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**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**

**FINANCIAL REPORT**

**Year Ended June 30, 1999**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-9-00

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
**Firemen's Pension and Relief Fund**  
of the City of Kenner, Louisiana

We have audited the accompanying statement of plan net assets of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** (the "Fund"), a component unit of the City of Kenner, Louisiana, as of and for the year ended June 30, 1999, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** as of June 30, 1999, and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 1999 on our consideration of the **Firemen's Pension and Relief Fund's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** taken as a whole. The required supplementary information and supporting schedule listed in the table of contents, which are also the responsibility of the Fund's management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The year 2000 supplementary information on page 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** is or will become year 2000 compliant, that the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana's** year 2000 remediation efforts will be successful in whole or in part, or that parties with which the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** does business are or will become year 2000 compliant.

*Rebowe & Company*

November 8, 1999

## **FINANCIAL STATEMENTS**

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
STATEMENT OF PLAN NET ASSETS  
June 30, 1999

ASSETS

Cash	\$ <u>51,322</u>
Receivables:	
Interest Receivable	9,142
Other Receivables	<u>60</u>
Total Receivables	<u>9,202</u>
Investments, at fair value:	
U.S. Government Securities	530,638
Stocks	485,090
Other Investment - Money Market	<u>76,892</u>
Total Investments	<u>1,092,620</u>
Prepaid Expenses	<u>4,971</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 1,158,115</u>

FUND BALANCE

Fund Balance - Reserved for Employees' Pension Benefits (A Schedule of Funding Progress is presented on Page 12)	<u>\$ 1,158,115</u>
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The accompanying notes are an integral part of these financial statements.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the Year Ended June 30, 1999**

**ADDITIONS**

Contributions:

Participants	\$ 181,266
Employer:	
City of Kenner	<u>271,425</u>

Total Contributions 452,691

Investment Income:

Net Appreciation in Fair Value	1,114,321
Interest	252,468
Dividends	<u>51,056</u>

Total Investment Income 1,417,845

Less Investment Expense 43,665

Net Investment Income 1,374,180

Other Income 110

Total Additions 1,826,981

**DEDUCTIONS**

Transfer of plan assets to the Statewide Firefighters Retirement System	11,130,143
Member Benefits	494,049
Continued Service Incentive	39,408
Refunds to Terminated Employees	4,529
Administrative Expense	<u>18,995</u>

Total Deductions 11,687,124

Net Decrease (9,860,143)

Plan Net Assets  
Beginning of Year 11,018,258

End of Year \$ 1,158,115

The accompanying notes are an integral part of these financial statements.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

**NOTE A - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

General

Prior to the merger with the Statewide Firefighters Retirement System ("SFRS"), the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana (the "Fund"), was a single employer, Public Employee Retirement System ("PERS"). The Fund provided retirement, disability, and death benefits for plan members and their beneficiaries. Cost of living adjustments ("COLA") were provided as amended under ACT 588 of the 1995 Regular Session of the Louisiana Legislature. Act 19 of the 1964 Regular Session of the Louisiana Legislature assigns the authority to establish and amend the benefit provisions of the Plan to the Louisiana Legislature.

In March 1998, the required three-fourths vote of the active and inactive members approved the merger with the Statewide Firefighters Retirement System ("SFRS"). Approval of the merger was received from the SFRS and the Joint Retirement Committee. The City Council approved the merger in December 1998 and signed an agreement with SFRS on March 25, 1999 regarding the payment of the merger liability. The final merger liability as of March 27, 1999 was \$14,050,233, which represents 60% of the accrued liability for active employees (\$6,301,446) and 100% of the accrued liability for retired employees (\$7,748,787). The Fund transferred assets in the amount of \$11,130,143 to the SFRS to pay the merger liability. The value of the transferred assets for purposes of the merger, as discounted from the date of receipt to the merger date of March 27, 1999, at the system's actuarial valuation interest rate of 7% was \$11,089,495. The remaining liability of \$2,960,738 plus interest at the rate of 7% per annum was assumed by the City of Kenner to be paid over 30 years.

