

**THE EMPLOYEES' RETIREMENT SYSTEM OF
JEFFERSON PARISH**

Annual Financial Report

As of and for the Year Ended

December 31, 2017

With Comparatives for 2016

KEITH J. ROVIRA
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of
The Employees' Retirement System of Jefferson Parish
Jefferson Parish, Louisiana
A Component Unit of Jefferson Parish

Report on the Financial Statements

I have audited the accompanying financial statements of the Employees' Retirement System of Jefferson Parish, a component unit of Jefferson Parish, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this include 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic 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 System'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 System's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the Employees' Retirement System of Jefferson Parish, as of December 31, 2017 and 2016, and the respective changes in net position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the supplementary information 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 Government 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. I 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 on the information because the limited procedures do not provide me with sufficient response to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance evidence to express an opinion or provide any assurance.

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Employees' Retirement System of Jefferson Parish's basic financial statements. The supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules listed in the table of contents are the responsibility of management and were derived from and relates 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated April 27, 2018, on my consideration of the Employees' Retirement System of Jefferson Parish's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 System's internal control over financial reporting and compliance.



Keith J. Rovira
Certified Public Accountant
Metairie, Louisiana

April 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of the Employees' Retirement System of Jefferson Parish's (System) financial performance presents a narrative overview and analysis of the System's financial activities for the years ended December 31, 2017 and 2016. The System is a component unit of Jefferson Parish and is reporting as a single-employer defined benefit pension plan which is closed to newemployee participants. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the basic financial statements. The MD&A is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" issued June, 1999. Certain comparative information between the current year and prior year has been presented in the MD&A.

FINANCIAL HIGHLIGHTS

The minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by GASB Statement No. 34 are divided into the following sections:

- (a) Management's Discussion and Analysis
- (b) Basic Financial Statements
- (c) Required Supplementary Information (other than MD&A)

Basic Financial Statements:

The basic financial statements present information for the System as a whole, in a format designed to make the statements easier for the reader to understand. The two statements in this section are the Statement of Fiduciary Net Positions and the Statement of Changes in Fiduciary Net Positions.

The Statement of Fiduciary Net Positions is prepared on the accrual basis of accounting. Plan assets are subdivided into (a) major categories of assets held (for example, cash and cash equivalents, receivables, investments, and assets used in plan operations), and (b) the principal components of the receivables and investment categories. Assets and liabilities are presented separately on the statement. Plan liabilities generally consist of regular payables for administrative expenses, retirees' payments and deductions for health insurance premiums payable, federal income tax withholdings, and accrued annual and sick leave. Plan liabilities are recognized on the accrual basis. The difference between total assets and total liabilities is called Net Positions

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Management's Discussion and Analysis
December 31, 2017 and 2016

Held in Trust for Pension Benefits. This statement may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The Statement of Changes in Fiduciary Net Positions presents information showing how the System's assets changed as a result of current year operations and activities. Regardless of when cash is affected, all changes in plan net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods. This is known as accrual basis accounting. This statement presents information in two principal sections, Additions and Deductions. Additions are comprised of employer and member contributions and net investment income (loss). The resulting difference between investment income and net investment expense is net investment income (loss). Deductions include benefit payments to retirees, refunds of employee contributions, and administrative expenses. The difference between total additions and total deductions is reported as the Net Increase (Decrease) in Fiduciary Net Positions for the year.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Management's Discussion and Analysis (Continued)
December 31, 2017 and 2016

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Fiduciary Net Assets
As of December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|----------------------------|----------------------------|
| Current and other assets | \$ 225,536 | \$ 254,206 |
| Investments | 48,734,421 | 43,956,007 |
| Capital assets | <u>1,932</u> | <u>3,911</u> |
| Total Assets | <u>48,961,889</u> | <u>44,214,124</u> |
| Deferred outflows of resources | <u>62,594</u> | <u>77,171</u> |
| Current liabilities | 119,337 | 131,967 |
| Long-term liabilities | <u>120,286</u> | <u>129,204</u> |
| Total Liabilities | <u>239,623</u> | <u>261,171</u> |
| Deferred inflows of resources | <u>16,045</u> | <u>13,641</u> |
| Net Positions Held in Trust and Restricted for Pension Benefits | <u>\$48,768,815</u> | <u>\$44,016,483</u> |

All of the System's net assets are essentially held in trust at a local financial institution for the payment of future pension benefits and administrative operations.

Net Positions Held in Trust for Pension Benefits by the System increased by \$4,752,332 during the year due to an increase in investment market value and their returns.

Statement of Changes in Fiduciary Net Positions
For the years Ended December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------------|---------------------------|
| Additions | \$7,766,705 | \$4,250,993 |
| Deductions | <u>(3,014,373)</u> | <u>(3,045,698)</u> |
| Net Increase in Fiduciary Net Position | <u>\$4,752,332</u> | <u>\$1,205,295</u> |

Fiduciary Net Position increased by \$3,547,037 due to an increase in investment earnings.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Management's Discussion and Analysis(Continued)
December 31, 2017 and 2016

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Liabilities:

The System's outstanding liabilities found on its Statement of Fiduciary Net Positions at year-end totaled \$239,623. The long-term portion of that liability totaled \$120,286 of which \$65,223 is accrued annual and sick leave due to the System's employees, and \$55,063 is the net pension liability of the System due to the implementation of GASB 68.

Capital Assets:

At December 31, 2017, the System had \$23,564 invested in office furniture and equipment. This amount represents the total original cost of the capital assets held by the System. Accumulated depreciation for these assets totaled \$21,632, leaving capital assets, net of depreciation, totaling \$1,932.

ECONOMIC FACTORS AND NEXT YEAR'S RECOMMENDED CONTRIBUTION RATES

The annual actuarial valuation of the System is prepared as of the end of each fiscal year, and reported on by G. S. Curran & Company, Ltd. consulting actuaries. Included in that report is the actuary's recommended employer contribution rate which is needed to meet the System's funding plan. The Board of Trustees reviews each annual report, including the underlying actuarial assumptions. The Board then recommends an employer contribution rate for the following year to the Jefferson Parish Council for inclusion in the Parish's budget. In accordance with the funding policy, the rate recommended by the Board to the Parish Council has never been less than the actuary's recommended rate.

The long-term expected rate of return (discount rate) is the average rate of total return on investments expected in the future, realizing that some years will produce greater returns and some years will produce lesser returns. This assumed rate is one of the actuarial assumptions which most affects current recommended contribution rates. A reduction in this rate will cause contribution rates to increase, and an increase in this rate will cause contribution rates to decrease. The discount rate used to measure the total pension liability was 5.00% for the year.

The Board of Trustees believes that the System will continue to be able to maintain sufficient liquid assets necessary to meet its expected needs and annual pension benefit obligations. The Board's annual review of the actuarial valuation will allow the System to timely adjust to changing conditions so as to provide all members their promised benefits at the least cost to the Parish.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Management's Discussion and Analysis(Continued)
December 31, 2017 and 2016

CONTACTING THE SYSTEM'S MANAGEMENT

This financial report is designed to provide our retirees, system beneficiaries, citizens, taxpayers, investors and creditors with a general overview of the System's finances, and to show the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Employees' Retirement System of Jefferson Parish, Louisiana at Suite 4100, P.O. Box 9, Gretna, Louisiana, 70054 or call them at 504-364-2668.

