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REPORT

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

DECEMBER 31, 2006

Release Date 12/19/07

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

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INDEPENDENT AUDITOR'S REPORT

November 28, 2007

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, a component unit of the City of New Orleans, as of December 31, 2006 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, based on our audit, 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, 2006, 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.

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 November 28, 2007 on our consideration of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting and on our tests of its compliance with laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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, LLP

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006 and 2005.

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, administrative expenses and investments.

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 AND FOR THE YEAR ENDED DECEMBER 31, 2006

Statements of Plan Net Assets
December 31, 2006 and 2005

	New System		Old System	
	2006	2005	2006	2005
Cash	$ 374,523	$ 1,127,434	$ 57,101	$ 8,601,328
Prepaid expenses	--	--	--	218
Receivables	4,978,472	9,771,074	55,188,225	70,155,999
Investments	216,892,437	208,590,726	20,084,707	9,418,470
Property and equipment	--	--	83,768	18,832
Total assets	222,245,432	219,489,234	75,413,801	88,194,847
Liabilities	6,195,875	7,797,380	30,079	42,873
Total liabilities	6,195,875	7,797,380	30,079	42,873
Net assets held in trust for pension benefits	$ 216,049,557	$ 211,691,854	$ 75,383,722	$ 88,151,974

Statements of Changes in Plan Net Assets
For the Years Ended December 31, 2006 and 2005

	New System		Old System	
	2006	2005	2006	2005
Additions:				
Contributions	$ 10,369,416	$ 9,062,510	$ 725,397	$ 628,978
Investment gain	11,676,309	14,708,047	4,930,710	4,012,354
Total additions	22,045,725	23,770,557	5,656,107	4,641,332
Total deductions	16,184,307	13,091,863	18,424,359	18,272,231
Increase (decrease) in plan net assets	$ 5,861,418	$ 10,678,694	$ (12,768,252)	$ (13,630,899)

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 decline in investment income is primarily related to the poor performance of some of NOFF's investments during 2006 as compared to 2005.

	New System 2006	New System 2005	Increase (Decrease) Percentage	Old System 2006	Old System 2005	Increase (Decrease) Percentage
Member contributions	$ 928,295	$ 956,839	(3)%	$ --	$ --	--
City appropriations	8,639,586	7,457,445	16%	--	--	--
State insurance rebate	725,398	628,978	15%	725,397	628,978	15%
Transfer from other systems	76,137	19,248	296%	--	--	--
Net investment gain	11,676,309	14,708,047	(21)%	4,930,710	4,012,354	23%
	$ 22,045,725	$ 23,770,557		$ 5,656,107	$ 4,641,332	

Deductions from Plan Net Assets

The majority of deductions from plan net assets include retirement, death and survivor benefits, PLOP and DROP withdrawals and administrative expenses. Deductions from plan net assets increased by $3,092,444 in the New System in 2006, primarily due to an increase in refunds, administrative expenses and DROP and PLOP withdrawals. Deductions from plan net assets increased by $152,128 in the Old System in 2006, primarily as a result of an increase in DROP and PLOP benefits paid.

	New System 2006	New System 2005	Increase (Decrease) Percentage	Old System 2006	Old System 2005	Increase (Decrease) Percentage
Retirement benefits	$ 11,651,460	$ 10,773,135	8%	$ 17,647,765	$ 17,631,797	0.09%
Refund of contributions	278,538	69,033	303%	--	--	--
Death benefits	15,000	6,000	150%	72,000	45,000	60%
Administrative expenses	894,709	313,531	185%	426,138	488,383	(13)%
DROP withdrawal	1,669,416	890,113	86%	67,042	16,348	310%
PLOP withdrawal	1,675,184	1,040,051	61%	211,414	44,250	378%
Transfer to other systems	--	--	--	--	--	--
Loss on equipment	--	--	--	--	46,453	(100)%
	$ 16,184,307	$ 13,091,863		$ 18,424,359	$ 18,272,231	

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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 excluding collateral held under securities lending program at December 31, 2006 amounted to $211,033,060 and $20,084,707 for the New and Old Systems, respectively, as compared to $201,032,154 and $9,418,470 at December 31, 2005. Total investments increased approximately 5% percent in the New System and increased approximately 113% in the Old System. The increase in the Old System is a result of investing excess cash.