In addition to the above merger liability, the SFRS was due \$4,200,964 as of March 27, 1999, from the State's Insurance Premium Tax Fund which represents the remaining 40% accrued liability for the active employees.

A contingency fund remains to handle those members who could retire after twenty (20) years of service if hired before April 1, 1978. The Statewide Plan requires a member with twenty (20) years to also be at least age fifty (50) to retire. Retirement is also allowed at any age with twenty-five (25) years of service or at age fifty-five (55) with twelve (12) years of service.

For Kenner members on the 20-year plan, retirement may be delayed in some cases under the Statewide Plan. Therefore, six (6) members remained under the Fund as of the merger date.

In addition, the contingency fund pays annual incentive bonuses equal to 10% of salary to these 20-year members who continue in the service of the Fire Department after they are eligible to retire under the provisions of the Fund. However, if these Kenner members on the 20-year plan do not retire before reaching age fifty or attaining twenty-five years of service, then they would qualify

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 1999**

**NOTE A - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION  
(CONTINUED)**

for benefits as members of the Statewide Plan. Any funds remaining in the contingency fund after the six (6) members have become participants in the Statewide Plan will be transferred to the City of Kenner to assist in paying the existing merger liability. The estimated payout of potential contingency fund liabilities is 9 years.

Eligibility

Prior to the merger with the Statewide Plan, every permanent, active employee of the Fire Department of the City of Kenner who qualified as a permanent employee under the rules of the Municipal Fire and Police Civil Service System of the City of Kenner was eligible for participation. Coverage was extended to those individuals who had not yet been made permanent members of the Fire Department, provided benefits to those individuals who were injured in the line of duty, and provided coverage for the widows and children of firemen who were killed in the line of duty.

To be eligible for normal retirement an employee must have 20 years of service if hired before April 1, 1978; 30 years of service if hired on or after April 1, 1978 and on or before September 30, 1996; and 30 years of service and upon reaching age 55 if hired after September 30, 1996.

The merged active members shall not be eligible to receive a benefit from the SFRS until one year after the date of the merger and only upon attaining eligibility under the Statewide Plan. The Fund shall be obligated to pay any retirement benefit to an active member who is merged and who is eligible to retire and does retire, until one year after the date of the merger. The SFRS shall be obligated to pay the retirement benefit of the merged member commencing on the date of one year after the date of the merger.

Contributions

Prior to the merger with the Statewide Plan, the Fire Department employees contributed 9% and the City of Kenner contributed 13% of the gross salary of participating employees. These contribution requirements were not actuarially computed, but rather were determined and authorized by Act 765 of the 1989 Regular Session of the Louisiana Legislature and approved by the City Council of the City of Kenner, Louisiana Resolution B-8679 dated February 15, 1990. Act 558 of the 1995 Regular Session of the Louisiana Legislature was approved on June 18, 1995 and provides that the employees' contribution percentage may be increased by a vote of two-thirds of the active contributors and that the City's contribution percentage may be increased by a vote of two-thirds of the members of the Council of the City of Kenner. Administrative costs of the Plan are financed through investment earnings. Effective March 25, 1999, all contributions are made directly to the State for those members who merged with the SFRS. The amounts remaining in the contingency fund are deemed adequate for any potential contingency fund liabilities related to those members on the 20-year plan. Therefore, no additional contributions will be made to the contingency fund.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 1999**

**NOTE A - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION  
(CONTINUED)**

Benefits

The Fund provided for the pensioning of disabled, superannuated and/or retired members of the Fire Department of the City of Kenner, Louisiana, and their widows and/or orphans, and for the relief and aid of any member of the Fire Department in case of temporary disability. Benefit provisions of the Plan include retirement disability and death benefits for members and their beneficiaries, at varying percentages of salary or compensation, and in various stipulated amounts including workmen's compensation as defined in and limited by the Plan. In addition, funeral and burial expenses are provided for in a stated lump-sum payment. Due to the merger in March 1999, only six Kenner members remain eligible for such benefits under the Fund. Upon these members reaching the qualifications for retirement under the Statewide Plan, no further benefits would be subject to payment from the contingency fund.