BASIC FINANCIAL STATEMENTS

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Statements of Fiduciary Net Positions
December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ <u>93,490</u> | \$ <u>108,854</u> |
| Receivables: | | |
| Employer contributions | 28,546 | 32,265 |
| Members contributions | 96 | 94 |
| Accrued interest and dividends | <u>103,404</u> | <u>112,993</u> |
| Total Receivables | <u>132,046</u> | <u>145,352</u> |
| Investments: | | |
| Cash & cash equivalents | 515,370 | 1,285,508 |
| Common stocks | 29,915,806 | 23,996,365 |
| Corporate bonds | 6,327,617 | 6,662,549 |
| U. S. Treasury obligations | 8,113,074 | 7,088,704 |
| U. S. Government agencies | <u>3,862,554</u> | <u>4,922,881</u> |
| Total Investments | <u>48,734,421</u> | <u>43,956,007</u> |
| Office equipment (net of accumulated depreciation) | <u>1,932</u> | <u>3,911</u> |
| Total Assets | <u>48,961,889</u> | <u>44,214,124</u> |
| Deferred Outflows of Resources | <u>62,594</u> | <u>77,171</u> |
| LIABILITIES | | |
| Accounts payable | 30,929 | 29,421 |
| Accrued annual & sick leave | 65,223 | 61,544 |
| Due to broker | - | (688) |
| Hospitalization premiums payable | 22,983 | 23,234 |
| Legal settlement liability | - | 80,000 |
| Net other postemployment benefit obligations (OPEB) | 65,425 | - |
| Net pension liability | <u>55,063</u> | <u>67,660</u> |
| Total Liabilities | <u>239,623</u> | <u>261,171</u> |
| Deferred Inflows of Resources | <u>16,045</u> | <u>13,641</u> |
| Net Positions Held in Trust and Restricted For Pension Benefits | <u>\$48,768,815</u> | <u>\$44,016,483</u> |

The accompanying notes are an integral part of this statement.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Statements of Changes in Fiduciary Net Positions
December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$1,562,975 | \$2,497,301 |
| Member | <u>4,665</u> | <u>5,609</u> |
| Total Contributions | <u>1,567,640</u> | <u>2,502,910</u> |
| Investment income: | | |
| Net appreciation in the fair value of investments | 5,374,644 | 950,714 |
| Interest | 466,309 | 447,133 |
| Dividends | <u>518,816</u> | <u>501,758</u> |
| | 6,359,769 | 1,899,605 |
| Less: Investment expense | <u>(160,779)</u> | <u>(152,224)</u> |
| Net investment income | <u>6,198,990</u> | <u>1,747,381</u> |
| Other income | <u>75</u> | <u>702</u> |
| Total Additions | <u>7,766,705</u> | <u>4,250,993</u> |
| DEDUCTIONS | | |
| Benefits | 2,595,133 | 2,612,078 |
| Refunds of contributions | 26,025 | 27,755 |
| Administrative expense | <u>393,215</u> | <u>405,865</u> |
| Total Deductions | <u>3,014,373</u> | <u>3,045,698</u> |
| Net increase in Fiduciary Net Position | 4,752,332 | 1,205,295 |
| Net Positions Held in Trust and Restricted For Pension Benefits: | | |
| Beginning of Year | <u>44,016,483</u> | <u>42,811,188</u> |
| End of Year | <u>\$48,768,815</u> | <u>\$44,016,483</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plan Description

The following brief description of the Employees' Retirement System of Jefferson Parish (System), established January 1, 1973, is provided for general information purposes only. Participants should refer to Ordinance No. 11027 and all amendments for more complete information.

The System is a single-employer defined benefit pension plan replacing Social Security for substantially all employees of Jefferson Parish who began their employment prior to December 15, 1979. On that date the System merged with the Parochial Employees' Retirement System of Louisiana (PERS) and became a closed system. All new employees of the Parish after that date are members of PERS only.

The System governing body is comprised of a 7-member Board of Trustees, as follows: (1) The Parish's Finance Director is automatically a member. (2) The Parish Council Clerk is automatically a member and remains on the Board until the Parish Council appoints a new Clerk. (3) The Parish Council can appoint an additional seat on the Board. (4) The Personnel Director, serves as ex-officio and is appointed by the personnel board and remains on the Board until retirement. (5, 6 & 7) Three Board members are employee members or retiree members, and are elected by the members of the System. They serve four-year terms.

The following employee membership data is actuarially determined and is a categorized listing of the total number of members on whom the Jefferson System retains liability as of December 31, 2017:

| | |
|--|------------|
| Retired plan members or beneficiaries currently receiving benefits | 366 |
| Retired plan members with contingent survivor benefits | 232 |
| Inactive plan members entitled to but not yet receiving benefits | 18 |
| Active plan members | <u>7</u> |
| | <u>623</u> |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

1. Basis of Accounting

The System's financial statements are prepared using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred. Contributions from the System and the System's employees are recognized as revenue in the period in which employees provide services to the System. Contributions made to the System by Jefferson Parish, the employer, are recognized when due and the employer has made a formal commitment to provide the contributions. Pension benefits and refunds of employee contributions are recognized when due and payable in accordance with the terms of the plan. Investment income is recognized as earned by the plan.

The System has adopted the provisions of Governmental Accounting Standards Board Statement No. 67, "Financial Reporting for Pension Plans." This statement establishes financial reporting standards for state and local governmental pension plans, such as this System's defined benefit pension plan, which is administered through a trust. The statement requires single-employer retirement plans, like this System, to present in Required Supplementary Information the 10 most recent fiscal years of employer and nonemployer contributing entity net pension liability, information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.

2. Reporting Entity

In classifying the reporting entity, certain criteria for defining the organizations, functions and activities of a governmental unit should be included in the general purpose financial statements of the Employees' Retirement System of Jefferson Parish. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of that governmental entity. The criteria considered and evaluated were accountability for fiscal matters, scope of public service and manifestations of oversight. Manifestations of oversight were considered to include the designation of management, the selection of the governing board and the ability to significantly influence operations. Accountability for fiscal matters was considered to include control over surpluses, responsibility for debt, managerial control of fiscal matters, certain revenue characteristics and budgetary approval, or the lack thereof.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Based on the foregoing criteria, the Employees' Retirement System of Jefferson Parish was determined to be a component unit of Jefferson Parish, the governmental entity with oversight responsibility. The accompanying financial statements present information only on those funds maintained by the System and do not present information on Jefferson Parish, the general government services provided by that governmental entity, or other governmental entities that comprise the governmental reporting entity.

3. Cash Deposits and Investments

All cash deposits are valued and reported at cost, which approximates fair value. Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates at December 31.

4. Capital Assets

Office equipment is valued at cost less accumulated depreciation, calculated on a straight-line basis over estimated useful lives of 5 and 10 years.

5. Annual and Sick Leave

Annual leave (vacation) and sick leave (sick pay) are accrued when incurred for the office employees.

6. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the System's financial position and operations.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

NOTE B - CONTRIBUTION RATES AND RETIREMENT BENEFITS**Contribution Rates**

Contribution rates for plan members are actuarially determined. The required contribution percentages for members depends on which retirement system that individual is a member. Employees who are members of the System contribute 6.05% of their salary. Employees who are members of both the System and the Parochial Employees' Retirement System (PERS) or the Firefighters' Retirement System (FRS) contribute an additional 4% of all monthly earnings over \$100. The System receives the excess, if any, of these contributions over 9.25% of pay. Member contribution rates may be amended only by the Jefferson Parish Council.

The employer contribution rate for the System is actuarially determined. The System's Board of Trustees can recommend a change in the employer contribution rate, however the Jefferson Parish Council has to approve the change.

Retirement Benefits

Beginning on January 1, 1980, PERS provided substantially all benefits to new retirees who belonged to both systems. For such retirees, the benefits provided by the Jefferson System are now limited to amounts resulting from differences between benefits provided by the two systems: Jefferson's free credit for military service to retirees who did not purchase credit from PERS, Jefferson's automatic one-half benefit to a surviving spouse, and Jefferson's guarantee that combined retirement benefits at least equal the benefits a member would have received had they remained under only Social Security and PERS until the date of their retirement, death or disability.

The System permits retirement at age 60 with at least 10 years of service; members with 25 years of service may retire at age 55; members with 30 years of service may retire regardless of age. Members terminating before rendering 10 years of service may elect to receive a lump-sum distribution equal to their accumulated contributions at their termination date.