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, 3520 General DeGaulle, Suite 3001, New Orleans, LA 70114.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2006

	New Sysem	Old System
ASSETS:		
Cash (Note 5)	$ 374,523	$ 57,101
Receivables:		
Accrued investment income	4,365,683	19,755
Member contributions receivable	39,103	-
Contributions receivable (Note 3)	-	55,168,470
Investment receivable	573,686	-
Total receivables	4,978,472	55,188,225
INVESTMENTS (at fair value): (Notes 1 and 5) (Page 35)		
Cash equivalents	27,169,255	20,084,707
Collateral held under Securities Lending Program (Notes 5 and 9)	5,859,377	-
Bonds	10,105,440	-
Stocks	60,291,940	-
Mutual funds (Note 15)	24,069,255	-
Notes receivable (Note 11)	20,283,969	-
Investment in limited liability corporations (Note 13)	22,977,978	-
Investment in corporations (Note 14)	10,601,676	-
Investment in partnerships (Note 12)	16,883,547	-
Real estate-Lakewood (Note 16)	12,650,000	-
Real estate - Fire Phoenix (Note 18)	6,000,000	-
Total investments	216,892,437	20,084,707
Property and equipment, net of accumulated depreciation of $47,279 (Note 1)	-	83,768
Total assets	222,245,432	75,413,801
LIABILITIES:		
Accounts payable	195,936	1,683
Payroll taxes payable	55,502	2,147
Investment payable	85,060	26,249
Obligation under Securities Lending Program (Notes 5 and 9)	5,859,377	-
Total liabilities	6,195,875	30,079
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 216,049,557	$ 75,383,722

(Schedule of funding progress is presented on page 38.)

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, 2006

	New System	Old Sysem
ADDITIONS: (Note 1)		
Contributions:		
Member	$ 928,295	$ -
Employer (Note 3)	8,639,586	-
Fire insurance rebate	725,398	725,397
Transfer from other retirement system	76,137	-
Total contributions	10,369,416	725,397
Investment income:		
Recapture commission	-	60,201
Securities litigation proceeds	61,254	-
Interest and dividends on investments	4,286,492	1,037,543
Net appreciation in fair value of investments	7,317,802	335,376
Net appreciation in fair value of investments held in trust	-	3,872,530
Other investment income	1,234,875	-
	12,900,423	5,305,650
Less investment expense:		
Investment management fees	1,144,626	357,741
Investment custodian fees	73,534	15,642
Foreign taxes	5,954	1,557
	1,224,114	374,940
Net investment gain	11,676,309	4,930,710
Total additions	22,045,725	5,656,107
DEDUCTIONS:		
Retirement benefits paid	11,651,460	17,647,765
Refund of contributions	278,538	-
Death benefits	15,000	72,000
Administrative expenses (Page 36)	894,709	426,138
DROP withdrawal	1,669,416	67,042
PLOP withdrawal	1,675,184	211,414
Total deductions	16,184,307	18,424,359
NET INCREASE (DECREASE)	5,861,418	(12,768,252)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year as previously reported	211,691,854	88,151,974
Prior period adjustment (Note 17)	(1,503,715)	-
Beginning of year as restated	210,188,139	88,151,974
END OF YEAR	$ 216,049,557	$ 75,383,722

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
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The Firefighters' Pension and Relief Fund (the 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 a component unit of the City of New Orleans and 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.

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 exchanges are valued at the last reported sales price at current exchange rates. Investments in notes receivables, partnerships, limited liability corporations, corporations and trusts are reported at fair value.

Investments of the Old and New Systems are allocated to the restricted DROP Fund and PLOP Fund based on total DROP and PLOP deposits. The investments 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, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment – Pension Fund:

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, 2006 is $15,016.

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, 2006, the Firefighters' Pension and Relief Fund's membership consisted of:

	New System	Old System
Current retirees and beneficiaries	497	725
Terminated vested employees who have not withdrawn contributions (DROP)	79	--
Vested and nonvested active employees covered	530	--
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	1,106	725

FIREFIGHTERS' PENSION AND RELIEF FUND
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NOTES TO FINANCIAL STATEMENTS
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2. PLAN DESCRIPTION: (Continued)

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.

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.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
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DECEMBER 31, 2006

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits (Continued)

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.

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

2. PLAN DESCRIPTION: (Continued)

DROP Benefits (Continued)

account. The monthly benefits that were being paid into the deferred retirement option plan fund will 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

A member, upon application for retirement, 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 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.

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 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.

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 $70,109,366 at January 1, 2006. During the year the receivable was reduced by $19,004,742 for the payment of 2006 pensions, $362,459 for investment management fees and $44,753 for fiduciary insurance. The receivable was increased by $3,931,175 for the net appreciation in fair value of the investments and $539,883 for interest and dividends earned on assets in the Trust. The balance of the receivable at December 31, 2006 is $55,168,470. 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.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

3. CONTRIBUTION RECEIVABLE, CONTRIBUTIONS AND RESERVES: (Continued)

Contributions (Continued)

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. 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, 2006, all contributions were made from the Trust. Annual contributions to the Old System do not include amortization of past service cost.

In addition, the Fund receives fire insurance taxes of 2% of the fire insurance premiums written in the City of New Orleans. In 2006, amounts received as a result of this tax were divided equally between the two systems.

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:

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 $150,801,032 and it is fully funded. The Pension Reserve Balance of the Old System is $160,428,772 and it is 44% 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 $17,341,714 and it is fully funded. The Annuity Savings balance of the Old System is $-0-.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

3. CONTRIBUTION RECEIVABLE, CONTRIBUTIONS AND RESERVES: (Continued)

Reserves (Continued)

B) Annuity Savings: (Continued)

For the year ended December 31, 2006, the transfer from annuity savings to pension reserve (as shown as supplementary information) is an estimate. The Fund was unable to obtain all of the needed information from the City of New Orleans to determine the actual amount of the transfer.

