS: (Note 1)						
Contributions:						
Member	\$ 870,889	\$ --	\$ 870,889	\$ --	\$ --	\$ --
Employer (Note 3)	798,502	2,214,944	3,013,446	--	--	--
Fire insurance rebate	--	--	--	245,751	655,517	901,268
Total contributions	<u>1,669,391</u>	<u>2,214,944</u>	<u>3,884,335</u>	<u>245,751</u>	<u>655,517</u>	<u>901,268</u>
Investment income:						
Recapture commission	66,523	--	66,523	--	--	--
Interest and dividends on investments	6,364,759	--	6,364,759	523,659	--	523,659
Other investment income	674,956	--	674,956	--	--	--
Total investment income	<u>7,106,238</u>	<u>--</u>	<u>7,106,238</u>	<u>523,659</u>	<u>--</u>	<u>523,659</u>
Less investment expense:						
Net depreciation in fair value of investments	12,931,933	--	12,931,933	399,067	--	399,067
Net depreciation in fair value of investments held in trust	--	--	--	7,271,824	--	7,271,824
Investment management fees	1,159,570	--	1,159,570	177,649	--	177,649
Investment custodian fees	41,894	--	41,894	41,646	--	41,646
Total investment expense	<u>14,133,397</u>	<u>--</u>	<u>14,133,397</u>	<u>7,890,186</u>	<u>--</u>	<u>7,890,186</u>
Net investment loss	<u>(7,027,159)</u>	<u>--</u>	<u>(7,027,159)</u>	<u>(7,366,527)</u>	<u>--</u>	<u>(7,366,527)</u>
OTHER INCOME:						
Transfer from other retirement systems:						
Employee	4,377	--	4,377	--	--	--
Employer and interest	56,184	--	56,184	--	--	--
Miscellaneous income	6,248	--	6,248	--	--	--
Total other income	<u>66,809</u>	<u>--</u>	<u>66,809</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total additions (reductions)	<u>(5,290,959)</u>	<u>2,214,944</u>	<u>(3,076,015)</u>	<u>(7,120,776)</u>	<u>655,517</u>	<u>(6,465,259)</u>
DEDUCTIONS:						
Retirement benefits paid	6,943,504	--	6,943,504	16,965,953	--	16,965,953
Refund of contributions	16,722	--	16,722	--	--	--
Death benefits	18,000	--	18,000	57,000	--	57,000
Administrative expenses (Page 25)	425,740	--	425,740	320,273	--	320,273
DROP withdrawal	--	56,475	56,475	--	254,243	254,243
PLOP withdrawal	1,246,936	--	1,246,936	198,306	--	198,306
Transfer to other retirement systems:						
Employee	151,430	--	151,430	--	--	--
Employer	463,140	--	463,140	--	--	--
Total deductions	<u>9,265,472</u>	<u>56,475</u>	<u>9,321,947</u>	<u>17,541,532</u>	<u>254,243</u>	<u>17,795,775</u>
NET INCREASE (DECREASE)	(14,556,431)	2,158,469	(12,397,962)	(24,662,308)	401,274	(24,261,034)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:						
Beginning of year, as previously reported	190,647,733	2,904,857	193,552,590	161,144,421	1,113,087	162,257,508
Prior period adjustment (Note 16)	--	222,799	222,799	--	674,824	674,824
Beginning of year, as restated	<u>190,647,733</u>	<u>3,127,656</u>	<u>193,775,389</u>	<u>161,144,421</u>	<u>1,787,911</u>	<u>162,932,332</u>
END OF YEAR	\$ 176,091,302	\$ 5,286,125	\$ 181,377,427	\$ 136,482,113	\$ 2,189,185	\$ 138,671,298

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

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).

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 and closed-end corporations are reported at fair value.

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.

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.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, 2001 is \$4,890.