Ten years of credible service are required in order to be eligible for disability benefits. Members have the option to choose benefits equal to retirement benefits based on service projected to age 60, not to exceed 85% of final average compensation with benefits terminating at death (the "maximum") or accrued retirement benefits paid on the basis of a joint and 50% survivor annuity (the "minimum").

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE B - CONTRIBUTION RATES AND RETIREMENT BENEFITS(CONTINUED)

For members who have attained a vested interest in the System, the surviving spouse receives one-half of what the member's retirement benefit would have been on the date when the member would have been eligible for retirement.

NOTE C - CASH DEPOSITS AND INVESTMENTS

Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures" establishes and modifies disclosure requirements related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk, as applicable.

Cash Deposits

At year-end, the carrying amount of the System's cash account was \$93,490. The bank balance deposit was \$135,718. Federal depository insurance (FDIC) totaling \$250,000, and securities pledged as collateral totaling \$86,587 held by the pledging institution's agent in the name of the System, secured this bank balance during the year. The inflow and outflow of cash deposits within the System's checking account is monitored by the financial institution frequently in order to make sure all deposits are protected by either FDIC or securities pledged as collateral.

Investments

The System's current Investment Policy Statement, dated October 1, 2014, between the Board of Trustees of the Employees' Retirement System of Jefferson Parish, hereinafter referred to the "System", and its brokerage house, Capital One Asset Management, LLC, hereinafter referred to as the "Broker," sets up certain agreed-upon criteria and assumptions for the active management of the System's investments as follows:

Investment Objective: Long-term growth - to achieve annual returns of 5.50% consistent with actuarial assumptions and expectations.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Method used to value investments: Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

No trustee and no employee on the Board of Trustees shall have any direct interest in the gains or profits of any investment made by the Board of Trustees, nor as such receive any pay or emolument for his/her service. No trustee or employee of the board shall directly or indirectly, for himself or as an agent in any manner use the same, except to make such current and necessary payments as are authorized by the Board of Trustees; nor shall any trustee or employee of the Board of Trustees become an endorser or surety or in any manner an obligor for moneys loaned or borrowed from the Board of Trustees.

Risk Tolerance

Investment theory and historical capital markets return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return. Given this relationship between risk and return, a fundamental step in determining the investment policy for the portfolio is the determination of an appropriate risk tolerance. There are two primary factors that affect the investor's risk tolerance: (1) financial ability to accept risk within the investment program, and; (2) willingness to accept return volatility.

Taking these two factors into account, the System has rated its own risk tolerance as, above average. The System is also willing to accept an above average risk tolerance and a high level of portfolio volatility.

A "target allocation" of equity holdings of 55% and fixed income/bond holdings of 45% is to be maintained in the portfolio. This allocation was principally agreed upon in the Investment Policy between the System and the Broker.

Concentration of Credit Risk

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

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**Equity Portfolio:**

The System's investment policy states that the equity portfolio should be diversified to avoid undue exposure to any single economic sector, industry group, or individual security: (1) no more than 5% of total equity assets can be invested in any one stock or issuing corporation at the time of purchase; (2) no more than 20% of the market value of the equities should be invested in any one industry at the time of purchase; (3) investments in any corporation should not exceed 5% of the outstanding shares of the corporation; (4) Domestic Real Estate Investment Trusts (REIT) shall be limited to 3% of the total fund; (5) Master Limited Partnerships (MLPs) shall be limited to 3% of the total fund.

Long-term Fixed Income Portfolio:

Excluding U.S. government securities, or securities guaranteed by the U.S. government, no more than 4% of assets will be held in securities of any one entity. Any security which receives a rating of less than Ba3 by Moody's or BB- by Standard and Poors shall be sold within 90 days at the manager's discretion. Fixed income assets may only be U.S. Dollar denominated assets, but may include entities that are domiciled outside of the U.S. Corporate notes, debentures, asset backed and pass-through securities rated between Baa-1 and Baa-3 by Moody's and BBB+ and BBB- by Standard & Pear's shall be limited to 15% of the fixed income of the portfolio.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Any security which receives a rating of less than Ba3 by Moody's or BB- by Standard and Poors shall be sold within 90 days at the manager's discretion.

The System also invests in obligations guaranteed or explicitly guaranteed by the U.S. Government and these investments are not considered to have credit risk.

These obligations include debt securities with the Federal Home Loan Mortgage/Bank, Federal National Mortgage Association, and U.S. Treasury Notes.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS(CONTINUED)

Custodial Credit Risk

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

On the Broker's books, the System's investments are segregated from the Broker's assets while being held in trust in the name of the System.

Among other duties and responsibilities as listed in the System's Investment Policy Statement, the Broker is responsible for the following: act as the custodian to safeguard the System's assets; design, recommend and implement an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints of the policy statement; advise on allocation of asset categories; monitor asset performance; recommend changes to the policy; monitor its compliance with the guidelines of the investment policy and provide a certification of the same on a quarterly basis.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in the interest rate will adversely affect the fair value of an investment. As of December 31, 2017, the System had the following investments in long-term debt (fixed income) securities and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 5 Year</u> | <u>5 to 10 Years</u> | <u>More Than 10 Years</u> |
|---------------------------------|---------------------|-------------------------|----------------------|---------------------------|
| Fixed Income Securities: | | | | |
| Federal Home Loan Mtg. | \$2,163,254 | - | \$158,574 | \$2,004,680 |
| Federal Nat'l Mtg. Assoc. | 1,699,300 | - | - | 1,699,300 |
| U.S. Treasury Notes | 8,113,074 | \$4,068,231 | 4,044,843 | - |
| Corporate Bonds | 4,335,517 | 2,411,885 | 1,923,632 | - |
| Federated Ultrashort Bond Fund | <u>1,992,100</u> | <u>1,992,100</u> | <u>-</u> | <u>-</u> |
| | <u>\$18,303,245</u> | <u>\$8,472,216</u> | <u>\$6,127,049</u> | <u>\$3,703,980</u> |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

The interest rate risk of the fixed income portfolio should normally be no more or no less than 20% of the comparable benchmark duration.

Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. All of the System's foreign investments are traded on United States exchanges.

NOTE D - OFFICE EQUIPMENT

A summary of changes in capital assets and accumulated depreciation during the fiscal year is listed as follows:

| | <u>Balance</u> <u>12/31/16</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/17</u> |
|---------------------------------------|-----------------------------------|------------------|------------------|-----------------------------------|
| Office furniture and equipment | \$ <u>23,564</u> | - | - | \$ <u>23,564</u> |
| Total | \$ <u>23,564</u> | - | - | \$ <u>23,564</u> |
| <u>Less Accumulated Depreciation:</u> | | | | |
| Office furniture and equipment | \$ <u>19,653</u> | \$ <u>1,979</u> | - | \$ <u>21,632</u> |
| Total | \$ <u>19,653</u> | \$ <u>1,979</u> | - | \$ <u>21,632</u> |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE E - POST-EMPLOYMENT BENEFITS

Health and Life Insurance Benefits

Plan Description: The System provides health care and life insurance benefits to its employees upon retirement, as authorized by Jefferson Parish Council Resolution No. 74791, and through the Parish's post-employment benefit plan already in effect. Health coverage includes a fully insured group health maintenance organization plan (HMO) together with Medicare 65 plans for those eligible. Life insurance coverage is continued after retirement, but with a reduced amount of coverage. Medical benefits are provided to employees upon retirement according to the retirement eligibility provisions as follows: for employees hired prior to January 1, 2007, 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service; for employees hired after January 1, 2007, age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service basis. The plan is a fully insured, single-employer defined benefit plan. Life insurance is provided in the amount of \$10,000 for retirees under age 70 and \$5,000 to retirees age 70 and older.