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 $20,827,032 and it is 82% 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 $19,251,440 and it is fully funded. The DROP balance of the Old System is $3,768,241 and it is fully funded.

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 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 $11,567,138 and it is fully funded. The PLOP balance of the Old System is $1,359,291 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.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Fund's deposits, cash equivalents and investments at December 31, 2006:

	NEW SYSTEM	OLD SYSTEM
Deposits (bank balance)	$ 632,441	$ 279,252
Cash equivalents	27,169,255	20,084,707
Investments	189,723,182	--
	$ 217,524,878	$ 20,363,959

Deposits:

The Fund's bank account balances as of December 31, 2006 were entirely covered by federal depository insurance.

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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Cash Equivalents:

The Fund considers all investments with original maturities of three months or less to be cash equivalents. Cash equivalents of the New System and Old System consist of government backed pooled funds, institutional funds and U.S. government obligations. The funds are held by the Fund's custodian's trust departments 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 this fund and the board of trustees acting collectively on behalf of this fund to act with the 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 board of trustees shall not invest more than sixty-five percent of the total portfolio in common stock.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Fund's investment in a single issuer.

The Fund's investment policy states that no more than 25% of the equity portfolio market value may be invested in any single industry. The equity holdings in any single corporation shall not exceed 5% of the market value of the equity portfolio at any time. In addition, no more than 5% of total Fund assets at market may be invested in any one issuer's securities (exclusive of issues of the U.S. Treasury or other Federal agencies). At December 31, 2006, there were no investment holdings that exceeded the Fund's concentration of credit risk investment policy.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the New System's investments in publicly traded debt securities at December 31, 2006.

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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk (Continued)

Rating	Corporate Bonds
BB	$ 514,350
B+	1,052,060
B	3,178,911
B-	1,574,405
CCC+	1,377,850
CCC	1,590,619
CCC-	817,245
	$ 10,105,440

The Fund's investment policy allows for investment in publicly-traded debt securities rated at or above Ba1 by Moody's and BB+ by Standard and Poor's at time of purchase.

At December 31, 2006, the fixed-income mutual funds held by the New System were not rated. The Fund has no formal investment policy regarding credit risk on fixed income mutual funds.

At December 31, 2006, $17,679,452 of the New System's cash equivalents were rated AAA by Standard and Poor's and $8,289,803 were not rated. At December 31, 2006, $1,611,655 of the Old System's cash equivalents were rated AAA by Standard and Poor's and $18,473,052 were not rated.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

At December 31, 2006, the New System was not exposed to custodial credit risk for investments in the amount of $96,366,635 since the investments are in the name of the Fund. At December 31, 2006, for cash collateral held under the securities lending program in the amount of $5,859,377, the New System is exposed to custodial credit risk since the collateral is not in the name of the Fund.

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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Custodial Credit Risk (Continued)

At December 31, 2006, the Old System was not exposed to custodial credit risk for investments in the amount of $20,084,707 since the investments are in the name of the Fund.

The Fund has no formal investment policy regarding custodial credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2006, the Fund had the following investments in long-term debt securities.

Investment Type	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Corporate bonds	$ 10,105,440	$ --	$ --	$ 10,205,440	$ --
Notes Receivable	$ 20,283,969	$ 1,550,000	$ 6,696,545	$ 7,037,424	$ 5,000,000
Collateral Held Under Securities Lending Program	$ 5,859,377	$ 5,859,377	$ --	$ --	$ --

The Fund's investment policy prohibits investment in debt securities with maturities greater than thirty years at time of purchase. At December 31, 2006, the Fund was in compliance with its investment policy on holdings within the specified maturity guidelines on its debt securities. The Fund owns a $5,000,000 note receivable with no maturity date specified.

6. PER DIEM PAID TO BOARD MEMBERS:

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

7. 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.

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8. 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 37 - 39.

9. SECURITY LENDING AGREEMENTS:

The Board of Trustees of the Fund authorized the Fund to enter into a 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 no less than 100% of the market value of the securities underlying the securities lending agreements. At December 31, 2006 the fair value of the securities on loan is $5,670,855.

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, 2006. The maturities of these investments match the maturities of the securities loans.

At year end, the Fund has no credit risk exposure to borrowers because the amounts the borrowers owe the Fund exceed the amounts the Fund owes the borrowers. The Fund cannot pledge or sell collateral securities received unless the borrower defaults.

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 $15,683 is recorded on the financial statements in investment income.

10. FUTURES CONTRACTS:

The Fund has entered into futures contracts for the purpose of trading. At December 31, 2006, the New System had outstanding 300 index futures contracts, all maturing March 2007. The Old System had outstanding 24 treasury bond and note futures contracts and 89 index futures contracts, all maturing March 2007. The notional value of the open contracts at December 31, 2006 was $25,585,070 and $8,946,626 for the New System and Old System, respectively. The fair value of the open contracts at December 31, 2006 was $25,646,550 and $8,941,755 for the New System and Old System, respectively. Open contracts are valued at the last reported sales price at current exchange rates.