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, 2001, the Firefighters' Pension and Relief Fund's membership consisted of:

	<u>New System</u>	<u>Old System</u>
Current retirees and beneficiaries	365	840
Terminated with contributions on deposit with the System	8	--
Vested and nonvested active employees covered	<u>718</u>	<u>16</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>1,091</u>	<u>856</u>

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
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NOTES TO FINANCIAL STATEMENTS
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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
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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
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
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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 \$152,832,672 at January 1, 2001. During the year the receivable was reduced by \$17,167,452 for the payment of 2001 pensions, \$202,377 for investment management fees and \$7,271,824 for the net depreciation in fair value of the investments. The receivable was increased by \$215,456 for interest and dividends earned on assets in the Trust. The balance of the receivable at December 31, 2001 is \$128,406,475. 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 employee and employer contributions established by state statute. Employees contribute 6% of salary for the first twenty years of employment, however no new participants have entered the Old System since December 31, 1967.

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, 2001, 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 \$104,399,492 and it is fully funded. The Pension Reserve Balance of the Old System is \$170,430,471 and it is 80% 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 \$16,899,312 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 \$64,033,951 and it is 81% 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 \$5,286,125 and it is fully funded. The DROP balance of the Old System is \$2,189,185 and it is fully funded.

FIREFIGHTERS' PENSION AND RELIEF FUND
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NOTES TO FINANCIAL STATEMENTS
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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 \$2,807,302 and it is fully funded. The PLOP balance of the Old System is \$758,640 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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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

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, 2001:

	<u>NEW SYSTEM</u>	<u>OLD SYSTEM</u>
Deposits (Bank balance)	\$ 534,901	\$3,852,158
Cash equivalents	18,619,168	7,953,212
Investments	166,387,506	--

Deposits:

The Fund's bank account balances as of December 31, 2001 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
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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments: (Continued)

	<u>Market Value</u>	<u>Category</u>
<u>New System</u>		
Cash held by consolidated limited liability corporation	\$ 19,352	1
Collateral held under Securities Lending Program	5,338,621	2
Bonds	42,278,462	1
Stocks	84,270,599	1
Notes receivable	11,375,491	1
Investment in partnerships	6,495,270	N/A
Investment in limited liability corporations	4,455,395	N/A
Investment in closed-end corporation	6,556,465	N/A
Investments held by broker-dealers in which collateral may be reinvested:		
Bonds	2,748,627	N/A
Stocks	2,335,274	N/A
Investments held by broker-dealers in which collateral may not be reinvested:		
Bonds	513,950	1
TOTAL	<u>\$166,387,506</u>	

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 2003. Total rent expense for the year ended December 31, 2001 was \$11,153. Future minimum rent payments under the lease are as follows:

<u>Year</u>	<u>Rent Expense</u>	<u>Sublease Income</u>	<u>Net Amount</u>
2002	\$ 70,119	\$ 24,150	\$ 45,969
2003	<u>70,119</u>	<u>24,150</u>	<u>45,969</u>
Total	<u>\$ 140,238</u>	<u>\$ 48,300</u>	<u>\$ 91,938</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
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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, revenues 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 26 - 28.

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, 2001. 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 \$33,124 is recorded on the financial statements in investment income.

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11. FUTURES CONTRACTS:

The Fund has entered into futures contracts for the purpose of trading. At December 31, 2001, the New System had outstanding forty index futures contracts, all maturing March 2002. The Old System had outstanding ten treasury bond and note futures contracts and nine index futures contracts, all maturing March 2002. The notional value of the open contracts at December 31, 2001 was \$10,102,300 and \$3,586,934 for the New System and Old System, respectively. The fair value of the open contracts at December 31, 2001 was \$10,393,750 and \$3,629,029 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, 2001, the New System realized net gains of \$221,126 on futures trading. The Old System realized losses of \$400,688 on futures trading. The net gains and losses are recorded on the financial statements in investment income.

The Fund is required to pledge a \$2,000,000 treasury note as collateral for the trading account for the New System. At December 31, 2001, the pledged note's carrying value was \$2,166,260. 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, 2001, the margin account's balance was \$6,902,957.

