4268

# REPORT

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

## DECEMBER 31, 2013

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

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# INDEPENDENT AUDITOR'S REPORT

June 20, 2014

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

We have audited the accompanying financial statements of the New System and Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans and Subsidiaries, a component unit of the City of New Orleans, which comprise the statement of plan net position as of December 31, 2013 and the related statement of changes in plan net position for the year then ended and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements.

**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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Greenspring Associates Global Partners II-A, L.P., Lakewood Development New Orleans, L.L.C., Lakewood Golf, L.L.C., and Austin Falconhead, L.P., which represent 2.17 percent, negative 15.32 percent, 6.77 percent, and negative 16.48 percent, respectively, of the net position of the New System. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Greenspring Associates Global Partners II-A, L.P., Lakewood Development New Orleans, L.L.C., Lakewood Golf, L.L.C., and Austin Falconhead, L.P., is based on the reports of the other auditors. 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 of 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 auditor's 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the New System and Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans, as of December 31, 2013, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

As of December 31, 2013 the New System has net assets available for benefits in the amount of $84,775,908 with an actuarial accrued liability of $423,819,515. The liability includes DROP and PLOP account balances in the amount of $38,925,671 and $26,586,668 respectively. 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.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of contributions employer and other sources and the schedule of funding progress as listed in the table of contents, 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for the purposes of additional analysis and are not a part of the basic financial statements. The 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 June 20, 2014 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.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Statement of net position
- Statement of changes in net position, and
- Notes to financial statements

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

The statements of net position report the pension fund's assets, liabilities and resultant net position restricted for pension benefits. They disclose the financial position of the Fund as of December 31, 2013.

The statement of changes in net position reports the results of the pension fund's operations during the year disclosing the additions to 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 two schedules and related notes concerning the funded status of the Fund.

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

## NOFF FINANCIAL ANALYSIS

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

# FIREFIGHTERS' PENSION AND RELIEF FUND
# OF THE CITY OF NEW ORLEANS
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

| | New System 2013 | New System 2012 | Old System 2013 | Old System 2012 |
|---|---|---|---|---|
| Cash | $ 6,319,553 | $ 1,139,599 | $ 123,910 | $ 122,232 |
| Receivables | 5,918,065 | 21,666,645 | 254,763 | 37 |
| Investments | 133,640,567 | 176,927,160 | 17,322,906 | 16,462,079 |
| Collateral held under security lending | 1,926,475 | 1,806,139 | - | - |
| Other assets | 346,354 | 930,505 | - | - |
| Property and equipment | - | - | 782 | 1,822 |
| Total assets | 148,151,014 | 202,470,048 | 17,702,361 | 16,586,170 |
| Liabilities | 62,185,032 | 56,630,807 | 22,751 | 21,448 |
| Total liabilities | 62,185,032 | 56,630,807 | 22,751 | 21,448 |
| Net position - restricted for | | | | |
| for pension benefits | 84,775,908 | 143,536,118 | 17,679,610 | 16,564,722 |
| Noncontrolling interests | 1,190,074 | 2,303,123 | - | - |
| Total net position | $ 85,965,982 | $ 145,839,241 | $ 17,679,610 | $ 16,564,722 |

**Consolidated Statements of Changes in Net Position**
**For the Years Ended December 31, 2013 and 2012**

| | New System 2013 | New System 2012 | Old System 2013 | Old System 2012 |
|---|---|---|---|---|
| Additions: | | | | |
| Contributions | $ 13,705,436 | $ 13,538,481 | $ 20,895,749 | $ 20,741,359 |
| Other additions | 40,015 | 33,190 | - | - |
| Investment income (loss) | (40,244,278) | 1,619,255 | 1,243,694 | 1,522,210 |
| Total additions/(deductions) | (26,498,827) | 15,190,926 | 22,139,443 | 22,263,569 |
| Total deductions | 32,261,383 | 30,140,876 | 21,024,555 | 20,560,345 |
| Increase (Decrease) | $ (58,760,210) | $ (14,949,950) | $ 1,114,888 | $ 1,703,224 |

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

**Additions to Fiduciary Net Position**

Additions to the Funds fiduciary net position were derived from member and employer contributions, state fire insurance rebates, millage, and investment income. The decrease in investment income is primarily related to the decrease in performance of some of the Fund's investments during 2013 as compared to 2012.

| | New System | | | Old System | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | Increase (Decrease) Percentage | 2013 | 2012 | Increase (Decrease) Percentage |
| Member contributions | $ 1,392,726 | $ 1,379,957 | 0.93 | $ - | $ - | - |
| City appropriations and millage | 11,573,273 | 11,573,273 | - | 20,156,308 | 20,156,208 | - |
| State insurance rebate | 739,437 | 585,251 | 26.35 | 739,441 | 585,251 | 26.35 |
| Transfer from other systems | 40,015 | 33,190 | 20.56 | - | - | - |
| Net investment income (loss) | (40,244,278) | 1,619,255 | (2,585.36) | 1,243,694 | 1,544,687 | (19.49) |
| | $ (26,498,827) | $ 15,190,926 | | $ 22,139,443 | $ 22,286,146 | |

**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 plan net position increased by $2,120,507 in the New System in 2013, primarily due to an increase in DROP withdrawals and an increase in retirement benefits. Deductions from plan net position increased by $464,210 in the Old System in 2013, primarily as a result of an increase in PLOP withdrawals.

| | New System | | | Old System | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | Increase (Decrease) Percentage | 2013 | 2012 | Increase (Decrease) Percentage |
| Retirement benefits | $ 22,088,565 | $ 20,482,741 | 7.84 | $ 18,268,014 | $ 19,021,218 | (3.96) |
| Refund of contributions | 123,737 | 114,320 | 8.24 | - | - | - |
| Death benefits | 27,000 | 9,000 | 200.00 | 51,000 | 45,000 | 13.33 |
| Depreciation expense | - | - | - | 1,040 | 4,552 | (77.15) |
| Administrative expenses | 934,816 | 1,315,010 | (28.91) | 623,947 | 538,857 | 15.79 |
| DROP withdrawal | 5,068,674 | 4,090,381 | 23.92 | 89,365 | 285,910 | (68.74) |
| PLOP withdrawal | 4,004,889 | 4,129,424 | (3.02) | 1,991,189 | 664,808 | 199.51 |
| Transfer to other system | 13,702 | - | 100.00 | - | - | - |
| | $ 32,261,383 | $ 30,140,876 | | $ 21,024,555 | $ 20,560,345 | |

**Investments**

NOFF is responsible for the prudent management of funds held in trust for the exclusive benefit of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total consolidated investments at December 31, 2013 amounted to $133,640,567 and $17,322,906 for the New and Old Systems, respectively, as compared to $176,927,160 and $16,462,079 at December 31, 2012. Total investments decreased approximately 24.46% in the New System and increased approximately 5.23% in the Old System.

**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 AND SUBSIDIARIES
# CONSOLIDATED STATEMENT OF NET POSITION
# DECEMBER 31, 2013

| | New System | Old System |
|---|---|---|
| ASSETS: | | |
| Cash (Note 5) | $ 6,319,553 | $ 123,910 |
| Receivables: | | |
| Accounts receivable, net | 290,448 | - |
| Accrued investment income | 5,452,848 | 43 |
| Investments receivable (Note 12) | 323,873 | - |
| Due (to)/from Old/New System | (254,720) | 254,720 |
| Member contributions receivable | 105,616 | - |
| Total receivables | 5,918,065 | 254,763 |
| INVESTMENTS (at fair value): (Note 1) | | |
| Cash equivalents (Note 5) | 13,318,098 | 17,322,906 |
| Bonds (Note 5) | 2,920 | - |
| Stocks | 22,382,917 | - |
| Mutual funds (Note 16) | 16,852,954 | - |
| Notes receivable (Notes 5 and 13) | 10,581,510 | - |
| Investment in limited liability corporations (Note 15) | 7,018,611 | - |
| Investment in partnerships (Note 14) | 12,979,474 | - |
| Investment in real estate (Note 17) | 50,504,083 | - |
| Total investments | 133,640,567 | 17,322,906 |
| Collateral held under Securities Lending Program (Notes 5 and 11) | 1,926,475 | - |
| OTHER ASSETS | | |
| Inventory | 100,568 | - |
| Prepaid expenses | 4,075 | - |
| Other intangible assets | 150,083 | - |
| Loan fees | 91,628 | - |
| Total other assets | 346,354 | - |
| Property and equipment, net of accumulated depreciation of $129,611 (Note 6) | - | 782 |
| Total assets | 148,151,014 | 17,702,361 |
| LIABILITIES: | | |
| Accounts payable | 699,552 | 19,082 |
| Other payables | 645,511 | - |
| Payroll taxes payable | - | 3,669 |
| Deferred lease liability (Note 7) | 2,391,933 | - |
| Notes payable (Note 18) | 9,458,643 | - |
| Lines of credit (Note18) | 47,062,918 | - |
| Obligation under Securities Lending Program (Notes 5 and 11) | 1,926,475 | - |
| Total liabilities | 62,185,032 | 22,751 |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS | 84,775,908 | 17,679,610 |
| NONCONTROLLING INTEREST | 1,190,074 | - |
| NET POSITION | $ 85,965,982 | $ 17,679,610 |

See accompanying notes.