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10. FUTURES CONTRACTS: (Continued)

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, 2006, the New System realized net gains of $3,050,787 on futures trading. The Old System realized net gains of $345,272 on futures trading. The net gains are recorded on the financial statements in investment income.

The Fund is required to pledge $1,700,000 of treasury bills as collateral for the trading account for the New System. At December 31, 2006, the pledged bills' carrying value was $1,691,959. 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, 2006, the margin account's balance was $15,059,492.

The Fund is required to pledge $290,000 in treasury bills as collateral for the trading account for the Old System. At December 31, 2006, the pledged treasury bills' carrying value was $288,628. 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, 2006, the margin account's balance was $1,611,655.

11. NOTES RECEIVABLE:

During the year ended December 31, 2006, the New System of the Fund had notes receivable as follows:

a) 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. The balance of the loan is $5,000,000 at December 31, 2006. For the year ended December 31, 2006, the Fund earned interest of $475,000, which is recorded in investment income.

b) On August 13, 2004, the Fund loaned $3,500,000 to Gulf Islands Water Park, L.L.C. (the corporation). The loan bears interest at 10%, commencing from the date of the advance of the funds. During 2006, the loan was amended and $537,425 of accrued interest was capitalized and added to the loan balance. Principal payments of $403,742 are due annually beginning on March 1, 2007. 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 $4,037,425 at December 31, 2006. For the year ended December 31, 2006, the Fund earned interest of $390,491, which is recorded in investment income.

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11. NOTES RECEIVABLE: (Continued)

c) On August 6, 2004, the Fund committed to lend a maximum amount of $600,000 to South Peters Hotel Investors, L.P. (the partnership). The loan bears interest at 12%, commencing from the date of the advance of the funds, until the principal is paid in full in monthly arrears. Principal payments of $50,000 per month are due beginning on January 31, 2005 and continuing until June 30, 2005. Principal payments of $75,000 per month are due on October 31, 2005 and November 30, 2005. Beginning on February 28, 2006 and until the principal balance is paid in full, payments of $50,000 per month are due. The loan is subordinate and subject in right of payment to the prior payment in full of the senior indebtedness of the partnership. The balance of the loan is $200,000 at December 31, 2006. For the year ended December 31, 2006, the Fund earned interest of $33,652, which is recorded in investment income.

d) During 2005, the Fund loaned $1,350,000 to Green Trails, 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 April 1, 2005. The principal balance is due on January 11, 2007. 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 $1,350,000 at December 31, 2006. For the year ended December 31, 2006, the Fund earned interest of $135,000, which is recorded in investment income.

e) On June 14, 2005, the Fund loaned $2,300,000 to Metairie Hotel, L.L.C. (the corporation). The loan bears interest at 12%, commencing from the date of the advance of the funds, with interest payments due in monthly installments commencing December 31, 2005. The corporation at is sole discretion may pay part or all of the loan principal balance with thirty days written notice. Any unpaid principal balance is due in full on May 31, 2010. The loan is subordinate and subject in right of payment to the prior payment in full of the senior indebtedness of the corporation. The loan is secured by a non-first priority interest in the assets of the corporation. The balance of the loan is $800,000 at December 31, 2006. For the year ended December 31, 2006, the Fund earned interest of $204,492, which is recorded in investment income. As additional consideration for the loan, the Fund was granted a 50% equity interest in the corporation. See footnote 13 for additional detail.

f) On November 14, 2006, the Fund committed to loan the Torguson Gaming Group, Inc. $11,500,000. The note bears interest at 12% for a one year period following the date of the note, and a rate of 15% thereafter, until the principal balance is fully paid. Interest payments are due quarterly beginning on February 13, 2007 and the entire principal balance is due on November 13, 2008. The note is secured by a leasehold deed of trust, security agreement, assignment of leases and rents, and fixture filling. The balance of the note is $5,896,544 at December 31, 2006. For the year ended December 31, 2006, the Fund earned interest of $60,983, which is recorded in investment income.

11. NOTES RECEIVABLE: (Continued)

g) During 2006, the Fund loaned $2,200,000 and $800,000 to Adventura Maya, LLC (the borrower) on two separate notes. Both notes bear interest at 8% commencing from the date of the notes. Interest payments for both notes are due quarterly beginning on December 1, 2006. Principal payments are due quarterly beginning on March 1, 2007 until the principal balance is paid in full for both notes. The note is secured by an agreement granting the Fund an additional 50% ownership interest in the borrower's hotel in case of default. The balance of the notes is $3,000,000 at December 31, 2006. For the year ended December 31, 2006, the Fund earned interest of $109,544 which is recorded in investment income.

12. INVESTMENT IN PARTNERSHIPS:

During the year ended December 31, 2006, the New System of the Fund had investments in partnerships as follows:

a) The Fund has an investment 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.