The Fund is required to pledge \$180,000 in treasury bills as collateral for the trading account for the Old System. At December 31, 2001, the pledged treasury bills' carrying value was \$179,689. 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, 2001, the margin account's balance was \$3,968,212.

12. NOTES RECEIVABLE:

During the year ended December 31, 2001, the New System of the Fund had investments in four 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, 2003 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.

The Fund earned interest of \$306,000 which is recorded as investment income. The balance of the loans is \$3,400,000 at December 31, 2001.

- 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 (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, 2001. For the year ended December 31, 2001, the Fund earned interest (including additional interest) of \$448,701 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 \$3,326,055 at December 31, 2001, which is net of \$773,945 of interest received in advance. For the year ended December 31, 2001, the Fund earned interest of \$46,055 which is recorded as investment income.

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12. NOTES RECEIVABLE: (Continued)

- d) The Fund has a note receivable of \$2,889,436 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 bears 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 is due on October 31, 2003. For the year ended December 31, 2001, the Fund earned interest of \$241,157 which is recorded as investment income.

13. INVESTMENT IN PARTNERSHIPS:

- a) The New System of the Fund has an investment of \$5,895,298 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 2001 was \$127,112 and is recorded in investment income in the financial statements.

- b) During the year ended December 31, 2001, the New System of the Fund invested \$500,000 in Trans-Europe Buyout Partners III, L.P. (the partnership). The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds.

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 loss for 2001 was \$50,028 and is included in investment income.

- c) During the year ended December 31, 2001, the New System of the Fund invested \$150,000 in Trans-Europe Buyout Partners IV, L.P. (the partnership). The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds.

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 had no income or loss from the partnership for 2001.

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

During the year ended December 31, 2001, the New System of the Fund had investments in three limited liability corporations as follows:

- a. The Fund has an investment of \$4,317,292 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's income for 2001 totaled \$718,112, and it was recorded as investment income in the financial statements of the Fund.

- 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 cash of \$19,352.

For the year ended December 31, 2001, the Fund earned interest of \$241,157 on the note, which is recorded in investment income.

- c. During the year ended December 31, 2001, the New System of the Fund invested \$165,787 in the Wilton Private Equity Fund, L.L.C. (the corporation), a Delaware limited liability corporation which invests in closed-end private investment funds that target investments in leveraged buyouts, mezzanine financings, distressed debt, natural resources and venture capital.

For the year ended December 31, 2001, the Fund's share of the corporation's net loss was \$75,518, which is recorded in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
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15. INVESTMENT IN CLOSED-END CORPORATION:

The New System of the Fund has an investment of \$6,556,465 in the OCM Emerging Markets (Cayman) Fund II, Ltd. (the corporation), a closed-end Cayman Islands corporation that operates solely as a feeder fund and invests all of its assets in the OCM Emerging Markets Fund II, 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 corporation's net income for the year ended December 31, 2001, which includes income from foreign currency transactions, was \$1,473,465, and it was recorded as investment income in the financial statements of the Fund.

16. PRIOR PERIOD ADJUSTMENT:

DROP payable for the New System and Old System was overstated at December 31, 2000 in the amount of \$222,799 and \$674,824, respectively. As a result, net assets as of January 1, 2001 have been restated. Net assets have been increased for the New System and the Old System as of January 1, 2001 in the amounts of \$222,799 and \$674,824, respectively.

17. COMMITMENTS:

The New System of the Fund has committed to lend \$10,500,000 to Fireclub, LLC, a limited liability corporation of which the Fund is the sole member. Fireclub, LLC is to use the proceeds of the loan solely to make advances through December 31, 2004 to Tournament Players Club at Fairfield, LLC in connection with the development of a golf course in Jefferson Parish, Louisiana. At December 31, 2001, the Fund has not made any advances to Fireclub, LLC.