# FIREFIGHTERS' PENSION AND RELIEF FUND OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
## CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
## FOR THE YEAR ENDED DECEMBER 31, 2013

| | New System | Old System |
|---|---|---|
| ADDITIONS: (Note 1) | | |
| Contributions: (Note 3) | | |
| Member | $ 1,392,726 | $ - |
| Employer | 9,000,000 | - |
| Millage | 2,573,273 | 1,156,308 |
| City appropriations | - | 19,000,000 |
| Fire insurance rebate | 739,437 | 739,441 |
| Total contributions | 13,705,436 | 20,895,749 |
| Investment income (loss): | | |
| Securities litigation proceeds | 4,749 | - |
| Interest and dividend income | 1,144,761 | 144,998 |
| Net appreciation/(depreciation) in fair value of investments | (36,521,092) | 1,105,497 |
| Other investment income | 721,290 | - |
| | (34,650,292) | 1,250,495 |
| Less investment expense: | | |
| Investment management fees | 833,728 | 6,801 |
| Custodian fees | 41,941 | - |
| Foreign taxes | 1,293 | - |
| Miscellaneous investment expense | 1,239,200 | - |
| Development operating loss | 1,725,724 | - |
| Golf course operating loss | 1,761,743 | - |
| | 5,603,629 | 6,801 |
| Net investment income (loss) | (40,253,921) | 1,243,694 |
| Less: Net investment loss attributable to noncontrolling interests | 9,643 | - |
| Net investment income (loss) attributable to the Pension Fund | (40,244,278) | 1,243,694 |
| OTHER ADDITIONS: | | |
| Transfer from other retirement system | 40,015 | - |
| Total other additions | 40,015 | - |
| Total additions (deletions) | (26,498,827) | 22,139,443 |
| DEDUCTIONS: | | |
| Retirement benefits paid | 22,088,565 | 18,268,014 |
| Refund of contributions | 123,737 | - |
| Death benefits | 27,000 | 51,000 |
| Depreciation expense | - | 1,040 |
| Administrative expenses (Page 41) | 934,816 | 623,947 |
| DROP withdrawal | 5,068,674 | 89,365 |
| PLOP withdrawal | 4,004,889 | 1,991,189 |
| Tranfer to other retirement system | 13,702 | - |
| Total deductions | 32,261,383 | 21,024,555 |
| NET INCREASE (DECREASE) | (58,760,210) | 1,114,888 |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS | | |
| Beginning of year | 143,536,118 | 16,564,722 |
| END OF YEAR | $ 84,775,908 | $ 17,679,610 |

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

Consolidation:

The consolidated financial statements include the accounts of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and its 100% owned subsidiary, Corner Pocket, L.L.C. The financial statements also include the 99% owned subsidiaries of Austin Falconhead, L.P., Lakewood Restoration Partners, Ltd, Americus Real Estate Fund I, Ltd., the 90% owned subsidiary of Greenspring Associates Global Partners II, L.P. and the 64.07% owned subsidiary, Sadie Creek Commons, L.L.C. All intercompany transactions and balances have been eliminated upon consolidation.

The Fund is the 100% owner of Corner Pocket, L.L.C., which was formed to acquire, develop and sell property in Boise, Idaho.

The Fund is the 99% owner of Lakewood Restoration Partners, Ltd., which was formed to acquire and develop property located in New Orleans, Louisiana, commonly known as the Lakewood Country Club. The Lakewood Country Club began operations in 2009.

The Fund is the 99% owner of Austin Falconhead, L.P. (the partnership), a Texas limited partnership which owns and operates the Falconhead Golf Club in Austin, Texas. The partnership was formed on December 29, 2006. The partnership entered into a management and services agreement with SG Falcon Services, LLC on January 1, 2008. The owner of SG Falcon Services, LLC is also the general partner of Austin Falconhead, L.P., and therefore, the partnership has chosen to consolidate the operations of SG Falcon Services as of January 1, 2008.

The Fund is the 99% owner of Americus Real Estate Fund I, Ltd., which was formed to acquire commercial real estate properties occupied by public sector tenants meeting established criteria for conversion to a capital lease program.

The Fund is the 90% owner of Greenspring Associates Global Partners II-A, L.P. (the partnership). The partnership was initially formed on October 13, 2003. The primary objective of the partnership is to generate significant returns for its partners, principally through long-term capital appreciation, by making, holding and disposing of privately negotiated equity and equity-related investments ("Portfolio Investments"), principally in (i) venture capital and private equity partnerships ("Portfolio Funds") and (ii) operating companies ("Portfolio Companies"). The objectives of the Portfolio Funds are long-term capital appreciation through investments in companies in the healthcare, information technology, and communications industries. The partnership's ability to redeem investments in Portfolio Funds is restricted. The partnership will continue until the last business day of January 2017, unless sooner dissolved pursuant to the terms of the partnership agreement or by operation of law. The General Partner has the option to extend the term for up to four additional one-year periods with the consent of a majority in interest of the Limited Partners.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Consolidation: (Continued)

The Fund is the 64.07% owner of Sadie Creek Commons, L.L.C, which was formed to acquire an 11.41 acre parcel of commercial real estate property in Meridian, Idaho.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB). The financial statements include the management's discussion and analysis as supplementary information, as required by GASB Statement Number 34, *Basic Financial Statement- and Management's Discussion and Analysis-for State and Local Governments* and related standards. During the year ended December 31, 2012, the Fund adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB Statement No. 63 provided financial reporting guidance for deferred outflows of resources and deferred inflows of resources and also redefined the residual of all other elements presented in a statement of financial position as net position.

Basis of Accounting:

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

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

Methods Used to Value and Report Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments in notes receivables, partnerships, and limited liability corporations are reported at fair value. Investments in real estate ventures are valued at a multiple of earnings before interest, tax, depreciation and amortization (EBITDA). The multiple or the capitalization rate is based on industry averages taking into consideration age, location and class of the property.

Intangible Assets – Austin Falconhead, L.P.:

Intangible assets are stated at historical cost, less accumulated amortization. Amortization expense is generally determined on a straight-line basis over the estimated useful life of the asset. On December 31, 2006, Austin Falconhead, L.P. recorded an intangible asset related to a 99-year land lease for approximately 199 acres of land, which is being utilized by the partnership for the development and operations of the Falconhead Golf Club. The intangible asset is being amortized over the life of the lease. The lease expires on December 31, 2099.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIAIRES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Intangible Assets – Austin Falconhead, L.P.: (Continued)

Austin Falconhead, L.P. recorded the intangible asset related to the 99-year land lease based on the estimated fair value of the lease at the date of the transaction. This amount was calculated based on the difference between the appraised value of the assets acquired, less the amounts already allocated to other tangible assets and liabilities. As of December 31, 2013, the gross amount of the intangible asset related to the land lease was $2,875,382.

During the year ended December 31, 2013, Austin Falconhead, L.P. recorded amortization expense of $31,730 related to the intangible asset. Annual amortization expense expected to be recorded in each of the next five years is estimated to be $30,923. Total accumulated amortization at December 31, 2013 was $236,612. For presentation in these financial statements, this intangible asset is classified as investments in real estate.

Property and Equipment – Pension Fund:

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

2. PLAN DESCRIPTION:

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

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

At December 31, 2013, the Firefighters' Pension and Relief Fund's membership consisted of:

| | New System | Old System |
|---|---|---|
| Retirees and beneficiaries | 655 | 563 |
| Terminated vested | 2 | |
| DROP plan participants | 90 | - |
| Active members | 553 | - |
| TOTAL PARTICIPANTS AS OF THE VALUATION DATE | 1,300 | 563 |

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits:

Members 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 four highest consecutive years of service preceding the date of retirement. If the member continues to remain a member of the system beyond twelve years of service and such member attains the age of fifty, the retirement benefit for each year or portion of a year beyond twelve years of service and after age fifty, shall be an amount equal to three and one-third percent of the average annual compensation for each year or portion of a year. Based on the Systems interpretation of the law, 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 for each year or portion of a year. The maximum benefit payable is 100% of average compensation earned during any three highest average consecutive years of service preceding retirement.

