

*City of Alexandria Employees'
Retirement System*

Alexandria, Louisiana

December 31, 2018

**City of Alexandria Employees'
Retirement System**

December 31, 2018

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

To the Board of Trustees
City of Alexandria Employees' Retirement System

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position of the City of Alexandria Employees' Retirement System (the System), Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of December 31, 2018, and the related statement of changes in fiduciary net position for the year then ended 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Cindy L. Humphries, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Trustees
City of Alexandria Employees' Retirement System

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Alexandria Employees' Retirement System, as of December 31, 2018, and the respective changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Alexandria Employees' Retirement System, a pension trust fund of the City of Alexandria, Louisiana, and do not purport to, and do not present fairly the financial position of the City of Alexandria, Louisiana, as of December 31, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and other required supplementary information on pages 20 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Trustees
City of Alexandria Employees' Retirement System

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Alexandria Employees' Retirement System's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

This supplementary information, as listed in the table of contents, is the responsibility of management and was 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 our opinion, the supplementary information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2019 on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's 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 City of Alexandria Employees' Retirement System's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Payne, Moore & Herrington, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants
Alexandria, Louisiana

June 12, 2019

**Required Supplementary Information
Part I**

Management's Discussion and Analysis

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2018**

Our discussion and analysis of the City of Alexandria Employees' Retirement System's (the System) financial performance provides an overview of the System's financial activities for the year ended December 31, 2018. It encompasses year-long activities and is management's representation of the System's activities and should be read in conjunction with the accompanying financial statements.

Overview of the Financial Statements

The **Statement of Fiduciary Net Position** includes all of the System's assets and liabilities, and provides information about the nature and amount of investments available to satisfy the pension benefits of the System. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2018.

The **Statement of Changes in Fiduciary Net Position** reports the results of operations during the year, categorically disclosing the additions and deductions from plan net assets.

The **Notes to the Financial Statements** provide additional data that is essential to a complete understanding of the financial statements as well as providing brief descriptions of the plan and the System's accounting policies.

The **Required Supplementary Information – Part II**, including the Schedules of *Changes in Net Pension Liability and Related Ratios, Employer Contributions, and Investment Returns*, provides historical trend information about the actuarially determined funded status of the System from a long-term, on-going plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The content and format of these schedules were put in place in 2014. Additional information will be added to these schedules until a full ten years of trend information is available.

The Supplementary Information is presented for the purposes of additional analysis and is not a required part of the financial statements.

Financial Analysis

To begin our financial analysis, a summary of the System's Plan Net Position is presented below:

Condensed Statement of Plan Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets			
Cash	\$ 5,598,135	\$ 5,356,988	\$ 241,147
Receivables	733,573	744,473	(10,900)
Investments, at fair value	142,108,474	156,122,934	(14,014,460)
Capital assets, net	<u>228</u>	<u>683</u>	<u>(455)</u>
Total Assets	148,440,410	162,225,078	(13,784,668)
Liabilities	<u>(780)</u>	<u>(780)</u>	<u>-</u>
Net position restricted for pensions	\$ 148,439,630	\$ 162,224,298	\$ (13,784,668)

As the table above indicates, the Net Position Restricted for Pensions decreased by \$13,784,668, primarily due to investment market activity occurring at the end of the fiscal year. The year ended December 31, 2018, while marked with a level of volatility as in previous years, showed a dramatic sell off of markets during the final month of the year. As a result, during the year 2018 there was a net change of \$13,784,668 in Plan Net Position when measured year over year at December 31st.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2018**

Cash – The System, for the past several years, has maintained a portion of its assets in cash. As the table above indicates, there was a net increase of \$241,147 in total cash amounts – a level that is still somewhat higher than normally would be the case. The primary reason is due to the DROP program and its activities which requires higher balances to be on hand. It is anticipated that over time a reduction of these cash amounts would be permitted.

Further, it is the position of the System that during unsettled market periods and potential demands of the System for certain cash needs, it is prudent to maintain a larger than normal cash position. Though, as stated above, it is felt that a reduction in the cash balance might be able to occur.

All of the cash balances of the System earn interest at the daily interest rate arranged with the System's banking company while being kept available for System purposes. Additionally, the banking institution is required to provide collateral to secure these cash positions in the form of treasury securities which are held at the Federal Reserve for the System's account.