FIREFIGHTERS' PENSION AND RELIEF FUND
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SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - NEW SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2001

	Pension Reserve	Annuity Savings	DROP	PLOP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JANUARY 1, 2001							
AS PREVIOUSLY REPORTED	\$ 92,770,401	\$ 17,159,037	\$ 2,904,857	\$ 1,602,066	\$ 76,538,177	\$ 2,578,052	\$ 193,552,590
Prior period adjustment	--	--	222,799	--	--	--	222,799
Balances, January 1, 2001 as restated	<u>92,770,401</u>	<u>17,159,037</u>	<u>3,127,656</u>	<u>1,602,066</u>	<u>76,538,177</u>	<u>2,578,052</u>	<u>193,775,389</u>
REVENUES AND TRANSFERS:							
Contributions:							
Member	--	870,889	--	--	--	--	870,889
Employer	--	--	--	--	3,013,446	--	3,013,446
Interest on accumulated savings	--	551,508	--	--	--	--	551,508
Transfers from annuity savings	1,518,347	--	--	--	--	--	1,518,347
Transfers from other systems	--	4,377	--	--	56,184	--	60,561
Pensions transferred from pension reserve	--	--	2,214,944	2,452,172	--	--	4,667,116
Actuarial transfers	21,739,364	--	--	--	--	--	21,739,364
Total revenues	<u>23,257,711</u>	<u>1,426,774</u>	<u>2,214,944</u>	<u>2,452,172</u>	<u>3,069,630</u>	<u>--</u>	<u>32,421,231</u>
EXPENDITURES AND TRANSFERS:							
Retirement benefits paid	6,943,504	--	56,475	1,246,936	--	--	8,246,915
Refunds to members	--	16,722	--	--	--	--	16,722
Transfers to pension reserve	--	1,518,347	--	--	--	--	1,518,347
Pensions transferred to DROP	2,214,944	--	--	--	--	--	2,214,944
Net loss from investments and other sources	--	--	--	--	7,020,911	--	7,020,911
Pensions transferred to PLOP	2,452,172	--	--	--	--	--	2,452,172
Death benefits	18,000	--	--	--	--	--	18,000
Interest transferred to annuity savings	--	--	--	--	551,508	--	551,508
Transfer to other systems	--	151,430	--	--	463,140	--	614,570
Administrative expenses	--	--	--	--	425,740	--	425,740
Actuarial transfers	--	--	--	--	7,112,557	14,626,807	21,739,364
Total expenditures	<u>11,628,620</u>	<u>1,686,499</u>	<u>56,475</u>	<u>1,246,936</u>	<u>15,573,856</u>	<u>14,626,807</u>	<u>44,819,193</u>
NET INCREASE (DECREASE)	<u>11,629,091</u>	<u>(259,725)</u>	<u>2,158,469</u>	<u>1,205,236</u>	<u>(12,504,226)</u>	<u>(14,626,807)</u>	<u>(12,397,962)</u>
BALANCES - DECEMBER 31, 2001	<u>\$ 104,399,492</u>	<u>\$ 16,899,312</u>	<u>\$ 5,286,125</u>	<u>\$ 2,807,302</u>	<u>\$ 64,033,951</u>	<u>\$ (12,048,755)</u>	<u>\$ 181,377,427</u>