Annual incentive bonuses equal to 10 percent of salary are available to these six Kenner members who continue in the service of the Fire Department after they are eligible to retire under the provisions of the Plan. All members are fully vested in their contributions to the Fund, for which contributions are nonforfeitable.

Members, upon permanent separation from service (as defined in the Plan), shall receive a lump-sum payment consisting of their individual accumulated contributions into the Plan, together with interest thereon, as determined by the Board of Trustees, but not less than 3 percent per annum. Effective October 1995, no interest will be paid until the Plan becomes actuarially sound.

Covered Payroll

The covered payroll for the Plan for the year ended June 30, 1999 was \$2,014,067.

Membership

At June 30, 1997 (latest date for which such information was available at the date of this report), the Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees who are entitled to receive benefits but not currently receiving benefits	30
Active Plan participants:	
Fully vested	3
Partially vested	<u>83</u>
Total	<u>116</u>

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 1999**

**NOTE A - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION  
(CONTINUED)**

However, due to the merger with the SFRS in March 1999, only six active plan participants remain under the Fund as of June 30, 1999.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET  
MATTERS**

The following is a summary of the significant accounting policies which have been consistently applied in the preparation of the accompanying financial statements of the Fund:

Reporting Entity

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and its component units. Component units are defined as legally separate organizations for which the elected officials of a primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit may be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Prior to the merger, the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana (the "Fund"), provided pensions for members and survivors of the Fire Department of the City of Kenner and was a single employer, Public Employee Retirement System ("PERS"). The Fund was created by Act 19 of the 1964 Regular Session of the Louisiana Legislature (as revised and amended in 1974, 1978, 1981, 1989 adopted 1990, and 1995). The Board of Trustees of the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana is the administrator of the Plan. The board is composed of five members of which three of these members include the City of Kenner's (the primary government) Mayor and two members of the City Council.

Based on the criteria listed above, it has been determined that the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana is a component unit of the City of Kenner, Louisiana for financial reporting purposes. The accompanying statements present only transactions of the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana.

Annually, the City of Kenner, Louisiana (the primary government) issues general-purpose financial statements which include the activity contained in the accompanying financial statements as a pension trust fund.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 1999

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET  
MATTERS (CONTINUED)**

Basis of Accounting

The Fund's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized when they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

As required by Governmental Accounting Standards Board Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*", investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Investments that do not have an established market are reported at estimated fair value. The Board of Trustees is authorized by Act 19 of the 1964 regular session of the Louisiana Legislature to purchase insurance policies and to invest in investments as listed in Louisiana Revised Statute 22:844 with no limitation on the percentage of capital invested.

Besides investments in the U.S. Government obligations, the Plan has no investments in any one organization which represented more than 5% of net assets held in trust for pension benefits.

Reserves

There are no assets legally reserved for purposes other than the payment of plan members' benefits. There are no long-term contracts for contributions.

**NOTE C - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

The Plan's contribution requirements are established by state statute. Under the Plan, employees contribute nine percent (9%) of their gross salary and the employer is required to contribute thirteen percent (13%) of the gross salary of participating employees.

Prior to the merger with the Statewide Plan in March 1999, contributions required and made for the year ended June 30, 1999 totaled \$452,691, which consisted of \$271,425 (13.48 percent of covered payroll) from the City and \$181,266 (9.00 percent of covered payroll) from participants.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 1999**

**NOTE D - DEPOSITS AND INVESTMENTS**

At June 30, 1999, the carrying amount of the Fund's deposits was \$51,322 and the bank balance was \$51,352. These deposits are fully insured by the FDIC.

Categories of Asset Risk

The investments of the Fund are governed primarily by an investment authority known as the "prudent person" rule. The prudent person rule, as set forth by State Statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the Plan. The Fund's investments at June 30, 1999 are categorized below to give an indication of the level of risk assumed by the Fund at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Fund's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Fund's name.

