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

FINANCIAL STATEMENTS

DECEMBER 31, 2017

P&N
Postlethwaite & Netterville
A Professional Accounting Corporation
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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the New System and the Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans (NOFF or the Fund), a fiduciary fund of the City of New Orleans, as of and for the year ended December 31, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New System and the Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans, as of December 31, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matters

Emphasis of Matter Regarding Funding Obligations – Old System Trust

The accompanying financial statements have been prepared assuming that the Old System will continue as a going concern. Old System contributions to the plan were significantly deficient compared to total deductions from the Fund for the past two years resulting in deficiencies of $5,048,230 and $4,218,278 for each of the year's ended December 31, 2016 and 2017, respectively. At December 31, 2017, the Old System has net position available for benefits in the amount of $3,819,357. As described in Note 4, the composition of net position for the Old System Trust has legally restricted account balances totaling $2,634,951 leaving only $1,184,406 available for future benefit payments of its members. In addition, the actuarially determined total pension liability of the Old System Trust is $135,311,831 at December 31, 2017. The Old System is a "pay as you go" system. The System's employer is legally obligated to meet all future obligations of the Fund. See Note 14 to the financial statements.

Emphasis of Matter Regarding Funding Obligations and Future Cash Flow to Fund Benefits – New System Trust

As of December 31, 2017, the New System has net position available for benefits in the amount of $42,735,736 with a total pension liability of $416,164,859. Approximately 48% of the New System's investments are long-term positions and are not liquid. This may have a negative impact on future cash flows. Also, as described in Note 4, the composition of net position for the New System Trust has legally restricted account balances totaling $57,864,018 leaving a deficit of $15,128,282 for future benefit payments of its members. The System's employer is legally obligated to meet all future obligations of the Fund. See Note 14 to the financial statements.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of employer's net pension liability, the schedule of employer contributions – employer and non-employer contributing entities, the schedule of investment returns, and the notes to required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Firefighters' Pension and Relief Fund of the City of New Orleans's basic financial statements. The schedule of administrative expenses on page 33 and the schedule of compensation, benefits, and other payments to the agency head on page 34 are presented for the purposes of additional analysis and are not a part of the basic financial statements.

These supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated August 10, 2018, 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 certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana
August 10, 2018

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

The following is management's discussion and analysis of the financial performance of the New System and the Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans (NOFF or the Fund). 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.

FINANCIAL HIGHLIGHTS

- Total assets of the Fund exceeded its liabilities at December 31, 2017 by $46,555,093 (net position), consisting of $42,735,736 in the New System and $3,819,357 in the Old System.
- The Fund's total net position decreased by $4,957,650, consisting of a decrease of $262,002 in the New System and a decrease of $4,695,648 in the Old System. The decrease in the New System is due primarily to fair value losses during 2017. The decrease in the Old System is due to benefit and other payments exceeding City appropriations and other revenues. The Old System utilized $4,000,000 of reserve assets to meet benefit obligations in 2017.

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:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position, and
- Notes to Financial Statements

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

The Statement of Fiduciary Net Position reports the pension fund's assets, liabilities, and resultant net position restricted for pension benefits. It discloses the financial position of the Fund as of December 31, 2017.

The Statement of Changes in Fiduciary Net Position reports the results of the pension fund's operations during the year disclosing the additions and deductions. It supports the change that has occurred to the prior year's net position on the Statement of Fiduciary Net Position.

Required supplementary information consists of three schedules and related notes concerning the net pension liability and employer contributions of the Fund.

Supporting schedules include information on investment returns, administrative expenses, and compensation paid to the agency head.

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.

Condensed Statements of Fiduciary Net Position

December 31, 2017 and 2016

	New System		Old System	
	2017	2016	2017	2016
Cash	$ 757,102	$ 1,076,055	$ 144,009	$ 483,521
Receivables	2,543,518	2,013,343	3,744	3,240
Due(to)/from Old System/New System	(310,892)	(240,450)	310,892	240,450
Investments	39,894,685	40,306,865	3,381,314	7,807,845
Total assets	42,884,413	43,155,813	3,839,959	8,535,056
Current liabilities	148,677	158,075	20,602	20,051
Total liabilities	148,677	158,075	20,602	20,051
Net position - restricted for for pension benefits	$ 42,735,736	$ 42,997,738	$ 3,819,357	$ 8,515,005

Reductions of Assets

The majority of assets include cash, receivables, and investments. Total assets decreased by $271,400 in the New System in 2017, primarily due to the net depreciation in the value of investments. Total assets decreased by $4,695,097 in the Old System in 2017, primarily due to the use of $4,000,000 of Old System reserves to meet benefit payments and withdrawal of members' DROP and PLOP balances in 2017.

Condensed Statements of Changes in Fiduciary Net Position
For the Years Ended December 31, 2017 and 2016

	New System		Old System	
	2017	2016	2017	2016
Additions:				
Contributions	$ 39,340,046	$ 35,008,362	$ 12,380,499	$ 12,120,613
Other additions	343,828	181,007	-	-
Investment income (loss)	(5,309,489)	(1,665,395)	40,908	(206,646)
Total additions	34,374,385	33,523,974	12,421,407	11,913,967
Total deductions	34,636,387	40,794,009	17,117,055	18,402,179
Net decrease in net position	$ (262,002)	$ (7,270,035)	$ (4,695,648)	$ (6,488,212)

Additions to Fiduciary Net Position

Additions to the Fund's fiduciary net position were derived from member and employer contributions, state fire insurance rebates, and investment income. The change in City appropriations was primarily attributable to the City of New Orleans funding the full actuarially determined contribution amount in 2017. Investment losses are comprised of significant losses related to certain investments in hedge funds and partnerships, offset by unrealized gains in a bonds and notes receivable.

	New System			Old System		
	2017	2016	Increase (Decrease) Percentage	2017	2016	Increase (Decrease) Percentage
Member contributions	$ 3,011,193	$ 2,729,769	10.31	$ -	$ -	-
City appropriations and millage	35,345,772	31,393,089	12.59	11,688,825	11,460,735	1.99
State insurance rebate	983,081	885,504	11.02	691,674	659,878	4.82
Transfer from other systems	343,828	34,007	100.00	-	-	-
Net investment income (loss)	(5,309,489)	(1,665,395)	218.81	40,908	(206,646)	(119.80)
Miscellaneous revenue	-	147,000	100.00	-	-	-
	$ 34,374,385	$ 33,523,974		$ 12,421,407	$ 11,913,967	

Deductions from Fiduciary Net Position

The majority of deductions from net position include retirement, death and survivor benefits, PLOP and DROP withdrawals, and administrative expenses. Deductions from fiduciary net position decreased by $6,157,622 in the New System in 2017, primarily due to a decrease in DROP and PLOP withdrawals. Deductions from fiduciary net position decreased by $1,285,124 in the Old System in 2017, primarily due to a decrease in PLOP withdrawals and a decrease in retirement benefit payments.