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 SUPPLEMENTARY INFORMATION
 STATEMENT OF CHANGES IN RESERVE BALANCES - OLD SYSTEM
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Pension Reserve	Annuity Savings	DROR	PLOP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JANUARY 1, 2001							
AS PREVIOUSLY REPORTED	\$ 170,111,401	\$ 19,993	\$ 1,113,087	\$ 728,572	\$ 483,167	\$ (10,198,712)	\$ 162,257,508
Prior period adjustment	--	--	674,824	--	--	--	674,824
Balances, January 1, 2001 as restated	<u>170,111,401</u>	<u>19,993</u>	<u>1,787,911</u>	<u>728,572</u>	<u>483,167</u>	<u>(10,198,712)</u>	<u>162,932,332</u>
REVENUES AND TRANSFERS:							
Contributions:							
Employer	--	--	--	--	--	--	--
Fire insurance rebate	--	--	--	--	901,268	--	901,268
Transfers from annuity savings	19,993	--	--	--	--	--	19,993
Pensions transferred from pension reserve	--	--	655,517	228,374	--	--	883,891
Actuarial transfers	18,205,921	--	--	--	6,302,365	--	24,508,286
Total revenues	<u>18,225,914</u>	<u>--</u>	<u>655,517</u>	<u>228,374</u>	<u>7,203,633</u>	<u>--</u>	<u>26,313,438</u>
EXPENDITURES AND TRANSFERS:							
Retirement benefits paid	16,965,953	--	254,243	198,306	--	--	17,418,502
Transfers to pension reserve	--	19,993	--	--	--	--	19,993
Pensions transferred to DROP	655,517	--	--	--	--	--	655,517
Death benefits	57,000	--	--	--	--	--	57,000
Net loss from investments and other sources	--	--	--	--	7,366,527	--	7,366,527
Pensions transferred to PLOP	228,374	--	--	--	--	--	228,374
Administrative expenses	--	--	--	--	320,273	--	320,273
Actuarial transfers	--	--	--	--	--	24,508,286	24,508,286
Total expenditures	<u>17,906,844</u>	<u>19,993</u>	<u>254,243</u>	<u>198,306</u>	<u>7,686,800</u>	<u>24,508,286</u>	<u>50,574,472</u>
NET INCREASE (DECREASE)	319,070	(19,993)	401,274	30,068	(483,167)	(24,508,286)	(24,261,034)
BALANCES - DECEMBER 31, 2001	\$ 170,430,471	\$ --	\$ 2,189,185	\$ 758,640	\$ --	\$ (34,706,998)	\$ 138,671,298

FIREFIGHTERS' PENSION AND RELIEF FUND
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SCHEDULES OF INVESTMENTS
DECEMBER 31, 2001

	PAR VALUE OF BONDS		ORIGINAL COST		MARKET VALUE	
	New System	Old System	New System	Old System	New System	Old System
Cash equivalents	\$ --	\$ --	\$ 18,619,168	\$ 7,952,707	\$ 18,619,168	\$ 7,953,212
Cash held by consolidated limited liability corporation	--	--	19,352	--	19,352	--
Bonds:						
U.S. Government and Agency Issues	13,611,203	--	13,535,807	--	14,048,667	--
Corporate bonds	32,123,354	--	29,644,049	--	29,541,603	--
Foreign bonds	2,051,000	--	1,995,015	--	1,950,769	--
Stocks	--	--	86,113,710	--	86,605,873	--
Notes receivable	--	--	11,375,491	--	11,375,491	--
Investment in limited liability corporations	--	--	4,466,329	--	4,455,395	--
Investment in closed-end corporation	--	--	6,345,960	--	6,556,465	--
Investment in partnerships	--	--	6,528,511	--	6,495,270	--
			<u>\$ 178,643,392</u>	<u>\$ 7,952,707</u>	<u>\$ 179,668,053</u>	<u>\$ 7,953,212</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
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SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001

	New System	Old System
Accounting, auditing and legal	\$ --	\$ 155,369
Actuary fees	--	32,640
Depreciation	--	4,890
Employee benefits	--	6,582
Insurance	--	69,783
Interfund allocation	375,000	(375,000)
Office supplies and printing	--	20,357
Other	50,740	16,615
Payroll and payroll taxes	--	269,458
Pension seminars and education	--	82,138
Postage	--	9,745
Professional - medical	--	13,000
Rent	--	11,153
Telephone	--	3,543
TOTAL	<u>\$ 425,740</u>	<u>\$ 320,273</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS
DECEMBER 31, 1996 THROUGH 2001