	Category			Market Value
	1	2	3	
U.S. Government Securities	\$ 530,638	\$ -	\$ -	\$ 530,638
Stocks	485,090	-	-	485,090
Money Market	76,892	-	-	76,892
Total	\$1,092,620	\$ -	\$ -	\$1,092,620

**NOTE E - PRIORITIES UPON FUND TERMINATION**

Upon termination of the contingency fund, all funds held at the time of termination shall revert to the City of Kenner to assist in paying the existing merger liability. The Plan further provides that the City of Kenner shall replenish the Fund in amounts equivalent to any deficit resulting from the payment of the benefits provided by the Plan.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 1999**

**NOTE F - TAX STATUS**

The United States Treasury Department advised on October 9, 1974, that the Fund constitutes a qualified trust under Section 401(a) of the Internal Revenue Code and is, therefore, exempt from federal income taxes under the provisions of Section 501(a).

**NOTE G - STATEMENT OF CASH FLOWS**

In a prior year, the Fund implemented Statement No. 9 of the Governmental Accounting Standards Board, "*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*". This Statement excludes pension trust funds from reporting a statement of cash flows, and also eliminates the previous requirement that a statement of changes in financial position be included in the financial statements.

**NOTE H - REQUIRED SUPPLEMENTARY INFORMATION**

Funding progress and six-year historical trend information related to the Fund are presented in the Required Supplementary Information section of this report. The information is presented to enable the reader to assess the progress made by the Fund in accumulating sufficient assets to pay pension benefits as they become due.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
SCHEDULE OF FUNDING PROGRESS  
(IN THOUSANDS OF DOLLARS)

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1998	\$ *	\$ *	\$ *	*	\$ 2,014	*
1997	9,222	13,673	4,451	67.45%	2,523	176.42%
1996	7,042	12,217	5,175	57.64%	2,224	232.69%
1995	6,554	15,605	9,051	42.00%	2,049	441.73%
1994	6,128	14,783	8,655	41.45%	1,940	446.13%
1993	5,677	13,737	8,060	41.33%	1,964	410.39%

Analysis of the dollar amounts of actuarial assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund. The above information is reported as of the latest date for which such information was available at the date of this report. An actuarial valuation as of June 30, 1999 is in progress and will reflect the changes to the plan as a result of the merger with the SFRS in March 1999.

\* - An actuarial valuation report was not prepared for the year ended June 30, 1998.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND TREND INFORMATION

Year Ended <u>June 30,</u>	Annual Pension Cost (APC)*	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
1999	\$ 271,425	100%	\$ -
1998	473,643	100%	-
1997	437,313	100%	-
1996	430,767	100%	-
1995	410,377	100%	-
1994	380,186	100%	-

\*The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/97
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Accrual method of accounting and recording investments at amortized cost
<b>Actuarial assumptions:</b>	
Investment rate of return:	
Before administrative expenses	18.33%
After administrative expenses	17.51%
Projected salary increases	3.0% - 6.0%
Inflation rate	3.0%

An actuarial valuation as of June 30, 1999 is in progress and will reflect the changes to the plan as a result of the merger with the SFRS in March 1999.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
OPERATING REVENUES BY SOURCE AND OPERATING EXPENSES BY TYPE

Operating Revenues by Source

<u>Fiscal Year</u>	<u>Contributions</u>					<u>Total</u>
	<u>Employee Amount</u>	<u>Employer</u>		<u>Investment Income</u>	<u>Other</u>	
		<u>Amount</u>	<u>Percentage of Annual Covered Payroll</u>			
1999	\$181,266	\$271,425	13.48%	\$1,374,180	\$ 110	\$1,826,981
1998	227,033	473,643	18.77%	1,826,917	-	2,527,593
1997	204,614	437,313	19.24%	2,220,052	-	2,861,979
1996	200,180	430,767	19.37%	463,898	-	1,094,845
1995	185,097	410,377	20.03%	412,337	408	1,008,219
1994	174,639	380,186	19.59%	550,061	60	1,104,946
1993	176,764	373,215	19.00%	462,419	34,651	1,047,049
1992	176,272	368,492	18.81%	460,947	550	1,006,261
1991	170,653	351,076	18.51%	404,661	13,985	940,375
1990	135,776	259,256	14.40%	356,555	6,475	758,062