	New System			Old System		
	2017	2016	Increase (Decrease) Percentage	2017	2016	Increase (Decrease) Percentage
Retirement benefits paid	$ 24,191,102	$ 24,294,930	(0.43)	$ 15,605,112		#DIV/0!
Refund of contributions	50,283	196,934	(74.47)	-	-	-
Death benefits	27,000	33,000	(18.18)	48,000	33,000	45.45
Administrative expenses	555,675	879,623	(36.83)	330,531	423,979	(22.04)
DROP withdrawal	6,998,128	9,208,771	(24.01)	610,208	662,252	(7.86)
PLOP withdrawal	2,724,214	5,929,681	(54.06)	523,204	895,663	(41.58)
Transfer to other system	89,985	251,070	(64.16)	-	-	-
	$ 34,636,387	$ 40,794,009		$ 17,117,055	$ 2,014,894	

Investments

NOFF is responsible for the prudent management of funds held in trust for the exclusive benefit of members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at December 31, 2017 amounted to $39,864,685 and $3,381,314 for the New and Old Systems, respectively, as compared to $40,306,865 and $7,807,845 at December 31, 2016. Total investments decreased approximately 1.0% in the New System and decreased approximately 56.7% in the Old System. The change in investments for the New System and Old System was primarily attributable to changes in fair value during 2017 as well as the drawdown of DROP and PLOP accounts held on behalf of retirees in both systems.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Thomas F. Meagher III, 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
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017

	New System	Old System	Total
ASSETS			
Cash	$ 757,102	$ 144,009	$ 901,111
Receivables			
Accounts receivable, net	39	-	39
Accrued investment income	14,762	3,744	18,506
Investments receivable, net	2,441,034	-	2,441,034
Due (to)/from Old/New System	(310,892)	310,892	-
Member contributions receivable	87,683	-	87,683
Total receivables	2,232,626	314,636	2,547,262
Investments			
Money market funds	20,633,359	3,381,314	24,014,673
Corporate bonds	253,477	-	253,477
Stocks	2,685	-	2,685
Investments in limited liability corporations	172,227	-	172,227
Investments in partnerships	15,631,937	-	15,631,937
Investments in real estate	3,201,000	-	3,201,000
Total investments	39,894,685	3,381,314	43,275,999
Total assets	42,884,413	3,839,959	46,724,372
LIABILITIES			
Accounts payable and other liabilities	148,677	20,602	169,279
Total liabilities	148,677	20,602	169,279
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 42,735,736	$ 3,819,357	$ 46,555,093

See accompanying notes to financial statements.

FIREFIGHTER'S PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	New System	Old System	Total
ADDITIONS:			
Contributions:			
Member	$ 3,011,193	$ -	$ 3,011,193
Employer	35,345,772	-	35,345,772
City appropriations	-	11,688,825	11,688,825
Non-employer contributions:			
Fire insurance rebate	983,081	691,674	1,674,755
Total contributions	39,340,046	12,380,499	51,720,545
Investment income (loss):			
Securities lending proceeds	1,023	-	1,023
Interest and dividend income	429,306	42,532	471,838
Net depreciation in fair value investments	(4,893,543)	-	(4,893,543)
	(4,463,214)	42,532	(4,420,682)
Less investment expense:			
Investment management fees	825,471	1,624	827,095
Custodian fees	4,499	-	4,499
Miscellaneous investment expense	16,305	-	16,305
	846,275	1,624	847,899
Net investment loss	(5,309,489)	40,908	(5,268,581)
OTHER ADDITIONS:			
Transfer from other retirement system	343,828	-	343,828
Total additions	34,374,385	12,421,407	46,795,792
DEDUCTIONS:			
Retirement benefits paid	24,191,102	15,605,112	39,796,214
Refund of contributions	50,283	-	50,283
Death benefits	27,000	48,000	75,000
Administrative expenses	555,675	330,531	886,206
DROP withdrawal	6,998,128	610,208	7,608,336
PLOP withdrawal	2,724,214	523,204	3,247,418
Transfer to other retirement system	89,985	-	89,985
Total deductions	34,636,387	17,117,055	51,753,442
NET DECREASE IN NET POSITION	(262,002)	(4,695,648)	(4,957,650)
NET POSITION - RESTRICTED FOR PENSION BENEFITS			
Beginning of year	42,997,738	8,515,005	51,512,743
End of year	$ 42,735,736	$ 3,819,357	$ 46,555,093

See accompanying notes to financial statements.

1. General Plan Description

The Firefighters' Pension and Relief Fund (the Fund) was created as a single employer plan, 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. 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 is a fiduciary fund of the City of New Orleans and is administered by a Board of Trustees. The Board is responsible for administering the assets of the Fund and for making policy decisions regarding investments. The Board composed of the following members: (1) the Superintendent of the New Orleans Fire Department; (2) the Director of Finance of the City of New Orleans; (3) two members elected from the active ranks of the department; (4) two members elected from the ranks of retired members of the department; and (5) one member who is domiciled in and an elector of the City of New Orleans and who is appointed by the mayor, subject to confirmation by the New Orleans' City Council. The terms of elected members are two years. The terms of the appointed trustees are four years. The Board has the exclusive control and management of the Fund and all money donated, paid, or assessed for the relief or pensioning of members with disabilities, members who are superannuated, and retired members of the Fire Department, their widows and minor children, or widowed mothers, and for the payment of death benefits.

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 retired firefighters of the City of New Orleans and their beneficiaries.

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, 2017, the Firefighters' Pension and Relief Fund's membership consisted of:

	New System	Old System
Inactive plan members or beneficiaries receiving benefits	745	475
Inactive plan members entitled to but not yet receiving benefits	89	-
Active plan members	512	-
Total participants as of the measurement date	1,346	475

2. Plan Description (continued)

Retirement Benefits

Members hired on or after January 1, 2015 through August 14, 2016, and who reach age 52, are eligible for retirement benefit of 2.75% of average annual compensation for each year of creditable service. Members hired on or after August 15, 2016 and who have reached a retirement age as defined in 42 USC 416(1)(1) less ten years, will receive a benefit of 2.5% of average annual compensation for each year of creditable service. Members hired before January 1, 2015 covered under the New System 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 five highest consecutive years of service preceding the date of retirement for the first 12 years of service and for each year of service to age 50. If the member remains a member of the system beyond 12 years of service and age 50 and such member attains the age of fifty, the retirement benefit for each year or portion of a year beyond twelve years of service shall be an amount equal to three and one-third percent of the average annual compensation. If the member continues service beyond thirty years, the retirement benefit for each year or portion of a year shall be an amount equal to three and one-third percent of the average annual compensation. The maximum benefit payable is 100% of average compensation earned during any five 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 highest 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/her benefit is increased by 0.5% for each year of service over 25. There are no active member participants in the Old System.