<u>YEAR</u>	NEW SYSTEM	
	Actuarial Required Contributions Employer	Percent Contributed Employer
1996	\$ 3,156,216	100.00 %
1997	2,856,000	105.16
1998	2,897,928	85.72
1999	2,887,752	121.86
2000	3,013,446	113.09
2001	3,969,950	75.91

<u>YEAR</u>	OLD SYSTEM	
	Actuarial Required Contributions Employer and Other Sources	Percent Contributed Employer and Other Sources
1996	\$ 18,400,260	93.59 %
1997	17,878,316	102.99
1998	18,978,384	90.99
1999	19,035,820	92.59
2000	21,436,565 *	83.25
2001	20,757,831 **	87.05

* 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.

FIREFIGHTERS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - OLD SYSTEM
 DECEMBER 31, 1996 THROUGH 2001

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, 1996	\$ 5,628,192	\$ 166,906,068	\$ 161,277,876	3.37 %	\$ 556,263	28,993.10 %
December 31, 1997	8,548,009	172,848,372	164,300,363	4.95	336,872	48,772.34
December 31, 1998	9,251,250	173,513,041	164,261,791	5.33	207,315	79,232.95
December 31, 1999	9,422,770	166,889,660	157,466,890	5.65	130,608	120,564.50
December 31, 2000	* 9,424,836	172,456,220	163,031,384	5.47	44,040	370,189.34
December 31, 2001	* 10,264,823	173,378,296	163,113,473	5.92	--	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 \$128,406,475 and \$152,832,672, for the years ended December 31, 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, 1996 THROUGH 2001**

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, 2001
Actuarial Cost Method	<p>New System: The Aggregate Level Normal Cost Method.</p> <p>Old System: Entry Age Normal Cost Method.</p>
Asset Valuation Method	<p>New System: Market value adjusted to average realized and unrealized capital gains over a three year period.</p> <p>Old System: Market value.</p>
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:	11 years

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
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
FOR THE YEAR ENDED DECEMBER 31, 2001

June 2, 2002

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, 2001, and have issued our report thereon dated June 2, 2002. 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*.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 conditions are noted below:

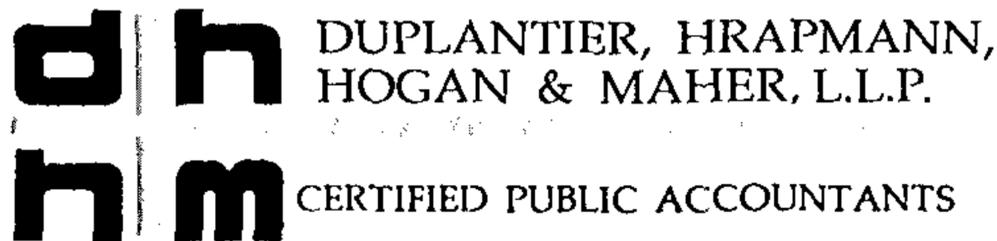
The DROP and PLOP subsidiary ledgers are not being reconciled to the general ledger. Subsidiary ledgers are the source of account transactions. They offer support to the general ledger accounts and should be balanced to the general ledger on a regular basis. We recommend the Fund develop a formal reconciliation procedure to ensure that the DROP and PLOP subsidiary ledgers are in agreement with the general ledger.

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.

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 conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting 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 2, 2002.

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.

Dyrlantel, Hapman, Hogan & Maher LLP



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

June 2, 2002

Honorable Mayor and
Council of the City of New Orleans

We have audited the financial statements of the Firefighters' Pension and Relief Funds of the City of New Orleans as of and for the year ended December 31, 2001, and have issued our report thereon dated June 2, 2002. 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.

As part of our examination, we have issued our report on the financial statements, dated June 2, 2002, and our report on internal control and compliance with laws, regulations, and contracts, dated June 2, 2002.