The cash balances of the System are subject to a call by those persons participating in the DROP program. The termination of participation is a choice of timing by the individual, resulting in a need to disperse large amounts at the time of notice given by these persons. During the year 2018 a total of \$641,896 was paid out in cash to DROP participants terminating employment (an increase of \$304,244 paid in the prior year). At year-end the total liability to DROP participants was \$2,360,780. Further, the decisions of individuals completing the DROP and electing to continue employment required the establishment of an interest-bearing sub-account for the accumulated DROP funds of these persons. These sub-account amounts are reflected in the cash balances shown in the above table. At the year-end the total in the DROP sub-accounts totaled \$875,556. Individuals have a call on these funds at a time of their choosing thereby increasing the need for a ready amount of funds.

Additional demands for payments during the year were not only the payment to retired employees, which totaled \$9,213,255, but also include refunds to terminated employees as well. Persons terminating employment, who are not vested for future benefits, are refunded the amount of their employee contributions. During the year 2018 this amounted to \$300,012, a decrease of \$296,946 over the prior year. Cash payments for the DROP amounted to \$641,896 during the year 2018.

Receivables – Receivables consist of accrued interest receivable on fixed income securities and dividends receivable on stocks. These receivables tend to increase as the amount invested in fixed income securities and equities increase.

Investments – The year ended December 31, 2018 was investment wise a very volatile one. The year ended with the last month of the fiscal year being the month that impacted the System in a dramatic manner; resulting in a decrease in fair value of assets of \$14,014,460. A negative rate of return of -6.2% was recorded at the end of the fiscal year, December 31, 2018. The System's return, according to our actuary, was still among the better rates of return experienced by Louisiana public retirement areas. Further, the System over the past 25 years, when compared to the universe of systems covered by our actuary, has experienced a positive geometric return of 6.9%, ranking the System among the very highest returns in any public retirement system in Louisiana.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2018**

Condensed Statements of Changes in Plan Net Position

Additions

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Employer	\$ 4,609,374	\$ 4,734,943	\$ (125,569)
Plan members	1,890,978	1,873,690	17,288
Purchased service	-	47,822	(47,822)
Net investment income (loss)	<u>(9,882,707)</u>	<u>17,882,012</u>	<u>(27,764,719)</u>
Total Additions	<u>(3,382,355)</u>	<u>24,538,467</u>	<u>(27,920,822)</u>

Deductions

Plan benefits	9,213,255	8,902,930	310,325
DROP benefits	641,896	337,652	304,244
Employee refunds	300,012	596,958	(296,946)
Transfer to other systems	83,881	-	83,881
Administrative expenses	<u>163,269</u>	<u>155,590</u>	<u>7,679</u>
Total Deductions	<u>10,402,313</u>	<u>9,993,130</u>	<u>409,183</u>

Net Increase (Decrease) in Plan Net Position \$ (13,784,668) \$ 14,545,337 \$ (28,330,005)

The table above indicates that the plan net position decreased by \$28,330,005 at the end of 2018, when compared to the positive action the previous fiscal year. All of this was the result of the volatile year end market action.

Employer Contributions - Employer contribution rates are set through the report of the consulting actuary and are designed to change with the beginning of the City's fiscal year at May 1st. Rates run for a 12-month period until the following April 30th with the current actuarial valuation determining any change in rate structure. The current employer contribution rate of 21.87% will be decreased to 17.94% on May 1, 2019. This rate will be in effect until the close of the City's fiscal year of April 30, 2020. The actuary has recommended that the rate beginning May 1, 2020 be increased to 20.64%. This change is primarily due to the adverse investment climate of this past fiscal year.

During the fiscal year ended December 31, 2018, the remaining balance of unfunded actuarial liability was completely paid off. This was the reason for the dramatic reduction in employer contribution rates occurring in 2019.

Investment Income – The System invests in markets with a prudent amount of risk taken, but it cannot control the events that shape and govern the markets in which we place our funds. The System either matched or exceeded the indices it measures itself against during the year ended December 31, 2018.