Annuity Savings

All active members of the New System that have not entered DROP contribute 10% of pensionable salary per pay period. Contributions are maintained in annuity savings accounts that accrue interest. If a member withdraws from service prior to being entitled to receiving benefits, he is entitled to a refund of contributions to the annuity savings accounts.

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.

2. Plan Description (continued)

Disability Benefits

Under both systems, disability benefits are paid to employees who become physically or mentally disabled and unable to perform their duties. Non-service related benefits are 30% of average compensation during the last year of service immediately preceding the date of established disability for those members with ten years of service or less, 40% for those members with more than ten years but less than fifteen years of service and 50% 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

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 shall be paid a pension in the sum of 66 2/3% of the member's salary at the time of death as an annuity. If the member leaves children under the age of eighteen, those children shall receive a pension of $300 per month each. If a member is killed or dies in any other manner, the surviving spouse shall be paid a pension in the sum of 50% of the member's salary at the time of death as an annuity and the member's children under 18 years of age shall receive $300 per month each.

If a member's 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, non-service 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.

DROP Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member who has twelve or more years of service and is eligible to receive a service retirement benefit 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, employee contributions cease. The monthly DROP benefit is equal to the member's retirement benefit. The DROP benefit is transferred 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.

2. Plan Description (continued)

DROP Benefits (continued)

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 one-year composite rate of return of the Fund, minus an administrative fee up to 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 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.

In lieu of terminating employment and accepting a service retirement allowance, any member of this system who has not less than twelve years of creditable service in this system, and who is eligible to receive a service retirement benefit, may elect to participate in the DROP on a retroactive basis and receive a lump sum benefit of up to five years, based upon the value of the pension on a retroactive date selected.

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. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Fund's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions are recognized as revenue when due, pursuant to ordinance requirements, formal commitments, and statutory contractual requirements. Benefits and refunds are recognized when due and payable in accordance with established regulations.

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

The Fund has no component units as defined under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61).

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 national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value (e.g., partnerships and limited liability corporations) are reported at estimated fair value as determined by the Fund based on net asset value. The fair value of real estate investments is based on independent appraisals.

Property and Equipment - Pension Fund

Property and equipment is valued on the basis of historical cost, less accumulated depreciation, and is depreciated using the straight-line method of depreciation over the assets useful life. Useful lives range from 3 to 25 years.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions to and deductions from assets held in trust for pension benefits during the reporting period. Actual results could differ from those estimates.

4. Contributions and Reserves

Contributions

The New System is funded by employee and employer contributions established by state statute. During 2017, employees contributed 10% of pensionable salary. Actual amount contributed by employees for the year ended December 31, 2017 was $3,011,193. Employer contributions are made monthly to pay the actuarially determined contributions for the year. The actuarial determined contribution of the employer was $33,639,710 for the year ending December 31, 2017. The actual amount contributed by the employer for the year ended December 31, 2017 was $35,345,772.

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 are made monthly to pay the actuarially determined contributions for the year. During 2017, the Fund agreed that the City of New Orleans would contribute approximately $5,000,000 less than the actuarially determined contribution amount. The actuarial determined contribution of the employer was $16,598,777 for the year ending December 31, 2017. The actual amount contributed by the employer for the year ended December 31, 2017 was $11,688,825.

The Fund receives fire insurance taxes of 2% of the fire insurance premiums written in the City of New Orleans. In 2017, amounts received as a result of this tax were allocated between the systems based on the total number of members in each system on June 30, 2017. Total amount received during the year ended December 31, 2017 was $1,674,755 and is accounted for as contributions from a non-employer contributing entity.

Administrative costs

Administrative costs of the Fund are paid by the Fund and financed through employer contributions.

Reserves

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

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Fund. The annuity savings is also credited for interest earned on a member's account balance. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions plus interest is made from this reserve. When a member retires, the amount of his accumulated contributions plus interest is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance of the New System is $25,926,733. There are no active members in the Old System; therefore, the Old System has no Annuity Savings balance.

4. Contributions and Reserves (continued)

B) 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 $20,533,295. The DROP balance of the Old System is $1,264,645.

C) 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 monthly 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 $11,403,990. The PLOP balance of the Old System is $1,370,306.

Reserve Summary

Net position is composed of the following at December 31, 2017:

	New System	Old System
Net position	$ 42,735,736	$ 3,819,357
Reserves:		
Annuity savings reserve	(25,926,733)	-
DROP reserve	(20,533,295)	(1,264,645)
PLOP reserve	(11,403,990)	(1,370,306)
Net position available for pension benefits (deficit)	$ (15,128,282)	$ 1,184,406

5. Net Pension Liability of Employer

The components of the liability of the Fund's employer to plan members for benefits provided through the pension plan was as follows as of December 31, 2017:

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of the Total Pension Liability
New System	$ 416,164,859	$ 42,735,736	$ 373,429,123	10.27%
Old System	135,311,831	3,819,357	131,492,474	2.82%

5. Net Pension Liability of Employer (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations and as new estimates are made about the future.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study for the period from January 1, 2017 to December 31, 2017. The required Schedule of Employer's Net Pension Liability located in the required supplementary information following the *Notes to the Financial Statements* presents multi-year trend information regarding whether the plan fiduciary net position is increasing or decreasing over time relative to the total pension liability. The total pension liability as of December 31, 2017 is based on actuarial valuation using a measurement date of December 31, 2017; updated using generally accepted actuarial procedures.

Information on the actuarial methods and assumptions used at December 31, 2017 is as follows:

Valuation Date:	December 31, 2017 (same as measurement date)
Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	New System – 7.5% (net of investment expenses); Old System – 3.5% (net of investment expenses)
Salary Increases:	New System - 5.0%; Old System – N/A
Inflation Rate:	New System – 0.00%; Old System – N/A
Mortality:	1994 Uninsured Pensioner Table for active and retired; 1994 Uninsured Pensioner Table set forward 5-years for disabled annuitants.
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.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The resulting long-term rate of return is 7.5% and 3.5% for the New System and Old System, respectively, for the year ended December 31, 2017. The municipal bond index rate is 3.50%.