During our audit, we became aware of the certain matters that we feel are opportunities for strengthening internal controls and operating efficiencies. Our comments are suggestions that are summarized below. This letter does not affect our report dated June 2, 2002 on the financial statements of the *Firefighters' Pension and Relief Funds of the City of New Orleans*.

Bank Reconciliations

During audit procedures, it was noted that the payroll bank account for the Old System had not been formally reconciled to the general ledger for several months during the year, including December. Reconciliation of bank accounts on a monthly basis is necessary to ensure that transactions are properly recorded in the financial statements.

It is recommended that all bank accounts of the Fund be reconciled to the general ledger on a monthly basis.

Form 945 Deposits:

During audit testing, it was noted that the taxes withheld on pension payments of the Old System for the months of May, June and October 2000 have not been remitted to the Internal Revenue Service as of December 31, 2001. In addition, we could not determine if the annual Form 945 tax returns were filed with the IRS for the years 1999 and 2000. The failure to file IRS Form 945 and remit the taxes withheld may result in the Fund incurring interest and penalties.

We recommend that the Fund take the necessary steps to ensure that IRS Form 945 and the taxes withheld from pension payments are properly filed and remitted to the IRS on a timely basis to avoid incurring interest and penalties.

Firewood Estates, LLC

During the audit, it was noted that the books of Firewood Estates did not reflect any of the activity which occurred in 2001. 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. In addition, we noted that the quarterly interest payments due from Riverwood Estates Phase I, LLC beginning June 30, 2001 had not been made.

It is recommend that the Fund's accountant review the terms of all investment agreements to ensure that they are properly recorded and to ensure that all income due is received on a timely basis.

We recommend management address the foregoing issues as improvements to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

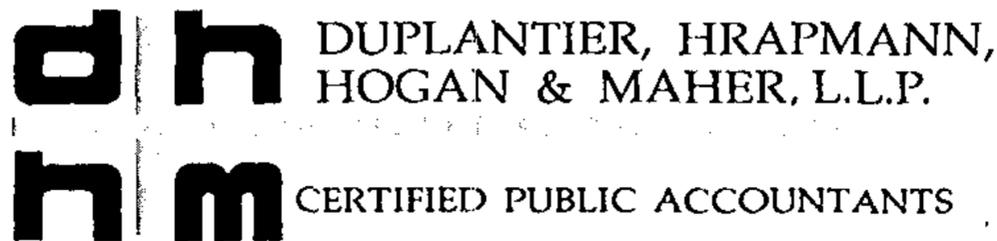
Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



William G. Stamm, CPA
Partner

WGS/ct



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

June 2, 2002

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, 2001 and have issued our report thereon dated June 2, 2002. 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, 2001 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 findings 01-01 through 01-02 below.

Compliance:

Noncompliance material to financial statements - None noted

Management Letter:

See current year findings 01-03 to 01-05

C. FEDERAL AWARDS

N/A

SECTION 2: FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINDINGS:

01-01 DROP/PLOP Reconciliations

The DROP/PLOP subsidiary ledgers are not being properly reconciled to the general ledger. Subsidiary ledgers are the source of account transactions. They offer support to the general ledger accounts and should be reconciled to the general ledger on a regular basis. We recommend the Fund develop a formal reconciliation procedure to ensure the DROP and PLOP subsidiary ledgers are in agreement with the general ledger.

01-02 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.

01-03 Bank Reconciliations

The payroll bank account for the Old System of the Fund was not formally reconciled to the general ledger for several months during the year, including December. Reconciliation of bank accounts on a monthly basis is necessary to ensure that transactions are properly recorded in the financial statements. We recommend that all bank accounts of the Fund be reconciled to the general ledger on a monthly basis.

01-04 Firewood Estates, LLC

The books of Firewood Estates, LLC did not reflect the activity that took place in 2001. 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. In addition, the quarterly interest payments due from Riverwood Estates Phase I, LLC beginning June 30, 2001 had not been made. We recommend that the Fund's accountant review the terms of all investment agreements to ensure that they are properly recorded and to ensure that all income due is received on a timely basis.