Other Information - While the report of the actuary for the fiscal year was just received at this writing, it indicated the elimination of a major accrued liability – the unfunded accrued liability [UAL] of the System. This was a major improvement in the operation and funding of the system. That report speaks for itself and will not be further addressed in this writing.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2018**

A retirement system's activities must be viewed on an on-going multi-year basis; on this basis the System continues to make progress in its efforts, and both grow assets and pay down liabilities. The DROP program continues to place a greater degree of call on the cash of the System and in doing so impedes, somewhat, the normal investment progress of the System. Overall, the System is healthy and growing, a direction management continues to strive in attaining.

Request for Information – The financial report of the System is designed to provide a general overview of the System's finances for interested parties. Any request for additional information should be directed to the City of Alexandria Employees' Retirement System, P. O. Box 71, Alexandria, LA 71309.

Financial Statements

City of Alexandria Employees' Retirement System
Statement of Fiduciary Net Position
December 31, 2018

Exhibit A

Assets

Cash		\$ 5,598,135
Accrued interest and dividends receivable		733,573
Investments, at fair value:		
Domestic fixed income securities		
Corporate bonds (amortized cost \$56,129,888)	55,561,856	
GNMA notes (amortized cost \$341)	342	
U.S. government agency notes (amortized cost \$252,870)	245,472	
Domestic equities		
Preferred stocks (cost \$334,274)	329,946	
Common stocks (cost \$77,531,260)	85,970,858	
Total Investments (cost \$134,248,633)		142,108,474
Furniture, fixtures, and equipment, net of depreciation		228
Total Assets		<u>148,440,410</u>

Liabilities

Payroll taxes withheld		<u>780</u>
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Net Position Restricted for Pensions

\$ 148,439,630

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

**City of Alexandria Employees' Retirement System
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2018**

Exhibit B

Additions

Contributions		
Employer		\$ 4,609,374
Plan members		1,890,978
Total Contributions		<u>6,500,352</u>
Investment income (loss)		
Interest		2,419,549
Dividends		2,264,856
Net appreciation (depreciation) in fair value of investments		(14,567,112)
Total Investment Income (Loss)		<u>(9,882,707)</u>
Total Additions		<u>(3,382,355)</u>

Deductions

Benefit payments, excluding DROP benefits		9,213,255
DROP benefits		641,896
Employee refunds		300,012
Transfers to other systems		83,881
Administrative expenses		163,269
Total Deductions		<u>10,402,313</u>

Net Increase (Decrease) (13,784,668)

Net Position Restricted for Pensions, Beginning of Year 162,224,298

Net Position Restricted for Pensions, End of Year \$ 148,439,630

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

Notes to Financial Statements

**City of Alexandria Employees' Retirement System
December 31, 2018**

Notes to Financial Statements

1. Plan Description and Significant Accounting Policies

Plan Description

Plan Administration - The City of Alexandria Employees' Retirement System (the System) is the administrator of a single-employer defined benefit plan established by Act 459 of the Louisiana Legislature of 1948, as amended (Louisiana Revised Statutes (RS) 11:3001 to 13:3017), and administered by the City of Alexandria. Substantially all employees of the City, except firemen and policemen, become members of the System as a condition of employment. The System is considered part of the City of Alexandria financial reporting entity and is included in the City's financial reports as a pension trust fund.

The financial statements contained herein present only the City of Alexandria Employees' Retirement System and are not intended to present fairly the financial position and results of operations of the City of Alexandria, Louisiana, in conformity with accounting principles generally accepted in the United States of America.

Management of the System is vested in the System's Board of Trustees. RS 11:3011 provides that the Board shall consist of seven trustees as follows:

- a) The Mayor of the City;
- b) The Director of Finance of the City;
- c) The Director of Civil Service and Personnel of the City;
- d) Two municipal employees, who are members of the System and who are selected by plurality vote of the members of the System;
- e) Two retired municipal employees of the City who are members of the System and who are selected by plurality vote of the retired municipal employee members of the System.

Plan Membership - Municipal employees of the City of Alexandria are eligible to become members of the System, other than those public officials and City employees who receive per diem allowance in lieu of earnable compensation, patient or inmate help in City charitable, penal and corrective institutions, and independent contractors employed to render service on a contractual basis, including independent contractual professional services. Membership in this System shall be optional with any class of elected official or with any class of officials appointed by the Mayor or appointed for fixed terms. The Board of Trustees may, in its discretion, deny the right to membership in this System to any class of employees whose compensation is only partly paid by the City or who are occupying positions on a part-time or intermittent basis. The Board may, in its discretion, make optional with employees in any such classes their individual entrance into the System.