Funding Policy: The System has implemented Government Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (GASB 45). The System recognizes its portion of the cost of providing post-employment medical and life insurance benefits for its retirees as an expense when the benefit premiums are due and thus finances the cost of the post-employment benefits on a pay-as-you-go basis. In the current year, the System paid \$6,239 for its portion of health care and life insurance funding costs for retired employees. The remaining amount of the required Annual Required Contribution (ARC) is funded by the System based on its contributions for each employee's health and life benefits.

Annual Required Contribution (ARC): The System's annual required contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years, the maximum amortization period allowed by GASB 43/45, has been used for the medical and life insurance benefits.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE E - POST-EMPLOYMENT BENEFITS(CONTINUED)

The System's total ARC for the current year is \$14,660, as set forth below:

| | |
|------------------------------------|-----------------|
| Normal cost | \$3,181 |
| 30-year AAL amortization amount | 10,984 |
| Interest | <u>495</u> |
| Annual required contribution (ARC) | <u>\$14,660</u> |

These amounts were arrived by multiplying the Parish's figures in those respective categories by a multiplier of .0013, which was determined by dividing the System's annual covered payroll for the current year of \$171,352 by the Parish's annual covered payroll of \$137,191,190 (Parish's covered payroll). This is the same multiplier used in calculating the System's amounts as listed in the additional tables below.

Net Post-employment Benefit Obligation: The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the System's net OPEB obligation to the plan:

| | |
|--|-----------------|
| Annual required contribution (ARC) | \$14,660 |
| Less: ARC adjustment | (3,162) |
| Interest earned on investments (net of fees) | <u>2,035</u> |
| Annual post-employment benefit cost | 13,533 |
| Contributions: | |
| Current-year retiree premiums paid by the System | <u>(6,239)</u> |
| Increase in net OPEB obligation | 7,294 |
| Net OPEB at beginning of year | <u>58,131</u> |
| Net OPEB at end of year | <u>\$65,425</u> |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE E - POST-EMPLOYMENT BENEFITS(CONTINUED)

The following table shows the System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation:

| <u>Fiscal</u> <u>Year</u> <u>Ended</u> | <u>Annual</u> <u>OPEB</u> <u>Cost</u> | <u>% of</u> <u>Annual Cost</u> <u>Contributed</u> | <u>Net OPEB</u> <u>Obligation</u> |
|--|---|---|--------------------------------------|
| 12/31/15 | \$15,610 | 80% | \$56,318 |
| 12/31/16 | \$15,460 | 68% | \$61,577 |
| 12/31/17 | \$13,534 | 46% | \$65,425 |

Funding Status and Funding Progress: The System by itself is currently not funding the actuarial accrued liability (AAL) totaling \$204,912 as of December 31, 2017. However, the Parish has established an internal service fund as a dedicated reserve for the outstanding post-employment benefit obligation on a Parish-wide basis. The System's estimated portion of this dedicated reserve is \$56,033, which was calculated using the same multiplier as mentioned previously.

Schedule of Funding Progress

| <u>Actuarial</u> <u>Valuation</u> <u>Date</u> | <u>Actuarial</u> <u>Value of</u> <u>Assets</u> | <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> | <u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(UAAL)</u> | <u>Funded</u> <u>Ratio</u> | <u>Covered</u> <u>Payroll</u> | <u>UAAL as</u> <u>a % of</u> <u>Covered</u> <u>Payroll</u> |
|---|--|--|--|-------------------------------|----------------------------------|---|
| 12/31/15 | -0- | \$216,251 | \$216,251 | 0% | \$151,276 | 143% |
| 12/31/16 | -0- | \$220,674 | \$220,674 | 0% | \$159,623 | 138% |
| 12/31/17 | -0- | \$204,912 | \$204,912 | 0% | \$171,352 | 120% |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

NOTE E - POST-EMPLOYMENT BENEFITS(CONTINUED)

Actuarial Methods and Assumptions: Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the type of benefits provided under the terms of the substantive plan (the plan as understood by the System and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the System and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the System and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method: The ARC is determined using the Unit Credit Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the health care cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets: As of this valuation date, there are no plan assets and no actuarial valuation of assets.

Turnover Rate: The following age related turnover scale was used:

| <u>Age</u> | <u>% Turnover</u> |
|------------|-------------------|
| 25 - 40 | 12.8 - 17.4% |
| 41 - 54 | 12.9 - 8.3% |
| 55+ | 0.0 - 8.2% |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

NOTE E - POST-EMPLOYMENT BENEFITS(CONTINUED)

Post-employment Benefit Plan Eligibility Requirements: It is assumed that entitlement to benefits will commence three years after earliest eligibility for retirement. Eligibility for retirement has been assumed to be the earliest of: (1) 30 years of service at any age, (2) age 55 and 25 years of service, (3) age 60 and 10 years of service, (4) age 65 and 7 years of service. Entitlements to benefits continue through Medicare up to death.

Investment Return Assumption (Discount Rate): Based on the assumption that the ARC will be funded, a 3.5% annual investment return has been used in this valuation.

Future Cost Increase (Trend) Rate: For the current valuation, the long-term health cost model published by the Society of Actuaries was utilized. Retiree life insurance premiums are paid 100% by the Parish. The rate for retirees is \$1.84 per \$1,000 of insurance in force per month. The same actuarial assumptions as those used for medical benefits were used to value life insurance post-employment except that a zero trend factor assumption was used.

Mortality Rate: Post-retirement mortality rate assumptions are based on the RPH-2014 Healthy Annuitant and Disabled Retiree tables.

Method of Determining Value of Benefits: The portion of the total retiree medical premium which would be paid by the System is determined according to a "vesting" schedule based on the number of years of service at retirement date. There are different schedules for retiree coverage and for dependent coverage. It has been assumed that enrollee will retain the same coverage types after retirement date as they had during employment.

Cost of Living Plan: In addition to the health care and life insurance benefits noted above, the System also provides a supplement to retirees' pensions as authorized by Ordinance No. 18176. This benefit is available to retirees who have been retired for at least one year. This additional benefit is paid once a year and is calculated as 2% of the monthly benefit times the number of months the person has been retired including partial years. The minimum additional payment is \$350 and the maximum is \$1,200.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE F - PENSION PLAN (GASB 68) ON THE SYSTEM'S EMPLOYEES WHO ARE MEMBERS IN THE PAROCHIAL EMPLOYEES RETIREMENT SYSTEM (PERS)

The System's employees are members of the Parochial Employees Retirement System of Louisiana (PERS), a cost sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. The PERS is composed of two distinct plans, Plan A and Plan B, with separate assets and separate benefit provisions. The System's employees are members of Plan A.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees Retirement System of Louisiana and additions to/deductions from the PERS's fiduciary net position have been determined on the same basis as they are reported by the Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description: The PERS was established and provided for by R.S.11:1901-2025 of the Louisiana Revised Statutes (LRS). The PERS provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement PERS and which elect to become members of the PERS.

Eligibility requirements: All permanent parish government employees (except those employed by Orleans, Lafourche, and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the PERS.

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE F - PENSION PLAN (GASB 68) ON THE SYSTEM'S EMPLOYEES (PERS)

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to 3% of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor benefits: Upon the death of any member of Plan A with 5 or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

DROP benefits: Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the PERS. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in DROP in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts all amounts which remain credited to the individuals subaccount after termination in the Plan will be placed in liquid asset money market investments at the

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE F - PENSION PLAN (GASB 68) ON THE SYSTEM'S EMPLOYEES (PERS)

discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or at the option of the PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits: For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

Cost of living increases: The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer contributions: For the year ended December 31, 2017, the actual employer contribution rate used was 12.5% for Plan A.