01-05 Form 945 Deposits

The taxes withheld on pension payments of the Old System for the months of May, June and October 2000 have not been remitted to the Internal Revenue Service as of December 31, 2001. In addition, we were unable to determine whether the annual Form 945 tax returns were filed with the IRS for the years 1999 and 2000. The failure to file IRS Form 945 and remit the taxes withheld may result in the Fund incurring interest and penalties. We recommend that the Fund take the necessary steps to ensure that IRS Form 945 and the taxes withheld from pension payments are properly remitted to the IRS on a timely basis to avoid incurring interest and penalties.

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

00-01 Investments

It was noted that the Fund's investments were not recorded and reconciled to the Bank One trust statements during the year. The failure to properly record and reconcile all investment transactions may result in the misstatement of the financial statements of the Fund. We recommended that the Fund take the necessary steps to ensure that all investment transactions are recorded and reconciled to the trust statements in a timely manner.

The finding was resolved in the current year.

00-02 Bank Reconciliations

It was noted that the payroll bank account for the Old System had not been formally reconciled to the general ledger for several months during the year, including December. Monthly reconciliations are necessary to ensure that transactions are properly recorded in the financial statements. We recommended that all bank accounts of the Fund be reconciled to the general ledger on a monthly basis.

Similar instances were noted in the current year and are reported in finding 01-03.

00-03 Form 945 Deposits

It was noted that the taxes withheld on pension payments of the Old System for the months of May, June and October 2000 were not properly remitted to the Internal Revenue Service as of December 31, 2000. The failure to properly remit the taxes withheld may result in the IRS assessing interest and penalties. We recommended that the Fund take the necessary steps to ensure that the taxes withheld on pension payments are properly remitted to the IRS on a monthly basis.

During the current year, it was noted that the taxes withheld had not yet been remitted to the IRS as of December 31, 2001, as reported in finding 01-05.

00-04 Unsecured Cash

It was noted that cash in the amount of \$423,588 that the Fund held through its wholly owned investment in Firewood Estates, LLC was not secured by federal depository insurance or pledged securities. The failure to secure cash with FDIC insurance or pledged securities subjects the Fund to the risk of loss of funds. We recommended that the Fund obtain pledged securities for the cash held in Firewood Estates, LLC.

The finding was resolved in the current year.

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

June 27, 2002

821 - 4671

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 audit report and management letter for the Firefighters' Pension and Relief Fund for the City of New Orleans for the year ended December 31,2001.

01-01

DROP/PLOP RECONCILIATIONS

The Fund will develop a formal reconciliation procedure to ensure the DROP/PLOP subsidiary ledgers are in agreement with the general ledger.

01-02

INTEREST AND DIVIDEND INCOME

The Fund will develop and implement procedures to perform an independent review for the completeness of interest and dividend receipts.

01-03

BANK RECONCILIATIONS

All bank accounts of the Fund are reconciled monthly and are current as of May 31,2002.

01-04

FIREWOOD ESTATES LLC

Firewood Estates LLC is merely a passthrough entity. All activity is conducted and monitored in Riverwood Estates LLC during the year. Since these entities are administered internally it is necessary only to make entries annually to Firewood Estates LLC.

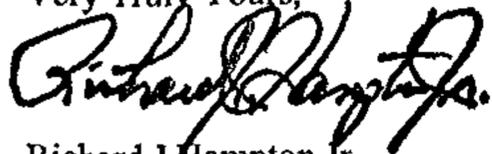
01-05

Form 945 Deposits

The Fund is corresponding with IRS to complete any incomplete information or deposits from prior years. The Fund has on more than one occasion submitted duplicate copies of Form 945 to IRS and does not know why the IRS has not processed those returns.

Should you require further information, we will be happy to provide it to you.

Very Truly Yours,



Richard J Hampton Jr.
CEO/Secretary-Treasurer