5. Net Pension Liability of Employer (continued)

The estimated arithmetic real rates of return for each major asset class based on each of the systems target asset allocation as of December 31, 2017 are as follows:

Expected Rate of Return - New System

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return	Weighted Rate of Return
Equity Securities	40%	9.30%	3.72%
Fixed Income	10%	5.00%	0.50%
Real Estate	45%	7.00%	3.15%
Alternative Investments	5%	2.50%	0.13%
Expected Arithmetic Nominal Return			7.50%

Expected Rate of Return - Old System

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return	Weighted Rate of Return
Cash and Cash Equivalents	100%	3.50%	3.50%
Expected Arithmetic Nominal Return			3.50%

5. Net Pension Liability of Employer (Continued)

The discount rate used to measure the total pension liability at December 31, 2017 for the New System and Old System was 7.5% and 3.50%, respectively. The discount rate used to measure the total pension liability at December 31, 2016 for the New System and Old System was 7.5% and 3.83%, respectively. The change in discount rates resulted in an increase in the total pension liability for the Old System of $2,283,939. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the approved actuarially determined rates taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the New System's fiduciary net position was to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the New System equals the discount rate at December 31, 2017 to determine the total pension liability. The Old System's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate for the Old System was blended with a municipal bond rate and applied to all projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.5% and 3.5% for the New System and Old System, respectively, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of December 31, 2017:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total pension liability - New System	$ 452,062,407	$ 416,164,859	$ 383,615,791
Fiduciary net position	42,735,736	42,735,736	42,735,736
Net pension liability- New System	$ 409,326,671	$ 373,429,123	$ 340,880,055

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total pension liability - Old System	$ 148,148,202	$ 135,311,831	$ 127,504,546
Fiduciary net position	3,819,357	3,819,357	3,819,357
Net pension liability- Old System	$ 144,328,845	$ 131,492,474	$ 123,685,189

6. Deposits, Cash Equivalents, and Investments

The information below presents disclosures of custodial credit risk, credit risk, and interest rate risk as outlined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. These disclosures are included to inform financial statement users of the investment risks that could affect the Retirement System's ability to meet its obligations. The Fund's Board mitigates custodial credit risk by having the custodian hold securities in the Fund's name as a requirement of the custody contract. The Fund's investment policy, as adopted by the Board, provides the performance objectives, asset allocation guidelines, and overall investment guidelines.

Deposits

As of December 31, 2017, the Fund's cash balances in bank accounts exceeded the FDIC insurance by $925,386. The Fund has not experienced any losses resulting from bank failure and does not believe it is exposed to any significant credit risk relating to its cash balances.

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 and institutional funds. The cash equivalents 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 65% 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 risk occurs when investments are concentrated in any one issuer that represents 5% or more of the Fund's net position. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At December 31, 2017, the New System held investments in Austin Falconhead L.P. and Americus Real Estate Fund I, Ltd. which represented 14.5% and 15.0% of the New System's net position, respectively.

6. Deposits, Cash Equivalents, and Investments (continued)

Concentration of Credit Risk (continued)

The Fund's investment policy states that no more than 25% of the equity portfolio market value may be invested in any single industry at the time of purchase. In addition, no more than 5% of total Fund assets at market may be invested in any one issuer's securities at the time of purchase (exclusive of issues of the U.S. Treasury or other Federal agencies). The Fund was in compliance with the concentration of credit risk investment policy during the fiscal year ended December 31, 2017.

Credit Risk

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

At December 31, 2017, $253,477 of the New System's corporate bonds were short-term investment funds which are not rated. At December 31, 2017, no debt securities were held by the Old System.

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.

The Fund's investments are not insured.

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. The Fund's investment policy prohibits investment in debt securities with maturities greater than thirty years at time of purchase.

Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, in 2017 was (11.24)% for the New System and 0.67% for the Old System. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

As of December 31, 2017, the New System has net position available for benefits in the amount of $42,735,736 with a total pension liability of $416,164,859. A large percentage of the New System's investments are long-term positions and are not liquid. This may have a negative impact on future cash flows and the ability to fund future benefits.

7. Fair Value Measurements

To the extent available, the Fund's investments are recorded at fair value as of December 31, 2017. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

> Debt and equity securities classified in Level 1 of the fair value Hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.
>
> Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data. Level 3 investments consistent primarily of real estate, either directly held or through a limited liability corporation or partnership investment. They are valued using independent appraisals or other market data.

Money market funds

Cash equivalent investments consist of money market funds. These funds are used as a source of liquidity to meet capital commitments, settle trades, or pay normal investment related expenses. The fair value of these funds have been determined using NAV per share (or equivalent) of the investments. Units are valued at $1 per share and redemption of units can be made on a same day basis.

Investments in limited liability corporations

Investments in limited liability corporations consist of two funds, which are described in Note 10. The fair value of the investments in these funds has been determined using NAV per share (or equivalent) of the investments. Investments in one of the limited liability corporations are not eligible for redemptions; however, distributions from the fund will be received as the underlying investments of the limited liability corporations is liquidated. It is expected that the underlying assets of the fund will be liquidated between one to two years from the year ended December 31, 2017. Investment in one of the limited liability corporations invests in an entertainment corporation. Unit valuation for this investment is monthly and redemption of units requires advance notice of 10 days.

7. Fair Value Measurements (continued)

Investments in partnerships

Investments in partnerships consist of seven funds, which are described in Note 11. Except for the investment in Austin Falconhead L.P. which is valued at fair value, the fair value of the other investments in these funds has been determined using NAV per share (or equivalent) of the investments. These investments are not eligible for redemptions; however, distributions from each partnership will be received as the underlying investments of the partnerships are liquidated.

A summary of the Fund's investments along with the Fair value hierarchy levels of each type of investment is as follows as of December 31, 2017:

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Fixed income securities:				
Corporate bonds - domestic	$ 253,477	$ -	$ 253,477	$ -
Domestic equity securities	2,685	2,685	-	-
Alternative Investments:				
Investments in partnerships	6,188,323	-	-	6,188,323
Investments in real estate	3,201,000	-	-	3,201,000
Total alternative investments	9,389,323	-	-	9,389,323
Total Investments at Fair Value Level	$ 9,645,485	$ 2,685	$ 253,477	$ 9,389,323
Investments measured at net asset value (NAV):				
Money market funds	$ 24,014,673			
Alternative investments:				
Limited liability corporations	172,227			
Partnerships	9,443,614			
Total alternative investments	9,615,841			
Total Investments at NAV	$ 33,630,514			
Total Investments	$ 43,275,999			

7. Fair Value Measurements (continued)

The unfunded commitments and redemption terms for investments measured at net asset value (NAV) per share (or its equivalent) as of December 31, 2017 are presented in the following table:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments measured at NAV				
Money market funds	$ 24,014,673	$ -	Daily	Same day
Alternative investments:				
Limited liability corporations	172,227	171,231	N/A	N/A
Partnerships	9,443,614	41,670	N/A	N/A
Total investment measured at NAV	$ 33,630,514	$ 212,901		

8. Property and Equipment

Property and equipment consisted of the following at December 31, 2017 and is fully depreciated as follows:

Pension Fund - Old System:

Furniture and equipment	$ 103,385
Less: accumulated depreciation	(103,385)
Total furniture and equipment, net	$ -

There was no depreciation expense for the year ended December 31, 2017.