For the year ended December 31, 2006, the Fund wrote down its investment in the partnership by $4,723,849 due to significant losses in the underlying assets of the partnership. The loss is included in investment income. As of December 31, 2006, the Fund has an investment of $500,000 in the partnership.

b) The Fund has committed to invest $2,000,000 in Trans-Europe Buyout Partners III, L.P. (the partnership). As of December 31, 2006, the Fund has invested $840,471, net of redemptions, 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, 2006, the Fund has an investment of $1,672,656 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 2006 was $1,171,178 and is included in investment income.

c) The Fund has committed to invest $3,000,000 in Trans-Europe Buyout Partners IV, L.P. (the partnership). As of December 31, 2006, the Fund has invested $1,553,960, net of redemptions, 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, 2006, the Fund has an investment of $3,102,333 in the partnership.

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12. 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 2006 was $1,407,252 and is included in investment income.

d) The Fund committed and invested $2,000,000 in the ING Clarion U.S., 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, 2006, the Fund has an investment of $3,748,278 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 2006 was $582,996 and is included in investment income.

e) The Fund has committed to invest $3,000,000 in the LEM Real Estate Mezzanine Fund, L.P. (the partnership). As of December 31, 2006, the Fund has invested $1,685,400 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, 2006, the Fund has an investment of $1,813,027 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 2006 was $482,065 and is included in investment income.

f) The Fund has committed and invested $1,021,500 in the OCM Mezzanine Fund, L.P. (the partnership). The partnership was formed for the purpose of allowing qualified investors to pool their assets to invest in mezzanine investments. As of December 31, 2006, the Fund has an investment of $1,271,917 in the partnership.

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 income for 2006 was $253,311 and is included in investment income.

12. INVESTMENT IN PARTNERSHIPS: (Continued)

g) The Fund has committed to invest $3,000,000 in Montagu Newhall Global Partners II, L.P. (the partnership). As of December 31, 2006, the Fund has invested $1,365,000 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, 2006, the Fund has an investment of $1,334,183 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 income for 2006 was $59,305 and is included in investment income.

h) The Fund has committed to invest $5,000,000 in Americus Real Estate Fund No. 1 Ltd. (the partnership). As of December 31, 2006, the Fund has invested $832,633, net of redemptions, 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, 2006, the Fund has an investment of $790,284 in the partnership.

   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 net loss related to the partnership was $88,152. The Fund also received priority return of $52,858 on its capital contribution. Both amounts are recorded in investment income.

i) The Fund has committed to invest $500,000 in Louisiana Fund I, L.P. (the partnership). As of December 31, 2006, the Fund has invested $130,000 in the partnership. The partnership was formed to invest in early stage companies that are located primarily in Louisiana. As of December 31, 2006, the Fund has an investment of $89,391 in the partnership.

   Net income or net 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 2006 was $40,609 and is included in investment income.

j) The Fund has committed to invest $1,000,000 in Murphree Venture Partners VI (the partnership). As of December 31, 2006, the Fund has invested $450,000 in the partnership. The partnership was formed to invest in the debt and equity securities in various private and public companies. As of December 31, 2006, the Fund has an investment of $391,845 in the partnership.

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12. INVESTMENT IN PARTNERSHIPS: (Continued)

Net income or net 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 2006 was $58,515 and is included in investment income.

k) The Fund has committed and invested $2,000,000 in Emory Partners, LP (the partnership). The partnership was formed to engage in the speculative trading of commodity futures and options contracts. As of December 31, 2006, the Fund has an investment of $2,169,633 in the partnership.

Net income or loss is allocated to the partners in proportion to their respective interests in the partnership. The Fund's share of partnership income for 2006 was $169,633 and is included in investment income.

13. INVESTMENT IN LIMITED LIABILITY CORPORATIONS:

During the year ended December 31, 2006, the New System of the Fund had investments in limited liability corporations as follows:

a) The Fund has an investment of $5,458,712 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 partners' capital contribution in relation to the total capital contributions made or required to be made by all of its partners. In addition, the Fund 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. The Fund 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. In 2006, the Fund earned $674,956 in priority return on its capital contribution. The Fund's share of income related to the corporation was $12,593. The priority return and the income were recorded as investment income in the financial statements of the Fund.

b) The Fund has committed to invest $4,000,000 in the Wilton Private Equity Fund, L.L.C. (the corporation). As of December 31, 2006, the Fund has invested $3,185,224 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, 2006, the Fund has an investment of $3,158,387 in the corporation.

For the year ended December 31, 2006, the Fund's share of the corporation's net income was $722,908 which is recorded in investment income.

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13. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

c) The Fund has committed and invested $4,000,000 in the Intercontinental Real Estate Investment Fund III, L.L.C. (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, 2006, the Fund has an investment of $4,370,693 in the corporation.

For the year ended December 31, 2006, the Fund's share of the corporation's net income was $530,810, which is recorded in investment income.

d) 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, 2006, the Fund has an investment of $3,765,650 in the corporation.