According to state statute, the PERS also receives one-fourth of one percent of ad valorem taxes collected within respective parishes, except for Orleans and East Baton Rouge parishes. The PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE F - PENSION PLAN (GASB 68) ON THE SYSTEM'S EMPLOYEES (PERS)

These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Employer allocations: The schedule of employer allocations reports the required projected employer contributions, in addition to the employer allocation percentage. The required projected employer contributions are used to determine the proportionate relationship of each employer to all employers of the PERS. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of pension amounts.

The allocation method used in determining each employer's proportion was based on each employer's contributions to the plan during the fiscal year ended December 31, 2016, as compared to the total of all employers' contribution received by the plan during fiscal year ended December 31, 2016.

Pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions: At December 31, 2017, the System reported a liability of \$55,063 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The System's proportion of the Net Pension Liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the System's proportion was .026736%.

For the year ended December 31, 2017, the System recognized pension expense of \$32,707.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE F - PENSION PLAN (GASB 68) ON THE SYSTEM'S EMPLOYEES (PERS)

At December 31, 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experiences | - | \$11,310 |
| Net difference between projected and actual earnings on pension plan investments | \$17,048 | 4,618 |
| Changes of assumptions | 5,227 | - |
| Change in proportion and differences between employer contributions and proportionate share contributions | <u>40,319</u> | <u>117</u> |
| | <u>\$62,594</u> | <u>\$16,045</u> |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year <u>Ended</u> | |
|-----------------------------|-----------|
| 2017 | \$26,063 |
| 2018 | \$17,263 |
| 2019 | \$11,266 |
| 2020 | \$(1,153) |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE F - PENSION PLAN (GASB 68) ON THE SYSTEM'S EMPLOYEES (PERS)

Contributions - proportionate share: Differences between contributions remitted to the PERS and the employer's proportionate share are recognized in pension expense/(benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the PERS and contributions reported by the participating employer.

Actuarial assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standards table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the PERS's liabilities.

Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016, are as follows:

Valuation Date: December 31, 2016

Actuarial Cost Method: Plan A - Individual Entry Age Normal

Investment Rate of Return: 7.00% (Net of pension plan investment expense)

Expected Remaining Service lives: 4 years

Projected Salary Increases: Plan A - 5.00% (2.75% Merit/2.25% Inflation)

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE F - PENSION PLAN (GASB 68) ON THE SYSTEM'S EMPLOYEES (PERS)

Cost of Living Adjustments: The present value of future retirement benefits is based on benefits currently being paid by the PERS and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

Mortality: RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Sex Distinct Tables was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

Discount rate: The discount rate used to measure the total pension liability was 7.00% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contributions rates and contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Changes in the Discount Rate | | |
|--|-------------------------------------|--------------------------|-------------------|
| | 1.00% Decrease | Current Discount Rate | 1.00% Increase |
| | <u>6.00%</u> | <u>7.00%</u> | <u>8.00%</u> |
| Employer's proportionate share of the net pension liability | \$164,716 | \$55,063 | \$(37,652) |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE F - PENSION PLAN (GASB 68) ON THE SYSTEM'S EMPLOYEES (PERS)

Change in net pension liability: The changes in the net pension liability for the year ended December 31, 2016 were recognized in the current reporting period except as follows:

- a. **Differences between expected and actual experience:**
Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual resulted in a deferred inflow of resources in the amount of \$11,310.
- b. **Differences between projected and actual investment earnings:**
Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$17,048 and deferred inflow of resources of \$4,618.
- c. **Changes in assumptions:** The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes in assumptions resulted in deferred outflow of resources in the amount of \$5,227.
- d. **Change in employer proportion:** Changes in the employer's proportionate shares of the collective net pension liability and collected deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense/(benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion was \$40,319 for deferred outflows and \$117 for deferred inflow of resources.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE G - LEGAL SETTLEMENT AND LITIGATION

There was one lawsuit against the System as of December 31, 2017, and Jefferson Parish is a defendant in the same lawsuit. The System has agreed to pay \$20,000 as its share of a legal settlement with the plaintiff.

NOTE H - RISK MANAGEMENT

The System is exposed to risks of loss in the areas of general and auto liability and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current year, nor have there been any settlements which have exceeded the insurance coverages maintained in the past three years. See Schedule of Insurance Policies in Force found in the Other Supplementary Information section.

NOTE I - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2018, the date which the financial statements were available to be issued.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE J - NET PENSION LIABILITY

The components of the net pension liability of the System at December 31, 2017, were as follows:

| | |
|-----------------------------|--------------------|
| Total Pension Liability | \$48,420,268 |
| Plan Fiduciary Net Position | <u>48,768,815</u> |
| Net Pension Liability | <u>\$(348,547)</u> |

The total pension liability was determined by an actuarial valuation as of the valuation date using the actuarial assumptions and methods as described below.

The total pension liability for the System is based on the Individual Entry Age Normal actuarial cost method as described in GASB Statement No. 67. Actuarial calculations were made and based on December 31, 2017, data. The current year actuarial assumptions utilized for this report are based on the assumptions used in the December 31, 2017, actuarial funding valuation unless otherwise specified. All assumptions were determined to be reasonable.

The Collective Pension Expense for the year ended December 31, 2017, is \$2,487,569.

The following actuarial assumptions apply to all periods included in the measurement of total pension liability as of December 31, 2017:

| | |
|--|--|
| Inflation: | 2.25% |
| Salary increases, including inflation and merit increases: | 5.00% |
| Investment rate of return: (Discount Rate): | 5.00%, net of pension plan investment expense, including inflation |
| Expected Remaining Service Lives: | 1 year |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE J - NET PENSION LIABILITY (CONTINUED)

The discount rate, or the long-term expected rate of return, used to measure the total pension liability was 5.00%. It is the average rate of total return on investments expected in the future, realizing that some years will produce greater returns and some years will produce lesser returns. This assumed rate is one of the actuarial assumptions which most affects current recommended contribution rates. A reduction in this rate will cause contribution rates to increase, and an increase in this rate will cause contribution rates to decrease. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from the employer will be made at actuarially determined contribution rates, which are calculated in accordance with relevant ordinances and policies and approved by the Board of Trustees. Based on these assumptions and the other assumptions and methods as specified in this report, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for annuitants and beneficiaries, and the RP-2000 Employee Mortality Table for active members. The RP-2000 Disabled Lives Mortality Table was also used.

**Sensitivity of the Net Pension Liability to
Changes in the Discount Rate**

The following presents the net pension liability of the System calculated using the discount rate of 5.00%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1.00% point lower (4.00%) or 1.00% point higher (6.00%) than the current rate (assuming all other assumptions remain unchanged):

| | 1.00% Decrease <u>(4.00%)</u> | Current Discount Rate <u>(5.00%)</u> | 1.00% Increase <u>(6.00%)</u> |
|------------------------------|-------------------------------------|--|-------------------------------------|
| Net Pension Liability(Asset) | \$5,547,115 | \$(348,547) | \$(5,270,934) |

REQUIRED SUPPLEMENTARY INFORMATION

For Employers who are Contributing Members of the System's Plan

and

**On the Retirement System's Employees who are Members in the
Parochial Employees Retirement System (PERS)**

**Note: 10-year information has not been presented in the following
schedules because the data necessary to make the actuarial calculations
for these schedules is not available in the required GASB format.**

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Required Supplementary Information
For Employers who are Contributing Members of the System's Plan