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

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.

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.

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2. PLAN DESCRIPTION: (Continued)

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, employer contributions cease. The monthly retirement benefit is calculated using the participant's salary without longevity increases, his years of service and benefit option. 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.

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 of 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.

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2. PLAN DESCRIPTION: (Continued)

DROP Benefits: (Continued)

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 Deferred Retirement Option Plan 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. CONTRIBUTIONS AND RESERVES:

Contributions:

The New System is funded by employee and employer contributions established by state statute. Employees contribute 6% of salary for the first twenty years of employment. Actual amount contributed by employees for the year ended December 31, 2013 was $1,392,726. Employer contributions are made monthly to pay the actuarially determined contributions for the prior year. The actuarial required contribution of the employer was $34,386,640 for the year ending December 31, 2013. The actual amount contributed by the employer for the year ended December 31, 2013 was $9,000,000.

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

In addition, the Fund receives ad valorem taxes to fund additional benefits for the longevity lawsuit. The amount of millage received for the New and Old System were $2,573,273 and $1,156,308 for the year ended December 31, 2013, respectively.

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 prior year. The actuarial required contribution of the employer was $22,532,024 for the year ended December 31, 2013. The actual amount contributed by the employer for the year ended December 31, 2013 was $19,000,000.

The Fund receives fire insurance taxes of 2% of the fire insurance premiums written in the City of New Orleans. In 2013, amounts received as a result of this tax were divided equally between the two systems. Total amount received was $1,478,878.

Administrative costs of the Fund are financed through employer contributions.

Reserves:

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

A) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the fund from which such pensions and other benefits are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Pension Reserve balance of the New System is $181,205,163 of which 0.26% is funded. The Pension Reserve Balance of the Old System is $140,140,454 of which is 6.60% funded.

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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

B) 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 $18,800,670 and it is fully funded. There are no active members in the Old System and therefore the Old System has no Annuity Savings balance.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This fund is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance of the New System is $158,301,343. The Pension Accumulation Fund for the New System is not funded.

D) Deferred Retirement Option Plan Account:

The Deferred Retirement Option Plan (DROP) Account receives and holds the monthly retirement benefits deposited on behalf of DROP participants while they continue to work. At termination, a lump sum payment of the DROP deposits is made to the participant or the participant may elect to leave the accumulated benefits on deposit in the DROP account. The DROP account balance of the New System is $38,925,671 and it is fully funded. The DROP balance of the Old System is $4,119,864 and it is fully funded.

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

Reserves: (Continued)

E) Partial Lump-Sum Option Payment Account:

The Partial Lump-Sum Option Payment (PLOP) Account receives and holds until requested an initial lump-sum benefit which shall not exceed an amount equal to the member's normal 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 $26,586,668 and it is fully funded. The PLOP balance of the Old System is $4,316,600 and it is fully funded.

4. ACTUARIAL COST METHOD:

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

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

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

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Deposits:

As of December 31, 2013, the Fund's cash balances were secured by FDIC insurance. 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.

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

Cash Equivalents:

The Fund considers all investments with original maturities of three months or less to be cash equivalents. Cash equivalents of the New System and Old System consist of government backed pooled funds, 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 sixty-five percent of the total portfolio in common stock.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The 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, 2013, the New System held investments in Lakewood Golf, L.L.C. and Gulf Islands Water Park, L.L.C. which represented 6.67% and 5.35% of the New System's net position, respectively.

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, 2013.

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

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New System's bond in the amount of $2,920 is in default as of December 31, 2013.

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, 2013, $13,191,649 of the New System's cash equivalents were rated AAA by Standard and Poor's, and $126,449 was not rated. At December 31, 2013, $5,606,761 of the Old System's cash equivalents were rated AAA by Standard and Poor's and $11,716,145 were not rated.

Custodial Credit Risk:

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

At December 31, 2013, cash collateral held under the securities lending program in the amount of $1,926,475 for the New System is exposed to custodial credit risk since the collateral is not in the name of the Fund. The Fund's remaining investments are not exposed to custodial credit risk.

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

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2013, the Fund had the following investments in long-term debt securities.

| | | Investment Maturities | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less Than 1 | 1 – 5 | 6 – 10 | More Than 10 |
| Corporate bonds | $ 2,920 | $ - | $ 2,920 | $ - | $ - |
| Notes Receivable | $ 10,581,510 | $ 8,938,086 | $ - | $ - | $ 1,643,424 |

The Fund's investment policy prohibits investment in debt securities with maturities greater than thirty years at time of purchase. At December 31, 2013, all notes were within the specified maturity guidelines on its debt securities. The Fund also owns a $1,643,424 note receivable with no specified maturity date.

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6. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31, 2013:

Pension Fund – Old System:

| | |
|---|---|
| Furniture and equipment | $ 130,393 |
| Less: Accumulated depreciation | (129,611) |
| Total Property and Equipment, net | $ 782 |

Depreciation expense for the year ended December 31, 2013 was $1,040 in the Old System.

7. OPERATING LEASES:

Austin Falconhead, L.P. (the partnership) leases real property under a 99-year operating lease that expires on December 31, 2099 and requires annual minimum lease payments each year. The minimum lease payments are escalated and range from a current rate of $93,000 per year to $1,249,553 in 2099. Commencing with calendar year 2011 and for the remainder of the term of the lease, the lease requires that the partnership pay percentage rent in the amount, if any, by which three percent of the partnership's "net operating revenues" during each lease year exceeds the base rent by the partnership for that lease year. The three percent of the partnership's "net operating revenues" did not exceed the minimum lease payment for 2013, and accordingly the company had no obligation to pay percentage rent for the year ended December 31, 2013. Another party to the lease has agreed to pay up to $93,000 per year in lease expense on behalf of the partnership in return for certain rights and privileges related to the land.

The partnership records lease expense using the straight-line method over the term of the lease, net of any payments received from the third party. The difference between the amount paid and the amount recorded as an expense is recorded as a long-term deferred lease liability on the statement of plan net assets. This liability represents an obligation the partnership will pay in future years based on the projected increases in minimum lease amounts due under the land lease.

In addition to the land lease, the partnership periodically enters into lease transactions for equipment. The partnership generally records lease payments on these operating leases as expenses when incurred.

7. OPERATING LEASES: (Continued)

Lease expense related to the land and other operating leases for the year ended December 31, 2013 was $427,495. Future minimum lease payments under the non-cancelable operating lease are as follows:

| | |
|---|---|
| Years ending December 31, | |
| 2014 | $ 92,392 |
| 2015 | 95,431 |
| 2016 | 63,521 |
| 2017 | 17,689 |
| 2018 | 21,009 |
| Thereafter | 31,454,028 |
| Total | $ 31,744,070 |

8. PER DIEM PAID TO BOARD MEMBERS:

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

9. USE OF ESTIMATES:

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

10. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits and is presented on pages 43 - 44.

11. SECURITY LENDING AGREEMENTS:

The Board of Trustees of the Fund authorized the Fund to enter into a securities lending program. These agreements consist of the loan of stock and bonds with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The Fund requires the dealer to transfer cash or collateral of no less than 100% of the market value of the securities underlying the securities lending agreements. At December 31, 2013 the fair value of the securities on loan is $1,933,304. The underlying collateral for these securities is $1,926,475.

11. SECURITY LENDING AGREEMENTS: (Continued)

In cases of security loans in which the collateral received by the Fund is cash, the Fund is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the Fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the Fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the balance sheet. The cash collateral was invested in cash equivalents and fixed income securities at December 31, 2013. The maturities of these investments match the maturities of the securities loans.

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

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net income received from the transactions in the amount of $15,590 is recorded on the financial statements in investment income.

12. INVESTMENT RECEIVABLE:

On March 31, 2008, the Fund invested $15 million in the Series N shares of the FIA Leveraged Fund ("Leverage Fund"), an open ended investment fund registered in the Cayman Islands. The Leverage Fund is part of a master-feeder fund structure with affiliated entities in the Cayman Islands, Bermuda, and the United States. All of the primary investments of the Leverage Fund are owned by a Bermudan master fund known as Fletcher International, Ltd. (FILB). The Series N Shares ranked senior to common shares of the Leverage Fund in payment of dividends and liquidation. Each month after the initial investment, the Fund received valuation statements from Citco Fund Services (Cayman Islands), who was the third-party independent administrator of the Leverage Fund, showing that the value of the Fund's investment had increased by 1% per month.