9. Per Diem Paid to Board Members

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

10. Investments in Limited Liability Corporations

During the year ended December 31, 2017, the New System of the Fund had investments in limited liability corporations as follows:

a) The Fund has invested in the Wilton Private Equity Fund, LLC (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, 2017, the Fund had an investment of $172,227 in the corporation.

b) The Fund has invested in Endgame Entertainment Fund, LLC (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, 2017, the Fund's investment in the corporation of $344,599 is fully reserved and has a net asset value of $-0-.

11. Investments in Partnerships

During the year ended December 31, 2017, the New System of the Fund had investments in partnerships as follows:

a) The Fund has invested in Lakewood Restoration Partners L.T.D. The partnership was formed for the purpose of acquiring, operating and developing the former Lakewood Country Club and certain surrounding real estate for residential and commercial purposes. As of December 31, 2017, the value of the Fund's investment in the partnership was $0.

b) The Fund has invested in Austin Falconhead L.P. The partnership owns and operates Falconhead Golf Club in Texas. As of December 31, 2017, the value of the Fund's investment in the partnership was $6,188,323.

c) The Fund has invested in the Americus Real Estate Fund I, Ltd. The partnership earns revenues predominately from leasing commercial real estate in Austin, Texas. As of December 31, 2017, the value of the Fund's investment in the partnership was $6,426,678.

d) The Fund has invested in Greenspring Associates Global Partners II, L.P. (the partnership), which is 90% owned by the Fund. As of December 31, 2017, the value of the Fund's investment in the limited partnership was $1,134,037.

e) The Fund has invested in Louisiana Fund I, L.P. (the partnership). The partnership was formed to invest in early stage companies that are located primarily in Louisiana. As of December 31, 2017, the value of the Fund's investment in the partnership was $918,983.

f) The Fund has invested in Murphree Venture Partners VI (the partnership). The partnership was formed to invest in the debt and equity securities in various private and public companies. As of December 31, 2017, the value of the Fund's investment in the partnership was $391,595.

11. Investments in Partnerships (continued)

g) The Fund has invested in Greenspring Associates Crossover Ventures I, L.P. (the partnership). The partnership was formed to capture returns associated with investing in small companies, venture backed private companies and mature investment funds. As of December 31, 2017, the value of the Fund's investment in the partnership was $572,321.

12. Investments in Real Estate

During the year ended December 31, 2017, the New System of the Fund had investments in real estate as follows:

a) The Fund has an investment in land located in Biloxi, Mississippi. As of December 31, 2017, the value of the land was $301,000.

b) The Fund has an investment in land located in Westwego, Louisiana. The land will be used for the development of commercial businesses. The value of the land as of December 31, 2017 was $2,900,000.

13. Longevity Lawsuit

During the year ended December 31, 2010, a lawsuit was filed by the Fund against the City of New Orleans to adjust pensions for longevity raises not received while employed by the City. A judgment was obtained against the City for the difference in the amount retired firefighters were receiving as their pension benefit and what they should have received had the longevity raises been included in their retirement benefit calculation. The judgment applies to all firefighters who retired on or after March 2, 1990. The increase in pension payments are to be calculated in accordance with longevity factors determined by the Court. The judgment states that benefits are only to be upwardly adjusted when the funds are appropriated by the City.

On March 17, 2010, the Fund obtained a consent judgment authorizing the Fund, upon receiving the appropriated funds from the City of New Orleans, to upwardly adjust monthly pension benefits owed to those members who retired on or after March 2, 1990, starting on January 1, 2010 in accordance with the longevity factors determined by the Court. Beginning January 1, 2010, the City appropriated funds necessary to pay the increased benefit to those members currently receiving cash benefits.

On March 3, 2016, the Fund and the City entered into a Cooperative Endeavor Agreement ("CEA"), effective January 1, 2016, resolving the longevity back pay and pre-2010 "unfunded" DROP, PLOP, and pension adjustment claims of all Class members. The judgment designates the Fund as the disbursing agent for distribution of the longevity/annual leave settlement funds. In 2016, the Fund administered the disbursement of the initial $15,000,000 obligation from the City as required by the CEA. The remaining $60,000,000 obligation will be funded by the City and distributed in accordance with the event-driven schedule established in the CEA. On December 10, 2016, a millage proposition was approved to increase millages to fund the remaining obligation. On February 14, 2017, $5,000,000 was received from the City in accordance with the terms of the CEA.

14. Funding Obligations

Old System contributions to the plan were significantly deficient compared to total deductions from the Fund for the past two years resulting in deficiencies of $5,048,230 and $4,218,278 for each of the year's ended December 31, 2016 and 2017, respectively. At December 31, 2017, the Old System has net position available for benefits in the amount of $3,819,357. As discussed in Note 4, the composition of net position for the Old System Trust has legally restricted account balances totaling $2,634,951 leaving only $1,184,406 available for future benefit payments of its members. In addition, the actuarially determined total pension liability of the Old System Trust is $135,311,831 at December 31, 2017.

The Old System is a "pay as you go" system. The Old System's employer (the City of New Orleans) is legally obligated to meet all obligations of the Old Fund. During 2016, the Fund's management and the Old System's employer mutually agreed to utilize a portion of the Old Fund's reserves to meet pension obligations in 2016 and 2017. The Fund's management fully expects the City of New Orleans to meet all future obligations of the Old System.

As of December 31, 2017, the New System has net position available for benefits in the amount of $42,735,736 with a total pension liability of $416,164,859. Approximately 48% of the New System's investments are long-term positions and are not liquid. This may have a negative impact on future cash flows. Also, as described in Note 4, the composition of net position for the New System Trust has legally restricted account balances totaling $57,864,018 leaving a deficit of $15,128,282 for future benefit payments of its members. The New System's employer (the City of New Orleans) is legally obligated to meet all future obligations of the New System, and the Fund's management fully expects the City of New Orleans to meet all future obligations of the New System.