Operating Expenses by Type

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Continued Service Incentive</u>	<u>Total</u>
1999	\$494,049	\$18,995	\$4,529	\$39,408	\$556,981*
1998	653,979	37,063	2,448	38,216	731,706
1997	607,857	31,705	13,475	28,616	681,653
1996	525,453	54,544	2,872	24,060	606,929
1995	512,965	42,601	2,652	23,512	581,730
1994	507,725	49,933	73,755	22,755	654,168
1993	448,663	70,962	32,773	11,153	563,551
1992	399,696	45,592	45,518	22,890	513,696
1991	381,132	36,071	24,163	15,371	456,737
1990	365,840	41,996	18,951	14,908	441,695

\* - Total operating expenses does not include the transfer of plan assets in the amount of \$11,130,143 to the SFRS as a result of the merger in March 1999.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
YEAR 2000 DISCLOSURES (UNAUDITED)  
For the Year Ended June 30, 1999

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Firemen's Pension and Relief Fund of the City of Kenner, Louisiana operations as early as 1999.

The Firemen's Pension and Relief Fund of the City of Kenner completed the assessment of its computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conduct the Fund's operations. Some testing of the system has been performed and the Fund expects to have all testing completed by November 30, 1999.

The Firemen's Pension and Relief Fund has contracted with a financial consultant to conduct financial reporting, payroll, employee pension benefit payments, and the Fund's other financial operations. The Fund has yet to contact this consultant and other external parties as to their compliance with the Year 2000 Issue.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Fund is or will be year 2000 ready, that the Fund's remediation efforts will be successful in whole or in part, or that parties with whom the Fund does business will be year 2000 ready.

## **SUPPORTING SCHEDULE**

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
SCHEDULE OF INVESTMENTS  
June 30, 1999**

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Book Value</u>	<u>Market Value</u>
<b>U.S. GOVERNMENT SECURITIES</b>				
U.S. Treasury Bond	11.625	11/15/02	\$ 114,177	\$ 131,040
U.S. Treasury Note	8.500	11/15/00	86,709	89,010
U.S. Treasury Note	8.750	08/15/00	113,041	116,200
U.S. Treasury Note	8.000	05/15/01	112,277	116,480
U.S. Treasury Note	7.250	08/15/04	<u>72,803</u>	<u>77,908</u>
<b>TOTAL U.S. GOVERNMENT SECURITIES</b>			<u><b>\$499,007</b></u>	<u><b>\$530,638</b></u>
<b>STOCKS</b>				
AMR Corp.	n/a	n/a	\$ 6,729	\$ 6,381
Allergan, Inc.	n/a	n/a	10,335	10,669
Allstate Corp.	n/a	n/a	11,744	10,631
American Home Product Corp.	n/a	n/a	5,485	5,181
Ameritech Corp.	n/a	n/a	14,058	13,213
Avnet, Inc.	n/a	n/a	9,310	9,563
BMC Software, Inc.	n/a	n/a	9,474	9,713
Bank of America Corp.	n/a	n/a	13,245	14,075
H & R Block, Inc.	n/a	n/a	15,053	14,644
Bristol-Myers Squibb Co.	n/a	n/a	13,558	13,475
Coastal Corp.	n/a	n/a	16,685	15,975
Computer Associates Int'l, Inc.	n/a	n/a	10,331	10,300
Dayton-Hudson Corp.	n/a	n/a	12,627	12,850
E. I. Dupont De Nemoure & Co.	n/a	n/a	13,883	13,263
Dun & Bradstreet Corp. Del	n/a	n/a	10,685	10,238
ELF Aquitaine Sponsored ADR	n/a	n/a	15,145	14,163
Fannie Mae	n/a	n/a	13,283	12,513
First Union Corp.	n/a	n/a	8,768	8,963
Gannet & Co., Inc.	n/a	n/a	7,260	7,094
General Electric Co.	n/a	n/a	10,291	10,444
Hartford Financial Services Group, Inc.	n/a	n/a	18,336	17,250
H. J. Heinz Company	n/a	n/a	14,561	14,212
ITT Industries, Inc.	n/a	n/a	11,839	11,362
Intel Corporation	n/a	n/a	5,366	5,531
Int'l Business Machine Corp.	n/a	n/a	11,804	12,312
Tyco Int'l Ltd. New	n/a	n/a	18,020	18,200
Xerox Corp.	n/a	n/a	6,029	5,662
International Paper Company	n/a	n/a	10,595	10,450
Johnson & Johnson	n/a	n/a	9,248	9,063
Jostens, Inc.	n/a	n/a	6,402	6,356
Lucent Technologies, Inc.	n/a	n/a	6,091	6,369
McDonald's Corp.	n/a	n/a	12,425	11,887
Mediaone Group, Inc.	n/a	n/a	14,670	14,688