In April 2011, the Fund requested a partial redemption followed by a full redemption request in June 2011. These redemption requests were not met resulting in the Fund filing a winding up petition with the Grand Court in the Cayman Islands to force the liquidation of the fund. In April 2012, the Cayman Court awarded the Fund a winding up judgment and official liquidators were appointed to oversee the fund and wind up its affairs. In response to this judgment, FAM filed for bankruptcy protection for the Master Fund, FILB. In October, 2012, the bankruptcy court issued

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12. INVESTMENT RECEIVABLE: (Continued)

an order for the appointment of a US Trustee to investigate the assets of the fund and manage the liquidation of the fund in the Southern District of New York. The New York bankruptcy trustee is in the process of marshaling the assets of FILB, along with filing of claims against various owners and insiders to claw-back certain payments. In addition, the bankruptcy trustee intends to assert various claims against the professionals associated with the Leverage Fund and FILB. The Fund has also filed lawsuits against several of the Leverage Fund's third-party service providers in which counsel projects the recovery of a substantial, but as yet indeterminable, amount. However, because of multiple variables relating to the litigation and a confidentiality order that has been ordered by the court in the FILB bankruptcy proceedings, the Fund cannot accurately predict the outcome of the litigation or evaluate the value of the claims being asserted by FILB on behalf of the Fund.

The Fund also expects recovery through the bankruptcy proceedings. The value of such recovery depends on the bankruptcy trustee's completion of the liquidation process which could be a protracted period, with substantial unknown expenses to be incurred, and the validity of certain complex legal theories being asserted on behalf of the Leverage Fund and FILB in various legal proceedings. Further, the Fund believes it is likely that a substantial recovery will be made in the pending litigation that the Fund has filed against third party service providers that is pending in Louisiana. However, the Fund cannot predict the amount, the future expenses to be incurred that will offset the recovery, or the timing of the recovery given the inherent uncertainty of litigation and the possibility that the venue of the litigation will be other than in Louisiana, which will increase the cost of litigation.

As of December 31, 2013 (due to the litigation as discussed above), it is uncertain as to the value of any remaining assets in addition to substantial unknown expenses which will be incurred. As a result, during the year ended December 31, 2013, the Fund has increased the reserve against the receivable in the amount of $15,092,394. The write down of the receivable is included in net appreciation in fair value of investments in the consolidated statement of changes in net position. As of December 31, 2013, the balance of the receivable and the allowance on the receivable was $18,425,727 and $18,425,727, respectively.

As of December 31, 2013, the remaining investment receivables totaled $323,873 with no allowance recorded on the remaining investment receivables.

13. NOTES RECEIVABLE:

During the year ended December 31, 2013, the New System of the Fund had notes receivable as follows:

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13. NOTES RECEIVABLE: (Continued)

a) On March 19, 2003, the Fund loaned $5,000,000 to American Pension Consultants, L.L.C. (the corporation). The loan bears interest at 9.5%, commencing from the date of the advance of the funds, with interest payments due in quarterly installments commencing March 31, 2003. The principal balance is due at a future date to be mutually agreed to by the Fund and the corporation. The loan is collateralized by $1,643,424 of life insurance policies purchased with the loan proceeds. The balance of the loan was $1,643,424 at December 31, 2013. Interest is not being accrued on the note, as collectability is deemed to be uncertain.

b) On June 14, 2005, the Fund loaned $2,300,000 to Metairie Hotel, L.L.C. (the corporation). The loan bears interest at 12%, commencing from the date of the advance of the funds, with interest payments due in monthly installments commencing December 31, 2005. The corporation at its sole discretion may pay part or all of the loan principal balance with thirty days written notice. Any unpaid principal balance was due in full on May 31, 2010. This loan is currently in default and deemed uncollectible. The loan is subordinate and subject in right of payment to the prior payment in full of the senior indebtedness of the corporation.

The loan is secured by a non-first priority interest in the assets of the corporation. The balance of the loan is $0 at December 31, 2013 as it was deemed uncollectible. Interest is not being accrued on this note, as collectability is deemed to be uncertain. As additional consideration for providing the loan, the Fund was granted a 50% equity interest in the corporation. See footnote 15 for additional detail. The Fund's 50% equity interest in the corporation was sold in January 2014 for $25,000, and the loan debenture was satisfied, discharged, and cancelled.

c) On June 1, 2006, the Fund loaned $2,200,000 and $800,000 to Aventura Maya, LLC (the borrower) on two separate notes. Both notes bear interest at 8% commencing from the date of the notes. Interest payments for both notes are due quarterly beginning on December 1, 2006. Principal payments are due quarterly beginning on August 31, 2008 until the principal balance is paid in full for both notes. Any unpaid principal balance became due in full on May 31, 2013. The notes are secured by an agreement granting the Fund an additional 50% ownership interest in the borrower's hotel in case of default. The balance of the loans was $0 at December 31, 2013. During the year ended December 31, 2013, the Fund earned interest of $-0- on the note. During the year ended December 31, 2013, the Fund sold its ownership in the borrower's hotel and the loan was paid off.

13. NOTES RECEIVABLE: (Continued)

d) On September 9, 2009, the Fund loaned $2,663,863 to Maritime Building, L.L.C. (the corporation). The note bears interest at 8% for a one year period following the date of the note, 10% for months thirteen through eighteen, 12% for months nineteen through twenty-four, and 18% thereafter. Principal and interest were payable in a lump sum on September 9, 2011. The loan is currently in default. The note is secured by a personal guaranty agreement by the manager of the corporation and a security interest in the corporation's investor contributions and investor notes receivable. The balance of the note was $2,395,308 at December 31, 2013. During the year ended December 31, 2013, the Fund earned interest of $431,155 on the note which was recorded in investment income. As additional consideration for providing the loan, the Fund obtained a 20% equity interest in the corporation. See footnote 15 for additional detail.

e) On July 13, 2007, the Fund loaned $1,500,000 to Stephens Garage Building, L.L.C. (the corporation). The note bears interest at 12%. The principal balance together with all accrued and unpaid interest was due on April 12, 2010. This loan is currently in default which bears a default rate of 18%. The note is secured by a personal guaranty agreement by the majority owner of the corporation and a non-first mortgage and security agreement in the assets of the corporation. The balance of the note was $1,500,000 at December 31, 2013. During the year ended December 31, 2013, the Fund earned interest of $270,000 on the note which was recorded in investment income. As additional consideration for providing the loan, the Fund obtained a 40% equity interest in the corporation. See footnote 15 for additional detail.

f) On January 31, 2007, the Fund loaned $2,777,778 to Broadway Manager, L.L.C. (the corporation). The note bears interest at 10% for a two year period following the date of the note, 12% for months twenty-five through thirty-six, 15% for months thirty-seven through forty-eight and 18% thereafter. The first year's interest was paid on the effective date of the note. Interest payments are due quarterly beginning on March 31, 2008 to the extent that the corporation has cash flow available. The entire principal balance became due on January 31, 2011. The loan is currently in default. The note is secured by a personal guaranty agreement by a third-party guarantor, a certificate of term life insurance on the third party guarantor, and a second mortgage on the corporation's property. The balance of the note was $2,777,778 at December 31, 2013. During the year ended December 31, 2013, the Fund earned interest of $149,586 on the note which was recorded in investment income.

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13. NOTES RECEIVABLE: (Continued)

g) On January 11, 2008, the Fund loaned $780,000 to Parks of Plaquemines, L.L.C. (the corporation). The Fund loaned an additional $312,000, $156,000, $585,000 and $195,000 during the years ended December 31, 2012, 2011, 2010 and 2009, respectively. The note bears interest at 10% per year. The outstanding principal balance together with all accrued and unpaid interest became due on January 11, 2011. The balance of the note was $1,560,000 at December 31, 2013. During the year ended December 31, 2013, the Fund earned interest of $186,596 on the note which was recorded in investment income.

h) On February 14, 2011, the Fund loaned $790,200 to Waltemath Family Limited Partnership for the sale of land on the west bank of New Orleans. The note is due in one installment and bears an interest rate of -0-% for the first thirty-six months and an interest rate of 8% thereafter. The principal payment is due sixty months from the execution date of February 14, 2011. The note shall be paid from sales proceeds received on the sale of lots. The note was paid off during the year ended December 31, 2013

i) On June 8, 2011, the Fund loaned $200,000 to NLDMII Investments, LLC for the production of a movie. The note provides for a return on investment payment of 15%. In addition, the Fund will receive an additional 2% interest per month for each month beyond one year the original return on investment payment is not paid for up to one year. The note and return on investment payment became due June 10, 2012. The balance of the loan was $200,000 at December 31, 2013. The loan is currently in default. During the year ended December 31, 2013, the Fund did not accrue any interest on the loan. As of December 31, 2013, the balance of the accrual on the return on investment payment was $54,000.

j) On September 22, 2011, the Fund loaned $250,000 to Culling, LLC for the production of a movie. The note provides for a return on investment payment of 20%. Principal and return on investment payment is due within eighteen months of funding. The balance of the loan was $250,000 at December 31, 2013. The note became due on March 27, 2013 and is currently in default. During the year ended December 31, 2013, the Fund did not accrue any interest on the loan. As of December 31, 2013, the balance of the accrual on the return on investment payment was $50,000.

k) On May 7, 2012, the Fund loaned $255,000 to Tell Tale Heart, LLC for the production of a movie. The note provides for a return on investment payment of 20%. Principal and return on investment payment is due within six months of funding. The balance of the loan was $255,000 at December 31, 2013. The note became due on November 7, 2012 and is currently in default. During the year ended December 31, 2013, the Fund did not accrue any interest on the loan. As of December 31, 2013, the balance of the accrual on the return on investment payment was $51,000.