Schedule of Changes in Net Pension Liability and Related Ratios

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|------------------------|
| Total Pension Liability: | | | | |
| Service Cost | \$ 11,946 | \$ 20,045 | \$ 19,260 | \$ 23,266 |
| Interest | 2,481,835 | 2,474,064 | 2,817,938 | 2,835,082 |
| Changes of Benefit Terms | 0 | 0 | 0 | 0 |
| Differences Between Expected and Actual Experience | (427,223) | 285,538 | (367,601) | (555,723) |
| Changes of Assumptions | 2,569,457 | 0 | 1,763,465 | 0 |
| Benefit Payments | (2,595,133) | (2,612,078) | (2,544,214) | (2,497,001) |
| Refunds of Member Contributions | (26,025) | (27,755) | (25,539) | (64,382) |
| Other | 75 | 702 | 6,365 | 0 |
| Net Change in Total Pension Liability | \$ 2,014,932 | \$ 140,516 | \$ 1,669,674 | \$ (258,758) |
| Total Pension Liability – Beginning | \$ 46,405,336 | \$ 46,264,820 | \$ 44,595,146 | \$ 44,853,904 |
| Total Pension Liability – Ending (a) | \$ 48,420,268 | \$ 46,405,336 | \$ 46,264,820 | \$ 44,595,146 |
| Plan Fiduciary Net Position: | | | | |
| Contributions – Member | \$ 4,665 | \$ 5,609 | \$ 7,953 | \$ 9,663 |
| Contributions – Employer | 1,562,975 | 2,497,301 | 2,387,312 | 2,323,478 |
| Contributions – Nonemployer Contributing Entities | 0 | 0 | 0 | 0 |
| Net Investment Income | 6,198,990 | 1,747,381 | 573,394 | 2,379,009 |
| Benefit Payments | (2,595,133) | (2,612,078) | (2,544,214) | (2,497,001) |
| Refunds of Member Contributions | (26,025) | (27,755) | (25,539) | (64,382) |
| Administrative Expenses | (393,215) | (405,865) | (302,100) | (319,817) |
| Other | 75 | 702 | 6,365 | 0 |
| Net Change in Plan Fiduciary Net Position | \$ 4,752,332 | \$ 1,205,295 | \$ 103,171 | \$ 1,830,950 |
| Plan Fiduciary Net Position – Beginning | \$ 44,016,483 | \$ 42,811,188 | \$ 42,708,017 | \$ 40,877,067 |
| Plan Fiduciary Net Position – Ending (b) | \$ 48,768,815 | \$ 44,016,483 | \$ 42,811,188 | \$ 42,708,017 † |
| Net Pension Liability (Asset) – Ending (a) – (b) | \$ (348,547) | \$ 2,388,853 | \$ 3,453,632 | \$ 1,887,129 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 100.72% | 94.85% | 92.54% | 95.77% |
| Covered-Employee Payroll | \$ 624,890 | \$ 618,467 | \$ 988,525 | \$ 1,184,353 |
| Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll | (55.78%) | 386.25% | 349.37% | 159.34% |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Required Supplementary Information (Continued)
For Employers who are Contributing Members of the System's Plan

Schedule of Net Pension Liability

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | \$ 48,420,268 | \$ 46,405,336 | \$ 46,264,820 | \$ 44,595,146 |
| Plan Fiduciary Net Position | <u>48,768,815</u> | <u>44,016,483</u> | <u>42,811,188</u> | <u>42,708,017</u> † |
| Net Pension Liability (Asset) | <u>\$ (348,547)</u> | <u>\$ 2,388,853</u> | <u>\$ 3,453,632</u> | <u>\$ 1,887,129</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 100.72% | 94.85% | 92.54% | 95.77% |
| Covered-Employee Payroll | \$ 624,890 | \$ 618,467 | \$ 988,525 | \$ 1,184,353 |
| Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll | (55.78%) | 386.25% | 349.37% | 159.34% |

Schedule of Contributions

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|-----------------------|---------------------|---------------------|
| Actuarially Determined Contribution (Determined as of the Prior Fiscal Year) | \$ 1,281,640 | \$ 1,201,826 | \$ 1,880,008 | \$ 1,771,652 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>1,562,975</u> | <u>2,497,301</u> | <u>2,387,312</u> | <u>2,323,478</u> |
| Contribution Deficiency (Excess) | <u>\$ (281,335)</u> | <u>\$ (1,295,475)</u> | <u>\$ (507,304)</u> | <u>\$ (551,826)</u> |
| Covered-Employee Payroll | \$ 624,890 | \$ 618,467 | \$ 988,525 | \$ 1,184,353 |
| Contributions as a Percentage of Covered Employee Payroll | 250.12% | 403.79% | 241.50% | 196.18% |

† Plan Fiduciary Net Position for 2014 was restated.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
 Required Supplementary Information (Continued)
 For Employers who are Contributing Members of the System's Plan

Schedule of Pension Expense
 For the Year Ended December 31, 2017

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) = (a) - (b) | Collective Deferred Inflows (d) | Collective Deferred Outflows (e) | Collective Pension Expense* (f) = (c) + (d) - (e) + (g)* | Revenue Excluded from Pension Expense* (g) |
|---|--------------------------------|------------------------------------|--|------------------------------------|-------------------------------------|---|---|
| Beginning Balance: | \$ 46,405,336 | \$ 44,016,483 | \$ 2,388,853 | \$ 0 | \$ 1,890,781 | N/A | N/A |
| Service Cost | 11,946 | | 11,946 | | | \$ 11,946 | |
| Interest on Total Pension Liability | 2,481,835 | | 2,481,835 | | | 2,481,835 | |
| Changes in Benefit Terms | 0 | | 0 | | | 0 | |
| Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions | (427,223) | | (427,223) | 427,223 | 0 | | |
| Current Year Amortization | | | | (427,223) | 0 | (427,223) | |
| Changes in Assumptions About Future Economic or Demographic Factors or Other Inputs | 2,569,457 | | 2,569,457 | 0 | 2,569,457 | | |
| Current Year Amortization | | | | 0 | (2,569,457) | 2,569,457 | |
| Benefit Payments | (2,595,133) | | (2,595,133) | | | (2,595,133) | |
| Refunds of Contributions | (26,025) | | (26,025) | | | (26,025) | |
| Other | 75 | | 75 | | | 75 | |
| Contributions - Member | | 4,665 | (4,665) | | | (4,665) | |
| Contributions - Employer* | | 1,562,975 | (1,562,975) | | | | \$ 1,562,975 |
| Contributions - Nonemployer Contributing Entities* | | 0 | 0 | | | | 0 |
| Projected Earnings on Pension Plan Investments | | 2,381,656 | (2,381,656) | | | (2,381,656) | |
| Difference Between Projected and Actual Earnings on Pension Plan Investments | | 3,817,334 | (3,817,334) | 3,817,334 | 0 | | |
| Current Year Amortization | | | | (763,467) | (608,127) | (155,340) | |
| Benefit Payments | | (2,595,133) | 2,595,133 | | | 2,595,133 | |
| Refunds of Contributions | | (26,025) | 26,025 | | | 26,025 | |
| Administrative Expenses** | | (393,215) | 393,215 | | | 393,215 | |
| Other | | 75 | (75) | | | (75) | |
| Net Increase (Decrease) | \$ 2,014,932 | \$ 4,752,332 | \$ (2,737,400) | \$ 3,053,867 | \$ (608,127) | \$ 2,487,569 | \$ 1,562,975 |
| Ending Balance | \$ 48,420,268 | \$ 48,768,815 | \$ (348,547) | \$ 3,053,867 | \$ 1,282,654 | N/A | N/A |

For the year ended December 31, 2017, the Collective Pension Expense for the system is \$2,487,569.

* Contributions from employers are excluded from Pension Expense and are reported as revenue as per paragraphs 58 and 71(c) of GASB 68.