At December 31, 2018, pension plan membership consisted of:

Inactive plan members and beneficiaries currently receiving benefits	366
Inactive plan members entitled to but not yet receiving benefits	167
Active plan members	<u>508</u>
Total	1,041

The following brief description of the System is provided for general information only.

**City of Alexandria Employees' Retirement System
December 31, 2018**

Notes to Financial Statements

Retirement Benefits - Members with ten years of creditable service may retire at age sixty-two; members with at least twenty years of creditable service may retire at age sixty; members with twenty-five years of service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's average compensation multiplied by number of years of creditable service, not to exceed one hundred percent of average compensation. Average compensation is defined as the highest three year average annual compensation.

Members may receive their benefits as a life annuity, or in lieu of such, a reduced benefit according to the option selected which is the actuarial equivalent of the maximum benefit.

Option 1 – If the member dies before he has received in annuity payments the present value of his member's annuity, as it was at the time of retirement, the balance is paid to his beneficiary.

Option 2 – Upon retirement, the member receives a reduced benefit. Upon the member's death, the designated beneficiary will continue to receive the same reduced benefit.

Option 3 – Upon retirement, the member receives a reduced benefit. Upon the member's death, the designated beneficiary will receive one-half of the member's reduced benefit.

Option 4 – Upon retirement, the member elects to receive a board-approved benefit that is actuarially equivalent to the maximum benefit.

Option 5 – Upon retirement, the member elects to receive the amount of his maximum retirement and upon death, if survived by a spouse, the spouse will receive one-half of the member's maximum benefit.

Disability Benefits - Five years of creditable service are required in order to be eligible for disability benefits. Disabled members receive a retirement allowance if they have attained the age of sixty-two. Otherwise, they receive three percent of the final average compensation for each year of service, not to be less than three hundred dollars per year.

Survivor Benefits - Three years of creditable service are required in order to be eligible for survivor benefits. The survivor is entitled to twice the amount of accumulated contributions or two months' salary, whichever is greater, plus \$1,000. If the member has completed fifteen or more years of service, the surviving spouse is entitled to an automatic option 2 benefit (an actuarially equivalent joint and full survivor benefit) which ceases if the spouse remarries. In lieu of option 2, the spouse may receive the greater of a refund of twice the member's contributions with interest earnings or two months' salary. Widows, who are at least age fifty, of members who die prior to retirement but subsequent to becoming eligible to retire, are entitled to automatic option 2 benefits.

Deferred Retirement Option Plan (DROP) - In lieu of terminating employment and accepting a service retirement allowance, any member of the System who has at least ten years of creditable service and who is eligible to receive a service retirement allowance may elect to participate in the Deferred Retirement Option Plan for up to thirty-six months and defer the receipt of benefits. Creditable service shall not include service reciprocally recognized pursuant to R.S. 11:142. Upon commencement of participation in the DROP plan, active membership in the System terminates and the participant's contributions cease; however, employer contributions continue. Compensation and creditable service remain, as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan account. Upon

City of Alexandria Employees' Retirement System
December 31, 2018

Notes to Financial Statements

termination of employment at the end of the specified period of participation, a participant in the program may receive, at his option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon his account balance (or any other method of payment subject to approval by the Board of Trustees); in addition, the member receives the monthly benefits that were paid into the fund during the period of participation. After a member has terminated his participation in the plan, the member's individual account balance in the plan will earn interest at the actual rate of return earned on such funds left on deposit with the System. Such funds will be invested in accordance with a policy adopted by the Board of Trustees. The accrued interest will be credited to the individual account on an annual basis. If employment is not terminated at the end of the participation period, payments into the account cease and the member resumes active contributing membership in the System. The monthly benefit payments that were being paid into the DROP fund are paid to the retiree and an additional benefit based on his additional service rendered since termination of DROP participation is calculated using the normal method of benefit computation. The average compensation used to calculate the additional benefit is that used to calculate the original benefit unless his period of additional service is at least thirty-six months. In no event can the entire monthly benefit amount paid to the retiree exceed 100% of the average compensation used to compute the additional benefit. If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance is paid to his named beneficiary or, if none, to his estate.