(Continued)

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
SCHEDULE OF INVESTMENTS (CONTINUED)  
June 30, 1999**

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Book Value</u>	<u>Market Value</u>
Merck & Co., Inc.	n/a	n/a	14,083	13,775
Minn Mining & Mfg. Co.	n/a	n/a	8,854	8,825
Mobil Corp.	n/a	n/a	10,248	9,675
Pepsico, Inc.	n/a	n/a	14,321	14,300
Raytheon Co. Class D	n/a	n/a	13,995	13,900
SPX Corp.	n/a	n/a	7,910	8,256
Sara Lee Corp.	n/a	n/a	12,423	11,500
Southwest Airlines Co.	n/a	n/a	6,373	6,388
Sterling Commerce, Inc.	n/a	n/a	7,242	7,125
Textron, Inc.	n/a	n/a	8,885	8,162
Toys R' Us, Inc. & (Holding Co.)	n/a	n/a	6,639	6,544
Tricon Global Restaurants, Inc.	n/a	n/a	<u>10,179</u>	<u>9,950</u>
TOTAL STOCKS			<u>\$494,487</u>	<u>\$485,090</u>
OTHER INVESTMENTS				
Money Market	4.340	n/a	<u>\$ 76,892</u>	<u>\$ 76,892</u>
TOTAL INVESTMENTS			<u>\$1,070,386</u>	<u>\$1,092,620</u>

**REPORTS REQUIRED UNDER  
*GOVERNMENT AUDITING STANDARDS***

# REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
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A PROFESSIONAL CORPORATION

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees of the  
**Firemen's Pension and Relief Fund**  
of the City of Kenner, Louisiana

We have audited the financial statements of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** (the "Fund"), a component unit of the City of Kenner, Louisiana as of and for the year ended June 30, 1999, and have issued our report thereon dated November 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana's** ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management of the **Firemen's Pension Relief Fund of the City of Kenner, Louisiana** in a separate letter dated November 8, 1999.

This report is intended solely for the information and use of the Board of Trustees, the Fund's management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Rebowe & Company*

November 8, 1999

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 1999

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana**.
2. One reportable condition disclosed during the audit of the financial statements is reported in the *Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. This condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana** were disclosed during the audit.

**B. FINDINGS REQUIRED TO BE REPORTED – FINANCIAL STATEMENT AUDIT**

Reportable Condition:

99-1 Investment Activity

Condition:

Investment activity in the amount of \$565,665, which was transferred from one investment account into a new investment account in June 1999, was incorrectly recorded as a deduction from plan assets.

Criteria:

Internal controls should be in place which provide reasonable assurance that all investment activity is properly recorded on a monthly basis.

Effect:

Because of the failure to record all investment activity on a monthly basis, plan assets and investment income may be understated. In this instance, plan assets were understated by \$565,665 and the related investment activity was not properly reflected in the general ledger.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 1999

Recommendation:

Procedures should be in place to ensure the timely recording of all investment activity.