For the year ended December 31, 2006, the Fund's share of the corporation's net loss was $150,771, which is included in investment income.

e) The Fund has an investment of $380,930 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 11).

The Fund's share of the corporation's net income was $299,396, which is included in investment income.

f) The Fund has committed and invested $600,000 in PMAT Flamingo Investment, L.L.C. (the corporation), a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in Pembroke Pines, Florida. As of December 31, 2006, the Fund has an investment of $571,364 in the corporation.

For the year ended December 31, 2006, the Fund's share of the corporation's net income was $181,206. The Fund also received priority return of $72,000 on its capital contribution. Both amounts are recorded in investment income.

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13. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

g) The Fund has committed to invest $1,000,000 in the Intercontinental Real Estate Investment Fund IV, L.L.C. (the corporation). As of December 31, 2006, the Fund has invested $470,000 in the corporation. The corporation is a closed-end, commingled real estate investment fund organized to acquire, own, develop, manage, operate, mortgage, and sell real estate and interests in real estate. As of December 31, 2006, the Fund has an investment of $406,037 in the corporation.

   For the year ended December 31, 2006, the Fund's share of the corporation's net loss was $21,517 which is recorded in investment income.

h) The Fund has an investment in Green Trails, 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 11).

   The Fund's share of the corporation's net income was $203,157, which is included in investment income.

i) The Fund has committed and invested $1,000,000 in PMAT Bellair Investment, L.L.C. (the corporation), a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in Daytona Beach, Florida. As of December 31, 2006, the Fund has an investment of $1,007,610 in the corporation.

   For the year ended December 31, 2006, the Fund's share of the corporation's net income was $8,617. The Fund also received priority return of $85,000 on its capital contribution. Both amounts are recorded in investment income.

j) The Fund has committed and invested $3,000,000 in PMAT Cocowalk Holdings, L.L.C. (the corporation) a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in Coconut Grove Florida. As of December 31, 2006, the Fund has an investment of $3,000,000 in the corporation.

   The Fund received priority return of $92,466 on its capital contribution which is recorded in investment income.

k) As consideration of a loan to Metairie Hotel, LLC (see footnote 11 for detail), the Fund was granted a 50% equity interest in the corporation. As of December 31, 2006, the Fund has an investment of $111,290 in the corporation. For the year ended December 31, 2006, the Fund's share of income related to this interest was $777,086 and is included in investment income. The Fund's equity interest in the corporation is subject to reduction in future years if certain conditions related to the repayment of the loan are met.

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

l) In August 2006, the Fund committed and invested $750,000 in the Adventura Maya, L.L.C. (the corporation), a Louisiana limited liability company that was created to own and operate a hotel in Mexico. As of December 31, 2006, the Fund has an investment of $750,000 in the corporation.

14. INVESTMENT IN CORPORATIONS:

During the years ended December 31, 2006, the New System of the Fund had investments in corporations as follows:

a) The Fund committed and invested $2,982,356, net of redemptions, 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, 2006, the Fund has an investment of $2,818,152 in the corporation.

   For the year ended December 31, 2006, the Fund's share of income related to this investment, was $427,479 and is included in investment income.

b) The Fund had committed and invested $5,000,000 with Land Baron Investments, Inc. (the corporation), a Nevada corporation that invests in real property in Las Vegas, Nevada, Phoenix, Arizona and other areas. As of December 31, 2006, the Fund had an investment of $7,783,524 with the corporation.

   For the year ended December 31, 2006, the Fund's share of net income related to this investment was $2,919,424 and is included in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

15. MUTUAL FUNDS:

During the year ended December 31, 2006, the New System of the Fund had investments in mutual funds as follows:

a) The Fund has invested $4,000,000 in Structured Servicing Holdings (Offshore), Ltd. (the 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, 2006, the Fund has an investment of $6,173,071 in the company.

   The Fund's share of income from the company for 2006 was $610,113 and is included in investment income.

b) The Fund has invested $2,000,000 in the Clinton Multistrategy Fund, Ltd. (the company). The company was formed as a feeder fund of the Clinton Multistrategy Master Fund, Ltd. (the master) 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, 2006, the Fund has an investment of $2,858,416 in the company.

   The Fund's share of income from the company for 2006 was $292,829 and is included in investment income.

c) The Fund has invested $4,000,000 in the Clinton Equity Strategies Fund, Ltd. (the company). The company was formed as a feeder fund of the Clinton Equity Strategies Master Fund, Ltd. (the master) and invests exclusively in the master. The primary objective of the company is to seek capital appreciation while minimizing risk by following a trading strategy based on proprietary models. At December 31, 2006, the Fund has an investment of $4,240,000 in the company.

   The Fund's share of income from the company for 2006 was $240,000 and is included in investment income.

d) The Fund has invested $8,766,093, net of redemptions, in the Fletcher Income Arbitrage Fund, Ltd. (the company). The company was formed as a feeder fund that invests in an affiliated master fund. 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, 2006, the Fund has an investment of $10,797,768 in the company.