Contribution Refunds - Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions on request. Receipt of such a refund cancels all accrued rights in the System.

Contribution Rates - The retirement system is financed by employee contributions of 10% of pay plus employer contributions that are set according to actuarial requirements. The employer contribution rate is determined annually by actuarial valuation. The rate so determined is adjusted on May 1, of the calendar year following the year in which the report is issued. The City is required by statute to contribute remaining amounts necessary to finance the System at an actuarially determined rate. Benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.

Cost of Living Increases - The Board of Trustees is authorized to use interest earnings on investments of the System in excess of normal requirements to grant retired members, and widows of members, an annual cost of living increase of 2.00% of their original benefit (not less than ten dollars per month).

Administrative Costs - Administrative costs of the plan are financed through investment earnings.

Significant Accounting Policies

Basis of Accounting - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**City of Alexandria Employees' Retirement System
December 31, 2018**

Notes to Financial Statements

Investments - Louisiana statutes allow the System to invest in securities issued, guaranteed, or insured by the United States government; bonds and other evidence of indebtedness issued by states or their political subdivisions; stocks, bonds, or other securities or evidence of indebtedness issued by any solvent corporation created under the laws of the United States or any of the states of the United States; and certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana.

Investments are reported at fair value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

The System's investment policies are established by and may be amended by the Board of Trustees by a majority vote of Board members. It is the policy of the System that all assets shall be managed with the care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in management of large institutional investments considering probable safety of capital as well as probable income. The primary considerations of the investment manager shall be to minimize the risk of loss of principal value and to achieve the greatest rate of return on investments consistent with the level of risk incurred and to provide for future benefits. The management of the pension fund assets and the responsibility for investment decisions is delegated to the secretary of the retirement board who shall be the investment manager. The System's investment policy limits investments to common or preferred stock, corporate or government securities, certificates of deposit, government guaranteed mortgage pools, Guaranteed Investment Contracts' repurchase agreements, and sufficient cash reserves to meet the System's liquidity needs.

The following is the Board's adopted asset allocation policy as of year-end:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash and short term investments	2% to 15%
Long-term fixed income securities and preferred stocks	40% to 90%
Equities	5% to 60%

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -6.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Furniture, Fixtures, and Equipment - Furniture, fixtures, and equipment are valued at historical cost less accumulated depreciation. The minimum capitalization threshold is any individual item with a total cost greater than or equal to \$250. Depreciation is computed using the straight-line method over the estimated economic life of the assets.

2. Cash

The System's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the System or its agent in the System's name.

At year end, cash includes amounts held by the System pursuant to DROP in the amount of \$875,556.

**City of Alexandria Employees' Retirement System
December 31, 2018**

Notes to Financial Statements

3. Investments

As of December 31, 2018, the System had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Corporate bonds	\$ 55,561,856	\$ -	\$ -	\$1,961,070	\$ 53,600,786
GNMA notes	342	1	341	-	-
U.S. government agency notes	245,472	-	-	-	245,472
Total Interest-Bearing	55,807,670	\$ 1	\$ 341	\$1,961,070	\$ 53,846,258
Preferred stocks	329,946				
Common stocks	85,970,858				
Total Investments	\$ 142,108,474				

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investment types are valued using Level 1 inputs.

Interest Rate Risk: The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

Credit Risk: The System may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. In addition, the System may invest in corporate stocks and bonds. The System's investment policies limit its corporate debt investments to bonds rated at least BBB by Standards and Poor's or Baa by Moody's Investor Services. Moody's Investor Services credit ratings of the System's corporate bonds are summarized below. Due to the extraordinary market conditions experienced during the past several years, management determined that it would be detrimental to the System to sell the bonds whose credit ratings dropped below Baa.

<u>Moody's Investor Services Credit Rating</u>	<u>Fair Value</u>
A or better	\$ 49,032,422
Baa	6,529,434
Less than Baa	-
	<u>\$ 55,561,856</u>

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All of the System's investments are held by the System or its agents in the System's name.