REQUIRED SUPPLEMENTARY INFORMATION

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2017

	New System				Old System			
	2014	2015	2016	2017	2014	2015	2016	2017
Total Pension Liability								
Service cost	$ 5,864,836	$ 6,183,235	$ 6,327,772	$ 6,020,016	$ -	$ -	$ -	$ -
Interest	31,786,464	25,108,885	28,032,524	29,807,146	11,143,269	6,202,285	5,722,877	5,433,119
Changes of benefit terms	-	-	(18,912,503)	-	-	-	-	-
Differences between expected and actual experience	(16,071,547)	(18,529,944)	45,022,465	(222,473)	12,642,392	3,064,837	(4,198,811)	(5,868,851)
Changes in assumptions	95,806,073	(80,611,355)	-	-	24,967,584	1,457,230	(2,589,493)	2,283,939
Pension payments	(38,888,748)	(40,760,039)	(39,880,379)	(33,736,884)	(20,640,928)	(18,119,812)	(17,978,200)	(16,786,524)
Net change in total pension liability	78,497,078	(108,609,218)	20,589,879	1,867,805	28,112,317	(7,395,460)	(19,043,627)	(14,938,317)
Total pension liability, beginning	423,819,315	502,316,393	393,707,175	414,297,054	148,576,918	176,689,235	169,293,775	150,250,148
Total pension liability, ending (a)	$ 502,316,393	$ 393,707,175	$ 414,297,054	$ 416,164,859	$ 176,689,235	$ 169,293,775	$ 150,250,148	$ 135,311,831
Plan Fiduciary Net Position								
Contributions - employer	$ 19,902,654	$ 29,635,220	$ 31,393,089	$ 35,345,772	$ 16,426,727	$ 17,200,000	$ 11,460,735	$ 11,688,825
Contributions - member	2,038,542	2,654,721	2,729,769	3,011,193	-	-	-	-
Contributions - non-employer contributing entities	745,884	865,912	885,504	983,081	745,884	865,912	659,878	691,674
Net investment income (loss)	(5,328,054)	(6,683,482)	(1,518,395)	(5,309,489)	1,622,814	200,276	(206,646)	40,908
Pension payments	(38,888,748)	(40,760,039)	(39,880,379)	(33,736,884)	(20,640,928)	(18,119,812)	(17,978,200)	(16,786,524)
Administrative expenses	(600,909)	(822,056)	(879,623)	(555,675)	(573,396)	(403,870)	(423,979)	(330,531)
Net change in plan fiduciary net position	(22,130,631)	(15,109,724)	(7,270,035)	(262,002)	(2,418,899)	(257,494)	(6,488,212)	(4,695,648)
Plan fiduciary net position, beginning	87,508,128	65,377,497	50,267,773	42,997,738	17,679,610	15,260,711	15,003,217	8,515,005
Plan fiduciary net position, ending (b)	$ 65,377,497	$ 50,267,773	$ 42,997,738	$ 42,735,736	$ 15,260,711	$ 15,003,217	$ 8,515,005	$ 3,819,357
Net pension liability, ending = (a) - (b)	$ 436,938,896	$ 343,439,402	$ 371,299,316	$ 373,429,123	$ 161,428,524	$ 154,290,558	$ 141,735,143	$ 131,492,474
Plan fiduciary net position as a % of total pension liability	13.02%	12.77%	10.38%	10.27%	8.64%	8.86%	5.67%	2.82%
Covered payroll	$ 26,984,531	$ 27,088,650	$ 27,148,936	$ 27,762,479	$ -	$ -	$ -	$ -
Net pension liability as a % of covered payroll	1619.22%	1267.84%	1367.64%	1345.09%	N/A	N/A	N/A	N/A

Notes to Schedule:
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2017

New System

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability (Asset) as a % of Covered Payroll
2013	$ 423,819,515	$ 121,788,159	$ 302,031,356	28.74%	$ 28,002,465	1078.59%
2014	502,316,393	65,377,497	436,938,896	13.02%	26,984,531	1619.22%
2015	393,707,175	50,267,773	343,439,402	12.77%	27,088,650	1267.84%
2016	414,297,054	42,997,738	371,299,316	10.38%	27,148,936	1367.64%
2017	416,164,859	42,735,736	373,429,123	10.27%	27,762,479	1345.09%

Old System

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability (Asset) as a % of Covered Payroll
2013	$ 148,576,918	$ 17,679,610	$ 130,897,308	11.90%	$ -	N/A
2014	176,689,235	15,260,711	161,428,524	8.64%	-	N/A
2015	169,293,775	15,003,217	154,290,558	8.86%	-	N/A
2016	150,250,148	8,515,005	141,735,143	5.67%	-	N/A
2017	135,311,831	3,819,357	131,492,474	2.82%	-	N/A

Note to Schedule:
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

New System

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a % of Covered Payroll
2008	$ 10,965,337	$ 10,478,476	$ (486,861)	$ 22,735,424	46.09%
2009	14,513,495	10,982,362	(3,531,133)	27,699,898	39.65%
2010	24,532,819	9,489,294	(15,043,525)	27,427,244	34.60%
2011	29,424,359	11,987,484	(17,436,875)	29,994,149	39.97%
2012	32,212,794	12,157,108	(20,055,686)	29,688,472	40.95%
2013	34,386,640	12,313,856	(22,072,784)	28,002,465	43.97%
2014	36,182,434	20,648,538	(15,533,896)	26,984,531	76.52%
2015	31,992,690	30,501,132	(1,491,558)	27,088,650	112.60%
2016	35,880,883	32,278,593	(3,602,290)	27,148,936	118.89%
2017	33,639,710	36,328,853	2,689,143	27,762,479	130.86%

Old System

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a % of Covered Payroll
2008	$ 19,336,042	$ 19,378,581	$ 42,539	$ -	N/A
2009	21,708,975	14,957,484	(6,751,491)	-	N/A
2010	22,166,070	20,873,788	(1,292,282)	-	N/A
2011	22,612,929	20,975,753	(1,637,176)	-	N/A
2012	22,461,146	20,740,622	(1,720,524)	-	N/A
2013	22,532,004	20,896,181	(1,635,823)	-	N/A
2014	18,841,269	17,172,611	(1,668,658)	-	N/A
2015	17,404,180	18,065,912	661,732	-	N/A
2016	17,168,843	12,120,613	(5,048,230)	-	N/A
2017	16,598,777	12,380,499	(4,218,278)	-	N/A

Note to Schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED DECEMBER 31, 2017

	New System Annual Money-Weighted Rate of Return*
2014	(7.43) %
2015	(10.92) %
2016	(3.10) %
2017	(11.24) %

	Old System Annual Money-Weighted Rate of Return*
2014	8.50 %
2015	1.33 %
2016	1.05 %
2017	0.67 %

* Annual money-weighted rates of return are presented net of investment expense. The annual money-weighted rate of return is shown in this schedule. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. This expresses investment performance adjusted for the changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

Notes to Schedule:
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

1. Schedule of Changes in Net Pension Liability

The total pension liability contained in this schedule was provided by the Fund's actuary, Conefry & Company, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position for the New System and Old System.

2. Schedule of Employer's Net Pension Liability

The schedule of employer's net pension liability shows the percentage of the Fund's employer's net pension liability as a percentage of covered employee payroll for the New System and the Old System. The employer's net pension liability is the liability of contributing employers to members for benefits provided through the Fund. Covered employee payroll is the payroll of all employees that are provided with benefits through the plan.

3. Schedule of Employer Contributions – Employer and Non-Employer Contributing Entities

The difference between the actuarially determined contributions from employer and non-employer contributing entities and the contributions reported from employers and non-employer contributing entities, and the percentage of employer contributions received to covered employee payroll is presented in this schedule. Fire rebate revenue is considered support from non-employer contributing entities.