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14. INVESTMENT IN PARTNERSHIPS:

During the year ended December 31, 2013, the New System of the Fund had investments in partnerships as follows:

a) The Fund has committed to invest $2,000,000 in Trans-Europe Buyout Partners III, L.P. (the partnership). As of December 31, 2013, the Fund has invested $1,533,586 in the partnership. The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds. As of December 31, 2013, the Fund had an investment of $83,113 in the partnership.

   Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership loss for 2013 was $43,801, which was included in investment income.

b) The Fund has committed to invest $3,000,000 in Trans-Europe Buyout Partners IV, L.P. (the partnership). As of December 31, 2013, the Fund has invested $2,397,339 in the partnership. The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds. As of December 31, 2013, the Fund had an investment of $347,259 in the partnership.

   Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership income for 2013 was $177,280, which was included in investment income.

c) The Fund has committed and invested $3,000,000 in the LEM Real Estate Mezzanine Fund, L.P. (the partnership). The partnership was formed to seek current and deferred returns through investments in high yielding, subordinated real estate related debt and preferred equity interests including junior or subordinated mortgage loans, loans secured by pledges of partnership interests, preferred equity investments and other high-yielding investments collateralized by various types of real estate properties. As of December 31, 2013, the Fund had an investment of $671,687 in the partnership.

   Net losses are allocated to the partners in proportion to the partners' participating percentages. Net income is allocated and based on the partners' respective ownership interests. The Fund's share of partnership income for 2013 was $24,404, which was included in investment income.

d) The Fund has committed and invested $1,026,500 in the OCM Mezzanine Fund, L.P. (the partnership). The partnership was formed for the purpose of allowing qualified investors to pool their assets to invest in mezzanine investments. As of December 31, 2013, the Fund had an investment of $61,151 in the partnership.

14. INVESTMENT IN PARTNERSHIPS: (Continued)

Net income or loss is allocated to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership income for 2013 was $15,720, which was included in investment income.

e) The Fund has committed $3,000,000 to Greenspring Associates Global Partners II, L.P. (the partnership), which is 90% owned by the Fund. As of December 31, 2013, the Fund had an investment of $1,840,225 in the limited partnership; of which $1,576,746 was classified as investment in partnerships while the remaining $263,479 was classified as other assets and/or liabilities upon consolidation.

Net income or net loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of partnership income for 2013 was $974,352 and is included in investment income

f) The Fund has committed to invest $500,000 in Louisiana Fund I, L.P. (the partnership). As of December 31, 2013, the Fund has invested $455,000 in the partnership. The partnership was formed to invest in early stage companies that are located primarily in Louisiana. As of December 31, 2013, the Fund had an investment of $1,026,450 in the partnership.

Net income or net loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of partnership income for 2013 was $18,432, which was included in investment income.

g) The Fund has committed and invested $1,000,000 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, 2013, the Fund had an investment of $827,711 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of partnership income for 2013 was $12,283, which was included in investment income.

h) The Fund has committed and invested $3,000,000 in Trans-Europe Buyout Partners VII, L.P. (the partnership). The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds. As of December 31, 2013, the Fund had an investment of $1,974,335 in the partnership.

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership income for 2013 was $172,706, which was included in investment income.

14. INVESTMENT IN PARTNERSHIPS: (Continued)

i) The Fund has committed and invested $3,000,000 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, 2013, the Fund had an investment of $1,818,330 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of the partnership income for 2013 was $1,257,717, which was included in investment income.

j) The Fund has committed to invest $5,495,915 in Sail Venture Partners II, L.P. (the partnership). As of December 31, 2013, the Fund has invested $5,399,201 in the partnership. The partnership was formed to invest in emerging clean energy, clean water and other clean technology companies that can profoundly impact the environment, health and national security. As of December 31, 2013, the Fund had an investment of $3,382,466 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of the partnership loss for 2013 was $713,666, which was included in investment income.

k) The Fund has committed to invest $1,000,000 in Louisiana Sustainability Fund, LP (partnership). The partnership was formed for the purpose of investing venture capital in early and later stage clean technology companies. As of December 31, 2013, the Fund had an investment of $1,210,226 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of the partnership loss for 2013 was $193,919, which was included in investment income.

15. INVESTMENT IN LIMITED LIABILITY CORPORATIONS:

During the year ended December 31, 2013, the New System of the Fund had investments in limited liability corporations as follows:

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15. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

a) The Fund has committed to invest $4,000,000 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, 2013, the Fund had an investment of $1,163,478 in the corporation.

   For the year ended December 31, 2013, the Fund's share of the corporation's net income was $34,314, which was recorded in investment income.

b) The Fund has committed and invested $4,000,000 in the Intercontinental Real Estate Investment Fund III, LLC (the corporation). The corporation is a closed-end, commingled real estate investment fund which targets properties which are generating a current return and also have the potential for capital appreciation through some degree of asset repositioning, re-tenanting or through physical or financial repositioning. As of December 31, 2013, the Fund had an investment of $3,714,861 in the corporation.

   For the year ended December 31, 2013, the Fund's share of the corporation's net income was $394,365, which was recorded in investment income.

c) The Fund has committed and invested $3,000,000 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, 2013, the Fund had an investment of $439,160 in the corporation.

   For the year ended December 31, 2013, the Fund's share of the corporation's net income was $102,770, which was included in investment income.

d) The Fund has committed and invested $1,000,000 in the Intercontinental Real Estate Investment Fund IV, LLC (the corporation). The corporation is a closed-end, commingled real estate investment fund organized to acquire, own, develop, manage, operate, mortgage, and sell real estate and interests in real estate. As of December 31, 2013, the Fund had an investment of $312,083 in the corporation.

   For the year ended December 31, 2013, the Fund's share of the corporation's net income was $34,409, which was recorded in investment income.

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15. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

e) The Fund has committed and invested $1,000,000 in PMAT Bellair Investment, LLC (the corporation), a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in Daytona Beach, Florida. During the year ended December 31, 2013, the Fund sold its investment in the corporation.

For the year ended December 31, 2013, the Fund's share of the corporation's net loss was $506,556. The Fund also recorded a loss on its priority return investment of $608,459 during the year ended December 31, 2013. Both amounts were recorded in investment income.

f) The Fund has committed and invested $3,000,000 in PMAT Cocowalk Holdings, LLC (the corporation) a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in Coconut Grove Florida. As of December 31, 2013, the Fund had an investment of $-0- in the corporation. The Fund's investment was written down to $-0- during the year ended December 31, 2013.

For the year ended December 31, 2013, the Fund's share of the corporation's net loss was $2,512,325. The Fund also recorded a loss on its priority return investment of $192,986 during the year ended December 31, 2013. Both amounts were recorded in investment income.

g) The Fund has an investment in Parks of Plaquemines, LLC (the corporation), a Louisiana limited liability corporation that was formed to develop a residential subdivision. As of December 31, 2013, the Fund had an investment of $-0- in the corporation. The Fund's investment was written down to $-0- during the year ended December 31, 2013.

The Fund's share of the corporation's 2013 net loss was $155,806, which was included in investment income.

h) As additional consideration for a loan to Metairie Hotel, LLC (see footnote 13 for details), the Fund was granted a 50% equity interest in the corporation. As of December 31, 2013, this investment had a value of $25,000. For the year ended December 31, 2013, the Fund's share of the income related to this interest was $25,000 which was included in investment income. The Fund sold its 50% equity interest in the corporation in January 2014.

i) In August 2006, the Fund committed and invested $750,000 in Aventura Maya, LLC (the corporation). The corporation was created to own and operate a hotel in Mexico. As of December 31, 2013, the Fund had an investment of $-0- in the corporation. The Fund sold its share of this investment during the year ended December 31, 2013.

For the year ended December 31, 2013, the Fund's share of net income related to this investment was $293,357, which was included in investment income.

15. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

j) Americus Real Estate Fund I, Ltd. (the partnership), which is 99% owned by the Fund, has investments in limited liability companies. As of December 31, 2013, the partnership had an investment of $200 in limited liability corporations.

k) As additional consideration for a loan to Maritime Building, LLC (see footnote 13 for details), the Fund was granted a 20% equity interest in the corporation. As of December 31, 2013, this investment had a value of $363,829. For the year ended December 31, 2013, the Fund's share of the loss related to this interest was $150,757, which was included in investment income.

l) The Fund has an investment in Saratoga Lofts, LLC (the corporation) which was formed for the purpose of rehabilitating and operating an apartment building located in New Orleans, Louisiana. The Fund has a 10% equity interest in the corporation. As of December 31, 2013, this investment had a value of $1,000,000. For the year ended December 31, 2013, the Fund's share of the income related to this interest was $-0-, which was included in investment income.

m) As additional consideration for a loan to Stephens Garage Building, LLC (See footnote 13 for details), the Fund obtained a 40% equity interest in the corporation. As of December 31, 2013, this investment had no value.

16. MUTUAL FUNDS:

During the year ended December 31, 2013, the New System of the Fund had investments in mutual funds as follows:

a) The Fund invested $5,000,000 in the Whalehaven Fund, Ltd. (the company). The company was formed as a feeder fund of the Whalehaven Capital Fund Limited (the master) and invests substantially all of its net assets in the master. The primary objective of the company is to seek a high level of short to medium term capital appreciation primarily through investing in debt and equity securities and other types of private equity transactions. At December 31, 2013, the Fund had an investment of $4,408,804 in the company.

   The Fund's share of loss from the company for 2013 was $904,486 and is included in investment income.

b) The Fund has invested $7,191,443 in the Clinton Magnolia Fund, Ltd. (the company). The company was formed as a feeder fund of the Clinton Magnolia Master Fund, L.P. (the master) and invests exclusively in the master. At December 31, 2013, the Fund has an investment of $12,444,150 in the company.

   The Fund's share of income from the company for 2013 was $1,623,150 and is included in investment income.

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## 17. INVESTMENT IN REAL ESTATE:

During the year ended December 31, 2013, 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, 2013, the value of the land was $3,319,083.

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, 2013 was $2,815,000.

c) The Fund has an investment in land located in Jefferson, Louisiana. The value of the land as of December 31, 2013 was $595,000.

d) Lakewood Restoration Partners, Ltd., which is 99% owned by the Fund, has an investment in property located in New Orleans, Louisiana. The property consists of a golf course and future development for residential and commercial property. The value of the property was $21,675,000 as of December 31, 2013.

e) Austin Falconhead, LP, which is 99% owned by the Fund, has an investment in a golf course located in Austin, Texas. The appraised value of the property was $6,600,000 as of December 31, 2013.

f) Corner Pocket, L.L.C., which is 100% owned by the Fund, has an investment in land located in Idaho. The value of this land was $1,828,000 as of December 31, 2013.

g) Americus Real Estate Fund I, Ltd., which is 99% owned by the Fund, has an investment in real estate located in Austin, Texas. The value of this real estate as of December 31, 2013 was $10,500,000.

h) Fireland Fund, LLC, which is 64.07% owned by the Fund, has an investment in real estate located in Meridian, Idaho. The value of this real estate as of December 31, 2013 was $3,172,000.

## 18. NOTES PAYABLE/LINES OF CREDIT:

During the year ended December 31, 2008, Corner Pocket, L.L.C. (100% owned by the Fund) entered into a note with a financial institution in the amount of $1,702,670. The note was incurred to assist in the purchase of investment property which will be developed and sold. This property is pledged as collateral on the note. This note was refinanced on July 5, 2010. The principal balance is due on July 5, 2020 and interest payments are due monthly beginning August 5, 2010. The note bears interest at a rate of prime plus 2% for the first thirty-six months and at a rate prime plus of 3.5% for month thirty-seven through the date of maturity. For the year ended December 31, 2013, interest expense on the note was $26,315.

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18. NOTES PAYABLE/LINES OF CREDIT: (Continued)

Americus Real Estate Fund I, Ltd. (the partnership) had a note payable with a financial institution which accrued interest at LIBOR plus 3.5%, reset monthly, LIBOR at 0.25%. The principal balance and all unpaid accrued interest on this note were due on August 1, 2010. On August 6, 2010, this note was refinanced in the form of two notes with balances of $6,851,452 and $784,596, respectively, as of December 31, 2013. These notes bear interest at a rate of 7.25% per annum. The principal balance and all unpaid interest on the notes are due on August 6, 2015 and November 12, 2015, respectively. For the year ended December 31, 2013, interest expense on the notes was $569,208.

Austin Falconhead, LP (99% owned by the Fund) has an $18,500,000 revolving line of credit with a financial institution scheduled to mature June 2014. The line of credit bears interest at the rate of 5.50% per year. The interest expense incurred on the line of credit was approximately $1,038,750 during the year ended December 31, 2013. The line of credit is secured by a multiple indebtedness mortgage on the partnership's property and an assignment of leases and rents which also includes rights to all of the partnership's assets and future earnings. In addition, the Fund pledged certain securities through a commercial pledge agreement. The balance outstanding on this line of credit at December 31, 2013 was $18,152,538. The amount of the line of credit that remained unused at December 31, 2013 was $347,462.

As of December 31, 2013, Austin Falconhead, LP had a $500,000 line of credit agreement with a financial institution. The line of credit is secured by a deed of trust on the real property held by Austin Falconhead, LP. The line of credit is due on demand and matures on August 2014 and bears interest at 5.50% per year. The balance outstanding on this line of credit at December 31, 2013 was $445,449. The amount of the line of credit that remained unused at December 31, 2013 was $54,551.

Lakewood Development New Orleans, LLC (99% owned by the Fund) has a $31,500,000 revolving line of credit with a financial institution scheduled to mature December 2014. The line of credit bears interest at the rate of Wall Street Journal prime plus 1% floating daily with a floor of 5.5% and a ceiling of 6.5%. The interest expense incurred on the line of credit was approximately $1.5 million, which was expensed during the year ended December 31, 2013. The line of credit is secured by the partnership's property and an assignment of leases and rents that also includes rights to all of the partnership's assets and future earnings. In addition, the line of credit is secured by a guarantee of the Fund and a pledge of securities owned by the Fund. The balance outstanding on this line of credit at December 31, 2013 was $28,464,931. The amount of the line of credit that remained unused at December 31, 2013 was $3,035,069.

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18. NOTES PAYABLE/LINES OF CREDIT: (Continued)

On June 25, 2013, Lakewood Golf, LLC (99% owned by the Fund) entered into a note payable with a financial institution to be paid in equal installments over the next forty-eight months. As of December 31, 2013, the balance outstanding on this note payable was $119,925.

The following is a combined schedule of debt maturities as of December 31, 2013:

| | |
|---|---|
| 2014 | $ 47,445,562 |
| 2015 | 7,415,638 |
| 2016 | 22,289 |
| 2017 | 23,082 |
| 2018 | 23,903 |
| 2019 - 2020 | 1,591,087 |
| Total | $ 56,521,561 |

19. COMMITMENTS AND CONTINGENCIES:

Austin Falconhead, L.P. (the partnership) or its parent are named as defendants in various lawsuits. The partnership intends to defend itself vigorously against these claims and believes that the resulting outcomes of these matters will not have a material adverse impact on the partnership's operations, financial conditions or cash flows.

Under the terms of the various security agreements and deeds of trust, all of Austin Falconhead, L.P.'s assets and income are pledged as collateral to secure the $18,500,000 revolving line of credit, the $500,000 line of credit and the $3,000,000 note payable to a financial institution held by a related party, HCH Land Partners, Ltd. These loans have also been secured by a guarantee of the Fund and a pledge of certain securities owned by the Fund.

Lakewood Golf, LLC (the partnership) or its parent is named as defendants in various lawsuits. The partnership intends to defend itself vigorously against these claims and believes that the resulting outcomes of these matters will not have a material adverse impact on the partnership's operations, financial conditions or cash flows

The revolving line of credit held by Lakewood Development New Orleans, LLC in the amount of $31,500,000 is secured by the partnerships property and an assignment of leases and rents. The revolving line of credit has also been secured by a guarantee of the Fund and a pledge of certain securities owned by the Fund.