**City of Alexandria Employees' Retirement System
December 31, 2018**

Notes to Financial Statements

4. Furniture, Fixtures, and Equipment

A summary of changes in furniture, fixtures, and equipment during the year is presented below:

	Balance Beginning	Additions	Deletions	Balance Ending
Furniture and fixtures	\$ 5,938	\$ -	\$ -	\$ 5,938
Equipment	4,594	-	-	4,594
Total	10,532	-	-	10,532
Accumulated depreciation	(9,849)	(455)	-	(10,304)
Net	\$ 683	\$ (455)	\$ -	\$ 228

The following estimated lives are used to compute depreciation on the straight-line method.

Furniture and fixtures	7-10 years
Computer equipment	5 years

Depreciation expense recorded in the financial statements for the year ended December 31, 2018, amounted to \$455.

5. Net Pension Liability

The components of the net pension liability of the System, at December 31, 2018, were as follows:

Total pension liability	\$ 182,030,503
Plan fiduciary net position	<u>148,439,630</u>
Net pension liability	\$ 33,590,873

Plan fiduciary net position as a percentage of total pension liability 81.55%

Actuarial Assumptions: The Total Pension Liability as stated in this report is based on the Individual Entry Age Normal actuarial cost method as described in Statement 67 of the Government Accounting Standards Board (GASB 67). Calculations were made as of December 31, 2018 and were based on December 31, 2018 data. The current year actuarial assumptions utilized for this report are based on the assumptions used in the December 31, 2018 actuarial funding valuation, which were based on results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, unless otherwise specified in this report.

Actuarial assumptions:

Investment rate of return, net of investment expense, including inflation	6.50%
Salary increases, including inflation and merit increases	4.50%
Inflation	2.40%

**City of Alexandria Employees' Retirement System
December 31, 2018**

Notes to Financial Statements

Mortality Rates: In the case of mortality, a study of system mortality was conducted in 2016. The data for the study was collected over the period January 1, 2014 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the fund's liabilities. The RP-2000 Healthy Annuitant Sex Distinct Tables (set forward 1 year for males with no set forward for females) projected to 2029 using scale AA as published by the Society of Actuaries were selected for annuitant and beneficiary mortality. For employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and set back 3 years for females was selected. The RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females was selected for disabled annuitants. Setbacks in the employee and disability tables were used to approximate mortality improvement.

Discount rate: The discount rate used to measure the total pension liability was 6.50%. 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 participating employer will be made at actuarially determined contribution rates, which are calculated in accordance with relevant statutes 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 to 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. Thus, the discount rate used to measure the total pension liability was 6.50%. For the fiscal year ending December 31, 2017, the discount rate used was also 6.50%.

Post-employment benefit changes: Although the Board of Trustees has the authority to grant ad hoc Cost of Living Increases (COLAs) under limited circumstances, these COLAs have not shown to have a historical pattern. The amounts of the COLAs have not been relative to a defined cost-of-living or inflation index, and there is no evidence to conclude that COLAs will be granted on a predictable basis in the future. Therefore, for purposes of determining the present value of benefits, these COLAs were deemed not to be substantively automatic and the present value of benefits excludes COLAs not previously granted by the Board of Trustees.

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 6.50%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate (assuming all other assumptions remain unchanged):

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability (Asset)	\$ 53,789,610	\$ 33,590,873	\$ 16,487,740

Required Supplementary Information
Part II

City of Alexandria Employees' Retirement System
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
December 31,