4. Actuarial Assumptions

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate and the total pension liability. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board.

Information on the actuarial methods and assumptions used at December 31, 2017 is as follows:

Valuation Date:	December 31, 2017 (same as measurement date)
Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	New System – 7.5% (net of investment expenses); Old System – 3.5% (net of investment expenses)
Salary Increases:	New System - 5.0%; Old System – N/A
Inflation Rate:	New System – 0.00%; Old System – N/A
Mortality:	1994 Uninsured Pensioner Table for active and retired; 1994 Uninsured Pensioner Table set forward 5-years for disabled annuitants.
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.

SUPPLEMENTARY INFORMATION

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	New System	Old System
Accounting, auditing, legal and other professional fees	$ 34,374	$ 133,127
Actuary fees	-	30,550
Computer support services	-	47,692
Employee benefits	-	9,046
Insurance	-	157,403
Interfund allocation	502,401	(502,401)
Office supplies and printing	18,900	13,719
Other	-	3,941
Payroll and payroll taxes	-	336,158
Pension seminars and education	-	17,741
Postage	-	10,981
Professional - medical	-	18,400
Rent	-	40,755
Telephone	-	13,419
	$ 555,675	$ 330,531

See independent auditors' report.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head Name: Thomas F. Meagher III

Purpose		Amount
Salary	$	65,000
Mileage reimbursement		740
Registration fees		1,600
Conference travel		3,011
Meals		45
	$	70,396

See independent auditors' report.

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INDEPENDENT AUDITORS' 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*

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

We have audited, in accordance with the 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, the financial statements of each major fund of the Firefighters' Pension and Relief Fund of the City of New Orleans ("the Fund"), a fiduciary fund of the City of New Orleans, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated August 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-001.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
August 10, 2018

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017

2017-001 Timely Submission of Audit Report to Legislative Auditor

Criteria:	Under Louisiana statute (LA R.S. 24:513), the Fund is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the State of Louisiana by June 30 of each year.
Condition:	The Fund did not meet the June 30, 2018 deadline for reporting to the State of Louisiana.
Cause:	Certain Fund investments, which are material to the Fund's financials, were delayed in completing their respective annual reports.
Effect:	The Fund is non-compliant with the state audit law with respect to timeliness of submission.
Recommendation:	We recommend that the Fund implement procedures to ensure that all required supporting documentation from outside entities is obtained timely to ensure that the Fund's audited financial statements are submitted to the Legislative Auditor by the deadline.
Management's Response:	Management expects to limit future exposure to this type of investment in the future.

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

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2017

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

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and Council of
The City of New Orleans, Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below for the New Orleans Firefighters' Pension and Relief Fund of New Orleans, which were agreed to by the Council of the City of New Orleans (the City) and the Louisiana Legislative Auditor (LLA) (the specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Fund's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

   a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget

      The Fund is not required to prepare or adopt a budget; therefore, the above procedure is not applicable to the Fund.

   b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

      We performed the procedures above and noted the following exceptions:
      - **No written policies over (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.**

Written Policies and Procedures (continued)

c) *Disbursements*, including processing, reviewing, and approving

We performed the procedures above and noted the following exceptions:

- **No written policies over disbursements including processing, reviewing, and approving disbursements.**

d) *Receipts*, including receiving, recording, and preparing deposits

We performed the procedures above and noted the following exceptions:

- **No written policies for receiving, recording, and preparing deposits.**

e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

We performed the procedures above and noted the following exceptions:

- **No written policies regarding (1) processing payroll or (2) reviewing and approving time and attendance records, including leave and overtime worked.**

f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

We performed the procedures above and noted the following exceptions:

- **No written policies regarding (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.**

g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

We performed the procedures above and noted no exceptions.

h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

We performed the procedures above and noted no exceptions.

Written Policies and Procedures (continued)

i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

We performed the procedures above and noted the following exceptions:

- **No written policies regarding: (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.**

Management's response:

Purchasing: *The Fund is entirely too small for the implementation of purchase orders and requisitions. While the Fund has no purchasing policies, best business practices govern the process. All major purchases are approved by the Board of Trustees. When applicable, services are bid out. The Fund has no major vendors. Written procedures to document the policy will be provided by the next audit.*

Disbursements: *A written policy will be prepared in the near future. The Fund's main objective is payment of retirement benefits to retirees and management of Fund assets. All payments are approved by the Board and properly supported before any payments are made. Investment decisions are made in accordance with the Fund's investment policy and approved by the Board in advance.*

Receipts: *The Fund has four revenue sources: city appropriations, employee contributions, state fire insurance revenue, and investment income. No cash is ever received by the Fund. City appropriations and employee contributions are remitted by the City at lease monthly. The state fire insurance payment is made once annually and represents the only revenue not received electronically. Written procedures to document the process will be provided by the next audit.*

Payroll/Personnel: *Payroll time sheets are prepared bimonthly for the Fund's two hourly employees. Overtime, sick, and annual leave are approved for those employees before each payment is made. The Fund's two other employees are salaried. Sick and annual leave is reported by the salaried employees to staff when used. This is a small operation. Written procedures to document the process will be provided by the next audit.*

Contracting: *All contracts are reviewed by Board attorney before approval. Best practices are followed on all of the limited contracts entered into.*

Ethics: *This is another symptom of a small work environment. All four employees take and participate in the State's ethics program, an annual commitment to understanding the State's ethics laws. Participation certificates are maintained in the Fund's office. Written procedures to document the policy will be provided by the next audit.*

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/committee minutes for the fiscal period, and:

   a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

   We performed the procedures above and noted no exceptions.

   b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

   - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

   The Fund is not required to adopt a budget; therefore, this procedure is not applicable to the Fund.

   c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

   We performed the procedures above and noted the minutes referenced non-budgetary financial information for at least one meeting during the fiscal year.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

   We performed the procedures above and noted no exceptions.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

   a) Bank reconciliations have been prepared;

   We performed the above procedure and noted no exceptions.

Bank Reconciliations (continued)

b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

We performed the above procedure and noted the following exceptions:

- **The Fund's bank reconciliations are prepared by the Fund's outside accountant and are reviewed by the Fund's management; however, this review is not documented.**

c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We performed the procedures above and noted the following exception:

- **For two of the three bank accounts selected for testing, we noted no evidence that a member of management researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.**

Management's response:

Bank reconciliations: *Management has performed an undocumented review in the past. Management will begin documenting its review.*

Outstanding checks: *The Fund does not follow up on outstanding checks.*

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

   We performed the procedures above and noted no exceptions.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

   a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Collections (continued)

We performed the preceding procedure and noted the following exceptions:

- **No written documentation stating that the person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank and (3) not required to share the same cash register or drawer with another employee.**

b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

We performed the procedures above and noted the following exceptions:

- **No written documentation supporting that the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.**

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

➢ Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

We performed the procedures above and noted the following exception:

- **There was no documented date for when the amounts were collected; therefore, it was not possible to determine if the deposits were made within one day of collection.**

➢ Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

We performed the procedures above and noted no exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

We performed the procedures above and noted no exceptions.