** Includes Deferred Inflows and Deferred Outflows as well as the allocated share of Collective Pension Expense due to participation in PERS.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2017

**Schedule of Employer's Share of Net Pension Liability
 [On the Retirement System's Employees (PERS)]**

| <u>Year Ended Dec.31,</u> | <u>Employer Proportion of the Net Pension Liability (Asset)</u> | <u>Employer proportionate Share of the Net Pension Liability (Asset)</u> | <u>Employer's Covered Employee Payroll</u> | <u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|---------------------------|---|--|--|--|---|
| 2015 | .025290% | \$6,915 | \$151,276 | 4.57% | 99.15% |
| 2016 | .025704% | \$67,600 | \$159,623 | 42.39% | 94.85% |
| 2017 | .026736% | \$55,063 | \$171,352 | 32.13% | 100.72% |

This schedule is intended to show information of 10 years.
 Additional years will be displayed as they become available.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2017

**Schedule of Employer Contributions
 (On the Retirement System's Employees (PERS))**

| <u>Year Ended Dec. 31,</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to Contractual Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer Covered Employee Payroll</u> | <u>Contributions as % of Covered Employee Payroll</u> |
|----------------------------|--|---|---|--|---|
| 2015 | \$21,552 | \$21,552 | - | \$151,276 | 14.2% |
| 2016 | \$20,680 | \$20,680 | - | \$159,623 | 12.9% |
| 2017 | \$20,438 | \$20,438 | - | \$171,352 | 11.9% |

This schedule is intended to show information of 10 years. Additional years will be displayed as they become available.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

Notes to the Required Supplementary Information

(1) Budgets

The PERS adopted a budget as required by Louisiana Revised Statute 39:1301-1316, for the year ending December 31, 2017.

(2) Pension Plan

Changes of Assumptions - Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

OTHER SUPPLEMENTARY INFORMATION

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
 Other Supplementary Information
 For the Year Ended December 31, 2017

SCHEDULE OF ADMINISTRATIVE EXPENSES

| | |
|---|----------------------|
| Salaries | \$171,352 |
| Retirement contributions | 22,536 |
| Group insurance | 33,216 |
| Unemployment contributions | 292 |
| Depreciation | 1,979 |
| Membership dues & publications | 200 |
| Postage | 4,350 |
| Office expenses | 6,453 |
| Insurance | 16,196 |
| Actuarial fees | 27,225 |
| Audit and consulting fees | 13,500 |
| Legal fees | 8,281 |
| Telephone | 1,103 |
| Expense allowance | 8,025 |
| Security | 7,460 |
| Changes in deferred inflows, deferred outflows, pension expense (GASB 68) and other postemployment benefit obligation (GASB 45) | 69,808 |
| Travel and seminar expenses | <u>1,239</u> |
| Total | <u>\$393,215</u> |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Other Supplementary Information (Continued)
December 31, 2017

SCHEDULE OF INSURANCE POLICIES IN FORCE

Insurance Policies in Force

The following insurance policies were in force on December 31, 2017:

| <u>Type of Coverage</u> | <u>Amount of Coverage</u> |
|---|---|
| General liability, \$500 deductible | \$1,000,000 each occurrence; \$2,000,000 general aggregate |
| Employees non-owned and hired vehicles liability, combined bodily injury and property damage, no deductible | \$1,000,000 combined single limit |
| Errors and omissions, \$10,000 deductible | \$2,000,000 aggregate Limit for defense costs; \$25,000 limit for Hippa privacy provision violations |
| Workers compensation, no deductible | \$100,000 each occurrence; \$500,000 general aggregate |
| Employee theft and forgery Coverage, \$5,000 deductible | \$500,000 |

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Other Supplementary Information (Continued)
December 31, 2017

SUMMARY OF HISTORICAL DATA

The Employees' Retirement System of Jefferson Parish began operating on January 1, 1973, after the employees of Jefferson Parish voted 87.8% in favor of such retirement system to replace Social Security.

The Parish paid all retirement benefits and other expenses of the System from January 1, 1973, through December 31, 1974, from its General Fund. Contributions to the System began on January 1, 1975.

The System was funded initially by contributions of 5.85% of total wages by both the employee and the employer from January 1, 1975, through January 6, 1978. The rate was increased to 6.05% each, effective with the January 30, 1978, payroll.

In 1979 the Louisiana Legislature amended the Parochial Employees' Retirement System law to require Jefferson Parish to pay an additional 4.3% contribution (from 1%) or abandon Jefferson Parish's supplemental system and join the revised PERS effective January 1, 1980.

On December 12, 1979, the Jefferson Parish System agreed to merge its supplemental system with PERS, effective December 15, 1979. As a result of this, the 4.3% increase in cost was avoided.

After advice by its actuary, confirmed by its legal counsel, and with a written opinion from the Louisiana Attorney General, the Employees' Retirement System of Jefferson Parish decided to join PERS' supplemental system before January 1, 1980, at no added cost to the Parish or its employees.

All of the employees who were members of the Employees' Retirement System of Jefferson Parish's separate supplemental plan on December 14, 1979 will be guaranteed all of the benefits offered by that plan, and all retirees entitled to benefits under that plan will continue to receive those benefits. The accumulated assets and funds of the Employees' Retirement System of Jefferson Parish were retained for that purpose. All persons employed after December 14, 1979 are members of the PERS only.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Required Supplementary Information (Continued)
For the Year 2017

**SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD**

All Members of the Board of Trustees of the Employees' Retirement System of Jefferson Parish are considered "agency heads" as mentioned in Act 706 of the 2014 Regular Louisiana Legislative Session. No Trustee has received any form of compensation. Registration fees listed below were paid directly to the Louisiana Association of Public Employees' Retirement System (LAPERS) for attendance to the annual seminar.

| <u>Trustee</u> | <u>Registration Fees</u> | <u>Travel Reimbursement for Conference</u> |
|----------------------|------------------------------|--|
| Gary L. Duker | \$100 | \$79 |
| Linda A. Roy | 100 | 409 |
| Eula A. Lopez | 125 | - |
| Timothy J. Palmatier | 100 | - |
| Joy B. Armstrong | 100 | - |
| Ned A. Pitre | 125 | - |
| John Dumas | - | - |

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

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

The Board of Trustees of
The Employees' Retirement System of Jefferson Parish
Jefferson Parish, Louisiana
A Component Unit of Jefferson Parish

I have audited, 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, the financial statements of the Employees' Retirement System of Jefferson Parish, as of and for the year ended April 27, 2018, and the related notes to the financial statements, which collectively comprise the Employees' Retirement System of Jefferson Parish's basic financial statements and have issued my report thereon dated April 27, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Employees' Retirement System of Jefferson Parish's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Employees' Retirement System of Jefferson Parish's internal control. Accordingly, I do not express an opinion on the effectiveness of the Employees' Retirement System of Jefferson Parish's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying of finding and responses, I identified a certain deficiency in the internal control over financial reporting that I consider to be a material weaknesses and significant deficiency.

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 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. I consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (Finding No. 1)

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. I consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency (Finding No. 1).

Compliance and Other Matters

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

The Employees' Retirement System of Jefferson Parish's Response to Finding

The Employees' Retirement System of Jefferson Parish's response to the finding identified (Finding No. 1) in our audit is described in the accompanying schedule of prior and current audit findings and management's corrective action plan. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Keith J. Rovira". The signature is written in a cursive style with a large, prominent initial "K".

Keith J. Rovira
Certified Public Accountant
Metairie, Louisiana

April 27, 2018

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan
For the Year Ended December 31, 2017 and 2016

I have audited the accompanying basic financial statements of the Employees' Retirement System of Jefferson Parish as of and for the year ended December 31, 2017, and have issued my report thereon dated April 27, 2018. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements resulted in an unqualified opinion.

I. Prior Year Audit Finding:

Compliance

There were no findings on compliance that were required to be reported.

Internal Control over Financial Reporting

Finding No. 1 - Inadequate Segregation of Accounting Functions:

Due to the small number of employees in the accounting department, the System did not have adequate segregation of duties and functions with the accounting system.

Management's Corrective Action Plan

The System has determined that it is not cost effective to achieve complete segregation of duties and functions within the accounting department. No plan is considered necessary at this time.

Management Letter

No management letter was issued for the prior year.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan (Continued)
For the Year Ended December 31, 2017 and 2016

II. Current Year Audit Finding:

Compliance

There were no findings on compliance that were required to be reported.