Response:

We will provide our accountant with all investment statements and ensure that the activity is properly reflected in a timely manner.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**  
STATUS OF PRIOR YEAR FINDINGS  
For the Year Ended June 30, 1999

There were no prior year findings as defined by *Government Auditing Standards* that are required to be addressed in this section.

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 1999**

<u>Recommendation</u>	<u>Corrective Action</u>	<u>Implementation Date</u>	<u>Contact</u>
99-1 Procedures should be in place to ensure the timely recording of all investment activity.	We will provide our accountant with all investment statements and ensure that the activity is properly reflected.	December 31, 1999	Michael Zito, Fire Chief (504) 468-4000

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LEGISLATIVE AUDITOR  
2000 JAN -3 AM 10:00

**FIREMEN'S PENSION AND RELIEF FUND  
OF THE CITY OF KENNER, LOUISIANA**

**MEMORANDUM OF ADVISORY COMMENTS**

**For the Year Ended June 30, 1999**

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# REBOWE & COMPANY

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November 8, 1999

**To the Board of Trustees of the  
Firemen's Pension and Relief Fund  
of the City of Kenner, Louisiana**

Dear Board Members:

We have audited the financial statements of the **Firemen's Pension and Relief Fund of the City of Kenner, Louisiana ("the Fund")** as of and for the year ended June 30, 1999, and have issued our report thereon dated November 8, 1999. As part of our audit, we considered the Firemen's Pension and Relief Fund's internal control in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control over financial reporting.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding this matter. Our consideration of the internal control over financial reporting has been reported on in a separately issued report entitled *Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* dated November 8, 1999 and noted a material weakness.

We will review the status of this matter during our next audit engagement. We have already discussed these comments and recommendations with various Firemen's Pension and Relief Fund personnel and would be pleased to discuss them with you in further detail at your convenience or to assist you in implementing our recommendations.

Sincerely,

*Rebowe & Company*

## **YEAR 2000 COMPUTER ISSUE**

### Observation:

The Year 2000 Computer issue results from a computer's inability to process year-date data accurately beyond the year 1999. Except in recent years, computer programmers consistently have abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 19. Thus January 1, 1965, became 01/01/65. Unless corrected, this shortcut is expected to create widespread problems when the clock strikes 12:00:01 a.m. on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and process data inaccurately or stop processing altogether. Additionally, the use of abbreviated dates may cause failures when systems currently attempt to perform calculations into the year 2000.

The Year 2000 Issue is likely to affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the Year 2000. Furthermore, some software programs use several dates in the year 1999 to mean something other than the date. Examples of such date are 09/09/99 and 12/31/99. As systems process information using these dates, they may produce erratic results or stop functioning.

Upon our discussions with management, it appears that the Firemen's Pension and Relief Fund is aware of the Year 2000 issue and is taking steps to insure that its financial systems are Year 2000 compliant.

### Recommendation:

We recommend that you take the necessary actions to complete the identification, modification, and testing of all systems that may be negatively affected by the Year 2000 issue, particularly mission-critical systems. This program should be monitored closely to ensure completion before mission-critical systems begin to fail. Such failures may be evident before January 1, 2000. If the Fund fails to take timely and appropriate action, it may experience costly and significant application-program failures that could prevent it from performing its normal processing activities. Depending on the extent of system failures, noncompliance could have catastrophic consequences for the Fund.

Also, the Fund should implement additional verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party organizations with whom it exchanges date-dependent information, because these organizations must also become Year 2000 compliant. The Fund should also satisfy itself that vendors, service providers,

bankers, customers, and other third party organizations will not experience problems relating to the Year 2000 Issue that could affect the Fund's operations or cash flows.

Management's Corrective Action Plan:

The Firemen's Pension and Relief Fund will contact its accountant and other necessary third-party organizations to ensure Year 2000 compliance. The critical area is the computer used for the general ledger. Our contact person is Mike Zito, Fire Chief (504) 468-4000.