Collections (continued)

Management's response:

Person responsible for collecting cash: *The Fund does not receive any cash. The Fund only receives checks and wires. All employees are covered under the Fund's fiduciary policy. With only two employees and the limited quantity of check payments, exposure is near zero for theft. Written procedures to document the process will be provided by the next audit.*

Reconciliation of cash collections: *Written procedures to document the process will be provided by the next audit.*

Receipt of daily collections: *The Fund does not collect any cash. The limited number of checks received are deposited on the day after receipt. The Fund will begin time stamping the check receipt dates.*

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

   We performed the procedures above and noted no exceptions.

9. Using the disbursement population from #8 above, select 25 disbursements (or select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

   a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

      We performed the procedures above and noted the following exceptions:
      - **19 of the 25 items selected for testing were pension distribution checks; therefore, no requisitions are required for these items other than the pensioner's authorization. Of the remaining 6 items selected for testing, 3 were not initiated using a requisition / purchase order system.**

   b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

      We performed the procedures above and noted the following exceptions:
      - **19 of the 25 items selected for testing were pension distribution checks; therefore, no requisitions are required for these items other than the pensioner's authorization. Of the remaining 6 items selected for testing, 5 items tested did not have a purchase order or electronic equivalent approved by a person who did not initiate the purchase.**

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

19 of the 25 items selected for testing were pension distribution checks; therefore, no requisitions are required for these items other than the pensioner's authorization. We performed the procedures above and noted no exceptions in the remaining 6 items.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

We performed the procedures above and noted the following exception:

- **The Fund does not have segregation of duties between the person responsible for processing payments and adding vendors to the entity's purchasing/disbursement system.**

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We performed the procedures above and noted no exceptions.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, inspect entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We performed the procedures above and noted no exceptions.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

We performed the procedures above and noted the following exception:

- **The signature stamp and checks are accessible to the signer; however, multiple individuals are able to access the checks and stamps without the signer's knowledge.**

Management's response:

Purchase order initiation and approval: *The Fund does not use purchase orders.*

Segregation of duties: *The Fund's limited staffing does not permit such segregation of duties. The check register is reviewed by management weekly for unauthorized activity. Going forward, this review will be evidenced in writing.*

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments) (continued)

Signature stamp: *Access to the Fund's checks is limited to two persons. The Fund's small size and bank reconciliation procedures mitigate this weakness.*

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

    We performed the procedures above and noted no exceptions.

15. Using the listing prepared by management, select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

    Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

    a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

       We selected 3 credit cards and performed the procedures above. We noted no exceptions.

    b) Report whether finance charges and/or late fees were assessed on the selected statements.

       We performed the procedures above and noted no exceptions.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

    a) For each transaction, report whether the transaction is supported by:

       - An original itemized receipt (i.e., identifies precisely what was purchased)
       - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
       - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued)

We performed the procedures above and noted no exceptions.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We performed the procedures above and noted no exceptions.

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted no exceptions.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

We performed the procedures above and noted no exceptions.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

We performed the procedures above and noted no exceptions.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We performed the preceding procedures and noted the following exception:

- **For one of the three expense reimbursements selected, the amount paid for per diem exceeded the rate set forth in the travel policy.**

Travel and Expense Reimbursement (continued)

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.

  We performed the procedures above and noted the following exception:
  - **For one of the three expense reimbursements selected, some of the receipts were missing.**

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

  We performed the procedures above and noted no exceptions.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

  We performed the procedures above and noted no exceptions.

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted no exceptions.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Management's response:

Per diem: *The variance of $3 per day will be refunded.*

Receipts: *Receipts are not required per the travel policy for items under $25. Where receipts are lost, a written explanation can be provided and approved.*

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Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

    We performed the procedures above and noted no exceptions.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

    a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

       We performed the preceding procedures and noted the following exception:
       - **One of the five contract vendors selected did not have a written contract.**

    b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

       None of the five contracts selected for testing were subject to the Louisiana Public Bid Law or Procurement Code; therefore, this procedure was not applicable to the Fund.

       - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

         None of the contracts selected for testing were subject to the Louisiana Public Bid Law or Procurement Code; therefore, this procedure was not applicable to the Fund.

       - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

         We performed the procedures above for the five contracts not subject to the Louisiana Public Bid Law or Procurement Code and noted the following exceptions:
         - **Four of the five contracts tested did not have quotes.**

    c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

       We performed the procedures above and noted no amendments to the agreements.
       - **One of the five contract vendors selected did not have a written contract.**

Contracts (continued)

d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

We performed the procedures above and noted the following exception:

- **For one of the five contracts selected for testing, the Fund was unable to provide a written contract; therefore, P&N was unable to tie the amounts paid to the terms of the contract.**

e) Obtain/inspect contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

We performed the procedures above and noted no exceptions.

Management's response:

Quotes: *Requests for proposals were performed before each of these contracts were entered. The bids received were destroyed during Hurricane Katrina. Therefore, support is unable to be provided.*

Missing contract: *This contract was destroyed during Hurricane Katrina. Therefore, support is unable to be provided.*

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

We performed the procedures above and noted no exceptions.

b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

We performed the procedures above and noted no exceptions.

23. Obtain attendance and leave records and select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees/officials (or select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

Payroll and Personnel (continued)

a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We performed the procedures above and noted the following exceptions:

- **One of the two employees selected for testing did not have attendance/leave records for the pay period selected.**
- **There were no written leave records for one of the two employees selected for testing.**

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

There were no terminations during the fiscal period; therefore, this procedure is not applicable to the Fund.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We performed the procedures above and noted the following exceptions:

- **Two of the twenty-four federal payroll tax payments made during the year were paid late.**

Management's response:

Attendance and leave records: *This was a salaried employee tested. Attendance records are not completed for days worked. Annual leave and sick leave are reported when taken. Leave records for the salaried employee are maintained.*

Payroll tax late payments: *These were isolated cases.*

Ethics

26. Using the five selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

    We performed the procedures above and noted no exceptions.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, inspect documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

    No alleged ethics violations were reported to the Fund during the fiscal period.

Debt Service

Items 28-30 were not included as the Fund has no debt.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/inspect supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

    No misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

    We performed the procedures above and the following exceptions:
    - **The Fund has not posted on its premises nor website the notice required by R.S. 24:523.1.**

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

    We performed the procedures above and noted no exceptions.

Management's response:

Posting of R.S. 24:523.1: *The Fund will post the notice on both its premises and its website.*

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We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Postlethwaite & Netterville

New Orleans, Louisiana
August 10, 2018