   The Fund's share of income from the company for 2006 was $747,185 and is included in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
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DECEMBER 31, 2006

16. INVESTMENT IN LAKEWOOD RESTORATION PARTNERS, LTD.:

The Fund is the 99% owner of Lakewood Restoration Partners, Ltd. (the partnership), which was formed to acquire and develop the property located in New Orleans, Louisiana, commonly known as the Lakewood Country Club. For the year ended December 31, 2006, an unrealized loss of $1,600,000 has been reported on these financial statements in the net depreciation in fair value of investments. As of December 31, 2006, the property of Lakewood Restoration Partnership was valued at $12,650,000.

17. PRIOR PERIOD ADJUSTMENT:

For the year ended December 31, 2005 interest income in the New System in the amount of $1,503,715 was overstated. To correct the overstatement, the beginning net assets as previously stated has been decreased by $1,503,715.

18. INVESTMENT IN FIRE PHOENIX.:

The Fund a 100% owner of Fire Phoenix loaned $4,100,000 to the Spellman Development Group, Ltd on November 21, 2001. On August 1, 2005, the Spellman Development Group, Ltd. petitioned for Chapter 11 bankruptcy relief. On December 7, 2006, the Fund purchased all assets of the debtor to become first lien holder. The assets purchased included a golf course in the amount of $7,700,000 and a certificate of deposit in the amount of $1,200,000. As a result of the purchase, the loan to the Spellman Development Group is no longer collectible. As of December 31, 2006, the value of the loan and accrued interest in the amount of $3,794,192 was written off. The write-off is reported in investment income. As of December 31, 2006 the golf course was appraised for $6,000,000 which resulted in a loss in the amount of $1,700,000. The loss is included in investment income.

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, 2006

	Pension Reserve	Annuity Savings	DROP	PLOP	Pension Accumulation	Surplus (Unfunded) Actuarial Liability	Total
BALANCES, JANUARY 1, 2006	$ 149,143,546	$ 17,548,067	$ 15,823,379	$ 8,701,734	$ 5,317,265	$ 15,157,863	$ 211,691,854
Prior period adjustment	-	-	-	-	(1,503,715)	-	(1,503,715)
BALANCE, JANURARY 1, 2006 (restated)	149,143,546	17,548,067	15,823,379	8,701,734	3,813,550	15,157,863	210,188,139
REVENUES AND TRANSFERS:							
Contributions:							
Member	-	928,295	-	-	-	-	928,295
Employer	-	-	-	-	8,639,586	-	8,639,586
Fire insurance rebate	-	-	-	-	725,398	-	725,398
Transfer from other retirement system	-	14,332	-	-	61,805	-	76,137
Interest on accumulated savings	-	554,558	-	-	-	-	554,558
Net income from investments and other sources	-	-	-	-	11,676,309	-	11,676,309
Transfers from annuity savings	1,425,000	-	-	-	-	-	1,425,000
Pensions transferred from pension reserve	-	-	5,097,477	4,540,588	-	-	9,638,065
Actuarial transfers	22,091,569	-	-	-	-	-	22,091,569
Total revenues	23,516,569	1,497,185	5,097,477	4,540,588	21,103,098	-	55,754,917
EXPENDITURES AND TRANSFERS:							
Retirement benefits paid	11,651,460	-	1,669,416	1,675,184	-	-	14,996,060
Refunds to members	-	278,538	-	-	-	-	278,538
Transfers to pension reserve	-	1,425,000	-	-	-	-	1,425,000
Pensions transferred to DROP	5,097,477	-	-	-	-	-	5,097,477
Pensions transferred to PLOP	4,540,588	-	-	-	-	-	4,540,588
Death benefits	15,000	-	-	-	-	-	15,000
Interest transferred to annuity savings	554,558	-	-	-	-	-	554,558
Administrative expenses	-	-	-	-	894,709	-	894,709
Actuarial transfers	-	-	-	-	3,194,907	18,896,662	22,091,569
Total expenditures	21,859,083	1,703,538	1,669,416	1,675,184	4,089,616	18,896,662	49,893,499
NET INCREASE (DECREASE)	1,657,486	(206,353)	3,428,061	2,865,404	17,013,482	(18,896,662)	5,861,418
BALANCES - DECEMBER 31, 2006	$ 150,801,032	$ 17,341,714	$ 19,251,440	$ 11,567,138	$ 20,827,032	$ (3,738,799)	$ 216,049,557