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## 20. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the Fund as of December 31, 2013, the most recent actuarial valuation date, is as follows:

New System:

| Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | (Surplus) Underfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|---|---|---|---|---|---|
| $ 121,788,159 | $ 423,819,515 | $ 302,031,356 | 28.74 % | $ 28,002,465 | 1,078.59 % |

Old System:

| Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | (Surplus) Underfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|---|---|---|---|---|---|
| $ 17,679,610 | $ 148,576,918 | $ 130,897,308 | 11.90 % | – | N/A |

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the Fund's assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation Date | December 31, 2013 |
| Actuarial Cost Method | New System: The Aggregate Level Normal Cost Method. |
| | Old System: Entry Age Normal Cost Method. |

20. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: (Continued)

| | |
|---|---|
| Asset Valuation Method | New System:<br>Market value adjusted to average realized and unrealized capital gains over a three year period.<br><br>Old System: Market value. |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.5% |
| Projected Salary Increases | 5% |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees. |
| Amortization Method: | The amortization period is for a specific number of years with payments at a level amount. |
| Remaining Amortization Period: | 3 years |

The liability for the unfunded DROP for the New System and Old System as of December 31, 2013 in the amount of $20,207,931 and $3,427,427 is not included in the actuarial accrued liability. The liability for the unfunded PLOP for the New System and Old System as of December 31, 2013 in the amount of $12,676,571 and $1,371,247 is not included in the actuarial accrued liability.

21. LONGEVITY LAWSUIT:

During the year ended December 31, 2010, a lawsuit was filed by the Fund against the City of New Orleans to adjust their 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 their pension payment is 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

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21. LONGEVITY LAWSUIT: (Continued)

January 1, 2010, the City appropriated funds necessary to pay the increased benefit to those members currently receiving cash benefits.

As of December 31, 2013, the City has not appropriated funds to pay the increased benefit owed to members prior to December 31, 2009. As of December 31, 2013, the amount of DROP benefits owed to these members is estimated to be $20,207,931 and $3,427,427 for the New and Old Systems, respectively. As of December 31, 2013, the amount of PLOP benefits owed to these members is estimated to be $12,676,571 and $1,371,247 for the New and Old Systems, respectively. These amounts were not reserved in these financial statements since the judgment states that benefits are only to be upwardly adjusted when the funds are appropriated by the City of New Orleans. Member DROP and PLOP accounts were not increased during the year ended December 31, 2013 since the City appropriation received did not cover these amounts.

22. FUNDING MANDAMUS:

On March 28, 2013, the Fund received a favorable judgment against the City of New Orleans requiring the City to budget, appropriate and pay $17,524,329 to the Fund. The judgment represents the difference between the actuarially required contribution of the New System and the actual amount appropriated and contributed by the City to the New System for the fiscal year ended December 31, 2012. The City subsequently appealed the judgment which was denied. The Fund is also seeking similar relief for the shortfall in contributions accruing since the fiscal year ended December 31, 2010. As of December 31, 2013, the Fund has not received any payments from the City relating to the judgment and no amounts have been recorded in the financial statements until collection becomes certain.

23. ETHICS INVESTIGATION:

During the year ended December 31, 2012, an ethics charge was filed with the Louisiana Board of Ethics against the then Chief Executive Officer/Secretary-Treasurer of the Fund for violation of La. R.S. 42:1113 and La. R.S. 42:1121. On June 14, 2013, the former Secretary-Treasurer entered into a Consent Order regarding the ethics charge.

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SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - NEW SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Pension Reserve | Annuity Savings | DROP | PLOP | Unfunded/ Pension Accumulation | Total |
|---|---|---|---|---|---|---|
| BALANCES, JANUARY 1, 2013 | $ 234,162,726 | $ 17,922,396 | $ 38,795,883 | $ 26,089,735 | $ (173,434,622) | $ 143,536,118 |
| REVENUES AND TRANSFERS: | | | | | | |
| Contributions: | | | | | | |
| Member | - | 1,392,726 | - | - | - | 1,392,726 |
| Employer | - | - | - | - | 9,000,000 | 9,000,000 |
| Fire insurance rebate | - | - | - | - | 739,437 | 739,437 |
| Millage | - | - | - | - | 2,573,273 | 2,573,273 |
| Transfer from other retirement system | - | 40,015 | - | - | - | 40,015 |
| Interest on accumulated savings | - | 589,549 | - | - | - | 589,549 |
| Net loss from investments and other sources | - | - | - | - | (40,244,278) | (40,244,278) |
| Transfers from annuity savings | 1,006,577 | - | - | - | - | 1,006,577 |
| Pensions transferred from pension reserve | - | - | 5,198,462 | 4,501,822 | - | 9,700,284 |
| Actuarial transfers | | - | - | - | 21,558,742 | 21,558,742 |
| Total revenues | 1,006,577 | 2,022,290 | 5,198,462 | 4,501,822 | (6,372,826) | 6,356,325 |
| EXPENDITURES AND TRANSFERS: | | | | | | |
| Retirement benefits paid | 22,088,565 | - | 5,068,674 | 4,004,889 | - | 31,162,128 |
| Refunds to members | - | 123,737 | - | - | - | 123,737 |
| Transfers to pension reserve | - | 1,006,577 | - | - | - | 1,006,577 |
| Pensions transferred to DROP | 5,198,462 | - | - | - | - | 5,198,462 |
| Pensions transferred to PLOP | 4,501,822 | - | - | - | - | 4,501,822 |
| Death benefits | 27,000 | - | - | - | - | 27,000 |
| Interest transferred to annuity savings | 589,549 | - | - | - | - | 589,549 |
| Administrative expenses | - | - | - | - | 934,816 | 934,816 |
| Transfer to other retirement system | - | 13,702 | - | - | - | 13,702 |
| Actuarial transfers | 21,558,742 | - | - | - | - | 21,558,742 |
| Total expenditures | 53,964,140 | 1,144,016 | 5,068,674 | 4,004,889 | 934,816 | 65,116,535 |
| NET INCREASE (DECREASE) | (52,957,563) | 878,274 | 129,788 | 496,933 | (7,307,642) | (58,760,210) |
| BALANCES, DECEMBER 31, 2013 | $ 181,205,163 | $ 18,800,670 | $ 38,925,671 | $ 26,586,668 | $ (180,742,264) | $ 84,775,908 |

# FIREFIGHTERS' PENSION AND RELIEF FUND
# OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
## SUPPLEMENTARY INFORMATION
## STATEMENT OF CHANGES IN RESERVE BALANCES - OLD SYSTEM
## FOR THE YEAR ENDED DECEMBER 31, 2013

| | Pension Reserve | Annuity Savings | DROP | PLOP | Unfunded/ Actuarial Liability | Total |
|---|---|---|---|---|---|---|
| BALANCES, JANUARY 1, 2013 | $ 150,207,608 | $ - | $ 4,099,507 | $ 5,221,432 | $ (142,963,825) | $ 16,564,722 |
| REVENUES AND TRANSFERS: | | | | | | |
| Contributions: | | | | | | |
| Fire insurance rebate | - | - | - | - | 739,441 | 739,441 |
| Appropriations/Millage | - | - | - | - | 20,156,308 | 20,156,308 |
| Net income (loss) from investments and other sources | - | - | - | - | 1,243,694 | 1,243,694 |
| Pensions transferred from pension reserve | - | - | 109,722 | 1,086,356 | - | 1,196,078 |
| Actuarial transfers | 9,447,939 | - | - | - | - | 9,447,939 |
| Total revenues | 9,447,939 | - | 109,722 | 1,086,356 | 22,139,443 | 32,783,460 |
| EXPENDITURES AND TRANSFERS: | | | | | | |
| Retirement benefits paid | 18,268,014 | - | 89,365 | 1,991,189 | - | 20,348,568 |
| Pensions transferred to DROP | 109,722 | - | - | - | - | 109,722 |
| Death benefits | 51,000 | - | - | - | - | 51,000 |
| Depreciation expense | - | - | - | - | 1,040 | 1,040 |
| Pensions transferred to PLOP | 1,086,356 | - | - | - | - | 1,086,356 |
| Administrative expenses | - | - | - | - | 623,947 | 623,947 |
| Actuarial transfers | - | - | - | - | 9,447,939 | 9,447,939 |
| Total expenditures | 19,515,093 | - | 89,365 | 1,991,189 | 10,072,926 | 31,668,573 |
| NET INCREASE (DECREASE) | (10,067,154) | - | 20,357 | (904,833) | 12,066,517 | 1,114,888 |
| BALANCES, DECEMBER 31, 2013 | $ 140,140,454 | $ - | $ 4,119,864 | $ 4,316,600 | $ (130,897,308) | $ 17,679,610 |