Internal Control over Financial Reporting

Finding No.1 - Inadequate Segregation of Accounting Functions:

Due to the small number of employees in the accounting department, the System did not have adequate segregation of duties and functions with the accounting system.

Management's Corrective Action Plan

The System has determined that it is not cost effective to achieve complete segregation of duties and functions within the accounting department. No plan is considered necessary at this time.

Management Letter

No management letter was issued for the current year.

**THE EMPLOYEES' RETIREMENT SYSTEM
OF JEFFERSON PARISH**

Statewide Agreed-Upon Procedures Report

As of and for the Year Ended

December 31, 2017

KEITH J. ROVIRA
Certified Public Accountant

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

The Board of Trustees of
The Employees' Retirement System of Jefferson Parish
Jefferson Parish, Louisiana

I have performed the procedures enumerated below, which were agreed to by the management of the Employees' Retirement System of Jefferson Parish (System) and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal year ended December 31, 2017. The System's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget;

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes;
- c) **Disbursements**, including processing, reviewing, and approving;
- d) **Receipts**, including receiving, recording, and preparing deposits;
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked;
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process;
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage;
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers;
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits;
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

For item 1.a. above, the System is not required to prepare a budget; therefore, this is not applicable.

For item 1.j. above, the System did not and does not issue any debt during the year under evaluation.

For items 1.b through 1.i., inclusive above, I received the System's written Policies and Procedures and they address the functions noted above.

Board of Trustees

- 2. Obtain and review the Board's minutes for the fiscal period, and:
 - a) Report whether the managing Board met (with a quorum) at least monthly, or on a frequency in accordance with the Board's enabling legislation, charter, or other equivalent document.

No exceptions noted.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one Board meeting during the fiscal period reflect that the Board is monitoring the plan.

The System is not required to prepare a budget; therefore, this item is not applicable.

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

The System included non-budgetary financial information in every meeting during the fiscal year.

Bank Reconciliations

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

There is only one bank checking account and management confirmed that through the management representation letter.

There is also an investment money fund account that is part of the investment portfolio that a third-party investment brokerage firm manages for the System. As money is needed in the bank checking account to fund the monthly pension benefit payments to the System's retirees, the Secretary-Manager is authorized to transfer sufficient funds from the trust account to the office's bank operating checking account. The Secretary-Manager completes a form requesting the amount needed and emails it to the Trust Officer, who then transfers the funds to the office's bank operating checking account to cover the pension payroll. The Secretary-Manager also reconciles the investment account portfolio on a monthly basis and posts the necessary journal entries to the System's general ledger using a computer accounting software program.

An additional employee should sign the form that requests the transfers of funds from the Trust Office to the System bank operating checking account.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and bank reconciliations for all twelve months in the fiscal year. Bank reconciliations were prepared for all twelve months..

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

Obtained bank statements and reconciliations for all twelve months in the fiscal year and all bank reconciliations have been reviewed by a member of management.

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

No reconciling items have been outstanding for more than 6 months.

Collections

5. Obtain a listing of cash/check/money order (hereinafter referred to as “cash”) collection locations and management’s representation that the listing is complete.

Obtained listing of cash collection locations (only one location) and management’s representation that the listing is complete.

6. Using the listing provided by management, select all of the entity’s cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. **For each cash collection location selected:**

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

(1) Written documentation was obtained. All office personnel are bonded.

(2) The only time a deposit is actually made by an employee of the System’s office, and that is very infrequent during the fiscal year, is when the monthly pension check(s) of a deceased retiree are returned to the office. Then the Secretary-Manager records the returned check(s), makes a deposit slip for them, and brings the deposit to the bank.

(3) Any office employee that is responsible for collecting cash does not share the same register or drawer with another employee.

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

Written documentation was obtained and it addresses the functions noted above. No exceptions noted.

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

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

Collection documentation was obtained and it addresses the functions noted above; however, deposits for retirees' monthly hospitalization insurance premiums are not being made within one day of collection. There is no policy setting the specific length of time between when collections are received in the office, and when they are brought to Jefferson Parish's Accounting Department for depositing.

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

No exceptions noted.

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

Written policies and procedures were obtained and address the functions noted above.

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

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

Obtained a listing of disbursements and management's representation stating that the list is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The System does not use a requisition/purchase order system; therefore, none of the disbursements tested had purchase orders. Based on the limited number of personnel in the office, the System feels this is the best way to handle the small number of disbursements processed by the office during the fiscal year.

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

Purchase orders were not used as noted in 9.a. above.

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

Examined supporting documentation for each of the 25 disbursements selected and found that all payments were processed with an approved invoice; however, purchase orders were not used as noted in 9.a. above. No other exceptions were noted.

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

Written policies and procedures were obtained; however, the policy does not prohibit the person responsible for processing payments from adding vendors to the computerized disbursement system. Considering the limited number of personnel in the office, the System believes it is handling the addition of vendors the best way.

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

Written policies and procedures were obtained and address the functions noted above; however, the person with signatory authority can also initiate and record purchases. Based on the limited number of personnel in the office, the System feels this is the best way to process disbursements. In addition, all payments of disbursements require dual signatures. The Secretary-Manager and 3 designated Board members are authorized to sign checks. The Secretary-Manager is bonded.

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

Written policies and procedures were obtained and address the functions noted above; however, the person with signatory authority also has access to blank check stock. Based on the limited number of personnel in the office, the System feels this is the best way for this function to be handled. In addition, all payments of disbursements require dual signatures. The Secretary-Manager and 3 designated Board members are authorized to sign checks. The Secretary-Manager is bonded.

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

A signature stamp is not used. No exceptions noted.

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

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

The System has one (1) credit card, and management represented that there are no other cards used. The card is used very infrequently.

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

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

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

Monthly statements were obtained for the one (1) card the System has, and no exceptions were noted.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.
No finance charges or late fees were assessed during the fiscal year.

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

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

Monthly statements were obtained for the one (1) card the System has, and no exceptions were noted.

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

No exceptions noted.

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

No exceptions noted.

Travel and Expense Reimbursement

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

Obtained a list of travel and expense reimbursements by person, and management's representation that the list was complete.

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

No exceptions noted.

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

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

No exceptions noted.

- b) Report whether each expense is supported by:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Contracts

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

Obtained listing of all contracts in effect and management's representation that the listing was complete.

21. Using the listing above, select the five (5) contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

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

There are formal written contracts supporting service arrangements. No exceptions were noted.

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

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

No noncompliance noted.

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

Management did not solicit quotes for the service contracts.

Management believes that following the applicable laws and regulations of the State of Louisiana, which do not require the solicitation of quotes/bids for service contracts, is its best practice.

No noncompliance noted.

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

No contracts were amended.

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

No exceptions noted.

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

Obtained and reviewed contract documentation of Board approval. The Board formally approves all contracts. No exceptions noted.

Payroll and Personnel

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

Obtained a list of the System's only 3 employees with their related salaries and management's representation that the list was complete.

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

No exceptions noted.

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

No exceptions noted.

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

Obtained and selected attendance and leave records of the System's only 3 employees, and management's representation that the list was complete.

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted.

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

No employees were terminated during the fiscal year; therefore, no termination payments were made. This item is not applicable.

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

No exceptions noted.

Ethics (excluding nonprofits)

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

No exceptions noted for the only 3 employees of the System.

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

Management has represented that they have not received any allegations during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

The System did not issue any debt during the fiscal period; therefore, this item is not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No outstanding debt existed during the fiscal period; therefore, this item is not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

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

Management has represented that the System did not have any misappropriations of public funds or assets.

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

No exceptions noted.

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

No exceptions noted.

I was not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions and representations. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that I would have been reported to you.

This report is intended solely for the use of management and the Louisiana Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Accordingly, this report is not suitable for any other use. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Keith J. Rovira". The signature is written in a cursive style with a large, prominent initial "K".

Keith J. Rovira
Certified Public Accountant
Metairie, Louisiana

May 31, 2018