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, 2006

	Pension Reserve	Annuity Savings	DROP	PLOP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JANUARY 1, 2006	$ 163,295,797	$ -	$ 3,535,627	$ 1,380,140	$ -	$ (80,059,590)	$ 88,151,974
REVENUES AND TRANSFERS:							
Contributions:							
Fire insurance rebate	-	-	-	-	725,397	-	725,397
Net income from investments							-
and other sources	-	-	-	-	4,930,710	-	4,930,710
Pensions transferred from							-
pension reserve	-	-	299,656	190,565	-	-	490,221
Actuarial transfers	15,342,961	-	-	-	-	-	15,342,961
Total revenues	15,342,961	-	299,656	190,565	5,656,107	-	21,489,289
EXPENDITURES AND TRANSFERS:							
Retirement benefits paid	17,647,765	-	67,042	211,414	-	-	17,926,221
Pensions transferred to DROP	299,656	-	-	-	-	-	299,656
Death benefits	72,000	-	-	-	-	-	72,000
Pensions transferred to PLOP	190,565	-	-	-	-	-	190,565
Administrative expenses and loss on disposal of equipment, net of insurance recovery	-	-	-	-	426,138	-	426,138
Actuarial transfers	-	-	-	-	5,229,969	10,112,992	15,342,961
Total expenditures	18,209,986	-	67,042	211,414	5,656,107	10,112,992	34,257,541
NET INCREASE (DECREASE)	(2,867,025)	-	232,614	(20,849)	-	(10,112,992)	(12,768,252)
BALANCES - DECEMBER 31, 2006	$ 160,428,772	$ -	$ 3,768,241	$ 1,359,291	$ -	$ (90,172,582)	$ 75,383,722

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
DECEMBER 31, 2006

	ORIGINAL COST		MARKET VALUE	
	New System	Old System	New System	Old System
Cash equivalents	$ 27,164,683	$ 20,084,074	$ 27,169,255	$ 20,084,707
Bonds:				
Corporate bonds	10,071,406	-	10,105,440	-
Stocks	45,502,027	-	60,291,940	-
Mutual funds	18,782,766	-	24,069,255	-
Notes receivable	20,283,969	-	20,283,969	-
Investment in limited liability companies	20,064,488	-	22,977,978	-
Investment in corporations	7,676,707	-	10,601,676	-
Investment in partnerships	13,316,821	-	16,883,547	-
Real estate-Lakewood	12,691,408	-	12,650,000	-
Real estate - Fire Phoenix	7,700,000		6,000,000	
	$ 183,254,275	$ 20,084,074	$ 211,033,060	$ 20,084,707

FIREFIGHTERS' PENSION AND RELIEF FUND OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	New System	Old System
Accounting, auditing and legal fees	$ 492,171	$ 161,234
Actuary fees	-	43,970
Depreciation	-	15,016
Employee benefits	-	3,938
Insurance	-	115,972
Interfund allocation	400,000	(400,000)
Office supplies and printing	-	5,812
Other	2,538	21,417
Payroll and payroll taxes	-	256,204
Pension seminars and education	-	128,501
Postage	-	7,945
Professional - medical	-	18,100
Rent	-	31,786
Telephone	-	16,243
TOTAL	$ 894,709	$ 426,138

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
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SCHEDULES OF CONTRIBUTIONS
DECEMBER 31, 2001 THROUGH 2006

	NEW SYSTEM	
YEAR	Actuarial Required Contributions Employer and Other Sources	Percent Contributed Employer and Other Sources
2001	$ 3,013,446	100.00 %
2002	3,969,950	100.00
2003	4,837,929	107.00
2004	8,062,547	99.90
2005	9,268,564	87.25
2006	10,343,624	90.54

	OLD SYSTEM	
YEAR	Actuarial Required Contributions Employer and Other Sources	Percent Contributed Employer and Other Sources
2001	$ 21,436,565	84.29 %
2002	20,757,831	92.05
2003	20,768,067	88.30
2004	20,397,642	102.97
2005	20,203,113	103.11
2006	19,004,742	103.82

The percent contributed by cmployer includes contributions received from the trust which reduced the contribution receivable in the following amounts.

YEAR	Amount
2001	$ 17,167,452
2002	18,080,760
2003	17,205,888
2004	20,397,636
2005	20,203,113
2006	19,004,742

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OLD SYSTEM
DECEMBER 31, 2001 THROUGH 2006

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, 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	6.44	-	N/A
December 31, 2003 *	11,791,787	175,122,033	163,330,246	6.73	-	N/A
December 31, 2004 *	15,141,950	169,026,228	153,884,278	8.96	-	N/A
December 31, 2005 *	18,042,608	168,211,564	150,168,956	11.00	-	N/A
December 31, 2006 *	20,215,252	165,856,304	145,641,052	12.19	-	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 $55,168,470, $70,109,366, $86,640,923, 98,169,136, $97,752,824, and $128,406,475, the years ended December 31, 2006, 2005, 2004, 2003, 2002 and 2001, 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, 2001 THROUGH 2006

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, 2006
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:	7 years

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 28, 2007

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, 2006, and have issued our report thereon dated November 28, 2007. 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.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects Firefighters' Pension and Relief Fund of the City of New Orleans' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Firefighters' Pension and Relief Fund of the City of New Orleans' financial statements that is more than inconsequential will not be prevented or detected by Firefighters' Pension and Relief Fund of the City of New Orleans' internal control.

A material weakness is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Fighters' Pension and Relief Fund of the City of New Orleans' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Firefighters' Pension and Relief Fund of the City of New Orleans's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

Duplantier, Hrapmann, Hogan & Maher, LLP