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

| | New System | Old System |
|---|---|---|
| Accounting, auditing, legal and other professional fees | $ 434,816 | $ 407,524 |
| Actuary fees | - | 43,710 |
| Computer support services | - | 36,042 |
| Employee benefits | - | 8,339 |
| Insurance | - | 83,940 |
| Interfund allocation | 500,000 | (500,000) |
| Office supplies and printing | - | 28,753 |
| Other | - | 1,478 |
| Payroll and payroll taxes | - | 434,138 |
| Pension seminars and education | - | 5,853 |
| Postage | - | 16,396 |
| Professional - medical | - | 13,200 |
| Rent | - | 36,032 |
| Telephone | - | 8,542 |
| TOTAL | $ 934,816 | $ 623,947 |

# FIREFIGHTERS' PENSION AND RELIEF FUND
# OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
## SUPPLEMENTARY INFORMATION
## SCHEDULES OF CONTRIBUTIONS
## DECEMBER 31, 2008 THROUGH 2013

| | NEW SYSTEM | |
|---|---|---|
| YEAR | Actuarial Required Contributions Employer and Other Sources | Percent Contributed Employer and Other Sources |
| 2008 | $ 10,965,337 | 95.56 % |
| 2009 | 14,513,495 | 75.67 |
| 2010 | 24,532,819 | 38.68 |
| 2011 | 29,424,359 | 40.74 |
| 2012 | 32,212,794 | 37.74 |
| 2013 | 34,386,640 | 35.81 |

| | OLD SYSTEM | |
|---|---|---|
| YEAR | Actuarial Required Contributions Employer and Other Sources | Percent Contributed Employer and Other Sources |
| 2008 | $ 19,336,042 | 100.22 % |
| 2009 | 21,708,975 | 68.90 |
| 2010 | 22,166,070 | 94.17 |
| 2011 | 22,612,929 | 92.76 |
| 2012 | 22,461,146 | 92.34 |
| 2013 | 22,532,004 | 92.74 |

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

| YEAR | Amount |
|---|---|
| 2008 | $ 18,600,000 |
| 2009 | 13,692,654 |
| 2010 | - |
| 2011 | - |
| 2012 | - |
| 2013 | - |

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - NEW AND OLD SYSTEM
DECEMBER 31, 2008 THROUGH 2013

NEW SYSTEM

| Actuarial Valuation Date | Actuarial Valuation Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL As A Percentage Of Covered Payroll |
|---|---|---|---|---|---|---|
| December 31, 2008 | $ 212,727,368 | $ 321,386,623 | $ 108,659,255 | 66.19 % | $ 22,735,424 | 477.90 % |
| December 31, 2009 | 189,802,659 | 375,117,772 | 185,315,113 | 50.59 | 27,699,898 | 669.00 |
| December 31, 2010 | 160,645,159 | 406,731,749 | 246,086,590 | 39.50 | 27,427,244 | 897.20 |
| December 31, 2011 | 159,645,451 | 430,550,112 | 270,904,661 | 37.08 | 29,994,149 | 903.20 |
| December 31, 2012 | 150,639,776 | 440,291,849 | 289,652,073 | 34.21 | 29,688,472 | 975.60 |
| December 31, 2013 | 121,788,159 | 423,819,515 | 302,031,356 | 28.74 | 28,002,465 | 1,078.59 |

The actuarial valuation of assets, actuarial accrued liability and unfunded amounts were calculated using the entry age actuarial cost method which is different from the actuarial method used for funding purposes. The above schedule of funding progress is to provide a surrogate for the funding status and funding progress of the plan.

OLD SYSTEM

| Actuarial Valuation Date | Actuarial Valuation Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL As A Percentage Of Covered Payroll |
|---|---|---|---|---|---|---|
| December 31, 2008 | * $ 16,839,037 | $ 168,202,486 | $ 151,363,449 | 10.01 % | $ - | N/A |
| December 31, 2009 | 11,454,934 | 166,080,563 | 154,625,629 | 6.90 | - | N/A |
| December 31, 2010 | 14,007,276 | 171,822,030 | 157,814,754 | 8.15 | - | N/A |
| December 31, 2011 | 14,861,525 | 171,593,042 | 156,731,517 | 8.66 | - | N/A |
| December 31, 2012 | 16,564,722 | 159,528,547 | 142,963,925 | 10.38 | - | N/A |
| December 31, 2013 | 17,679,610 | 148,576,918 | 130,897,308 | 11.90 | - | N/A |

*The actuarial valuation of assets differs from the audited net assets held in trust for pension benefits. The audited amount includes contributions receivable of $13,720,273 for the year ended December 31, 2008 in accordance with accounting principles generally accepted in the United States of America. For actuarial purposes, the receivable is not deemed an asset of the Fund.

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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WILLIAM R. HOGAN, JR., CPA (1920-1996)
JAMES MAHER, JR, C.P.A. (1921-1999)

# INDEPENDENT AUDITOR'S 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

June 20, 2014

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 and Subsidiaries, a component unit of the City of New Orleans, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 20, 2014.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting 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 Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting.

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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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

A separate letter has been issued to management on immaterial instances of noncompliance.

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.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

**New Orleans, Louisiana**

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIAIRES
SUMMARY SCHEDULE OF FINDINGS
DECEMBER 31, 2013

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the New System of the Firefighters' Pension and Relief Fund of the City of New Orleans and Subsidiaries for the year ended December 31, 2013 was unmodified.

   The opinion issued on the financial statements of the Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans for the year ended December 31, 2013 was unmodified.

2. Internal Control:

   Significant deficiencies: None noted

   Material weaknesses: None noted

3. Compliance and Other Matters:

   None

4. Management Comments:

   13-01 Service Retirement Benefit Law

   The Fund is implementing the law surrounding the calculation of service retirement benefits of members with 30 or more years of service using an accrual rate of 3 1/3% for all eligible years of service. LRS 11:3384 states, if a member continues service beyond thirty years, the retirement benefit for each year or portion of a year beyond twelve years of service shall be equal to 3 1/3% of the average annual compensation for each year or portion of a year. The law has changed numerous times in the past, which has led to different interpretations of the law. These differences could result in different benefit calculations. We recommend that the Fund explore all possible means of clearing up the law, including amending the statue.

5. Status of Prior Year Comments:

   None

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS



June 20, 2014

To the Board of Trustees
Firefighters' Pension and Relief Fund
of the City of New Orleans
3520 General DeGaulle, Suite 3001
New Orleans, Louisiana 70114

In planning and performing our audit of the financial statements of Firefighters' Pension and Relief Fund of the City of New Orleans (the Fund) for the year ended December 31, 2013, 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*, we became aware of a matter that is an opportunity for improving existing pension laws to avoid potential noncompliance.

This letter summarizes our comment and suggestion regarding this matter. We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with management, and we will be pleased to discuss the matter in further detail at your convenience. Our comment is summarized as follows:

<u>Service Retirement Benefit Law</u>

The Fund is implementing the law surrounding the calculation of service retirement benefits of members with 30 or more years of service using an accrual rate of 3 1/3% for all eligible years of service. LRS 11:3384 states, if a member continues service beyond thirty years, the retirement benefit for each year or portion of a year beyond twelve years of service shall be equal to 3 1/3% of the average annual compensation for each year or portion of a year. The law has changed numerous times in the past, which has led to different interpretations of the law. These differences could result in different benefit calculations. We recommend that the Fund explore all possible means of clearing up the law, including amending the statue.

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This report is intended solely for the information and use of the board and management of Firefighters' Pension and Relief Fund of the City of New Orleans, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

Michelle H. Cunningham
Michelle H. Cunningham, CPA
Partner

MHC/ckr

***BOARD OF TRUSTEES***
- OF THE -
***FIRE FIGHTER'S PENSION AND RELIEF FUND***
FOR THE CITY OF NEW ORLEANS
**3520 General DeGaulle Suite 3001**
**New Orleans, La 70114**
**504-366-8102**
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June 30, 2014

Ms. Michelle Cunningham
Duplantier, Hrapmann, Hogan & Maher, LLP
1615 Poydras Street
Suite 2100
New Orleans, LA. 70112

Dear Ms. Cunningham,

In connection with our annual audit for the year ended December 31, 2013 we were provided management comments, which if implemented would make the Fund more efficient and effective. The management comment and our response follow.

1. During the audit, it was noted the Fund is implementing the law surrounding the calculation of service retirement benefits of members with 30 or more years using an accrual rate of 3 1/3% for all eligible years of service. LRS 11:3384 states if a member continues service beyond thirty years, the retirement benefit for each year of portion of a year beyond twelve years of service shall be equal to three and one third percent of the average annual compensation for each year of portion of a year. The law has changed numerous times in the past. This has led to different interpretations in the law. These differences result in different benefit calculations. We recommend that the Fund explore all possible means of clearing up the law including amending the statute.

**Response**: Management agrees with the recommendation.

If you should have any questions or need any additional information, please do not hesitate to contact us.

Yours truly,

Thomas F. Meagher, III
Secretary Treasurer