Schedule 1

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 3,444,992	\$ 3,218,971	\$ 2,975,969	\$ 3,263,636	\$ 2,914,694
Interest	11,358,256	11,521,228	11,376,092	11,165,902	10,958,229
Changes in benefit terms	369,833	-	-	1,249,682	1,182,575
Differences between expected and actual experience	760,132	(3,522,240)	(857,021)	(1,157,889)	(2,470,911)
Changes in assumptions	-	8,726,019	3,553,024	3,124,571	3,597,304
Benefit payments	(9,855,151)	(9,240,582)	(9,042,968)	(9,004,033)	(8,676,473)
Refunds of member contributions	(300,012)	(596,958)	(352,340)	(353,939)	(343,118)
Other	(83,881)	47,822	(42,820)	146,848	132,725
Net Change in Total Pension Liability	5,694,169	10,154,260	7,609,936	8,434,778	7,295,025
Total Pension Liability - Beginning	176,336,334	166,182,074	158,572,138	150,137,360	142,842,335
Total Pension Liability - Ending (a)	\$ 182,030,503	\$ 176,336,334	\$ 166,182,074	\$ 158,572,138	\$ 150,137,360
Plan Fiduciary Net Position					
Contributions					
Member	\$ 1,890,978	\$ 1,873,690	\$ 1,830,452	\$ 1,790,965	\$ 1,731,666
Employer	4,609,374	4,734,943	4,580,596	4,858,476	5,178,813
Net investment income	(9,882,707)	17,882,012	11,143,790	(4,378,349)	13,260,045
Benefit payments	(9,855,151)	(9,240,582)	(9,042,968)	(9,004,033)	(8,676,473)
Refunds of member contributions	(300,012)	(596,958)	(352,340)	(353,939)	(343,118)
Administrative expenses	(163,269)	(155,590)	(149,330)	(150,777)	(140,687)
Other	(83,881)	47,822	(42,820)	146,848	132,725
Net Change in Plan Fiduciary Net Position	(13,784,668)	14,545,337	7,967,380	(7,090,809)	11,142,971
Plan Fiduciary Net Position - Beginning	162,224,298	147,678,961	139,711,581	146,802,390	135,659,419
Plan fiduciary Net Position - Ending (b)	\$ 148,439,630	\$ 162,224,298	\$ 147,678,961	\$ 139,711,581	\$ 146,802,390
Net Pension Liability - Ending ((a) - (b))	\$ 33,590,873	\$ 14,112,036	\$ 18,503,113	\$ 18,860,557	\$ 3,334,970
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.55%	92.00%	88.87%	88.11%	97.78%
Covered-Employee Payroll	\$ 20,368,422	\$ 19,894,718	\$ 19,384,664	\$ 18,643,423	\$ 18,364,585
Net Pension Liability as a Percentage of Covered-Employee Payroll	164.92%	70.93%	95.45%	101.16%	18.16%

Notes to Schedule:

This schedule is presented to show trend information for 10 years. However, until a full 10-year trend is compiled, this schedule presents information for those years for which information is available.

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Required Supplementary Information
Schedule of Employer Contributions
December 31,**

Schedule 2

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,609,374	\$ 4,734,943	\$ 4,580,596	\$ 4,858,476	\$ 5,178,813
Contributions in relation to the actuarially determined contribution	4,609,374	4,734,943	4,580,596	4,858,476	5,178,813
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 20,368,422	\$ 19,894,718	\$ 19,384,664	\$ 18,643,423	\$ 18,364,585
Contributions as a percentage of covered-employee payroll	22.63%	23.80%	23.63%	26.06%	28.20%

Notes to Schedule:

This schedule is presented to show trend information for 10 years. However, until a full 10-year trend is compiled, this schedule presents information for those years for which information is available.

Valuation date:

Actuarially determined contribution rates for the period of January 1 to April 30 of each year were calculated as of December 31 of the third prior year. Actuarially determined contribution rates for the period of May 1 to December 31 of each year were calculated as of December 31 of the second prior year.

Methods and assumptions used to determine contribution rate:

Actuarial cost method

The Total Pension Liability as stated in this report is based on the Individual Entry Age Normal actuarial cost method as described in GASB 67.

Amortization method

Level percent closed

Expected Remaining Service Lives (ERSL)

4 years

Actuarial asset values

The actuarial value of assets is based on market value of assets adjusted to phase in assets earnings above or below the assumed rate of return over a five year period with limits set at 85% to 115% of the market value of assets. When the adjusted value falls outside of the limits, the actuarial value is set equal to the average of the limited and adjusted value.

	2018	2017	2016	2015	2014
Salary increases, including inflation and merit increases	4.50%	4.50%	4.75%	4.75%	5.50%
Investment rate of return, net of investment expense	6.50%	6.50%	7.00%	7.25%	7.75%

Retirement age

Members with 10 years of creditable service may retire at age 62
Members with 20 years of creditable service may retire at age 60
Members with 25 years of creditable service may retire at age 55
Members with 30 years of creditable service may retire at any age

Mortality Rates

In the case of mortality, a study of system mortality was conducted in 2016. The data for the study was collected over the period January 1, 2014 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the fund's liabilities. The RP-2000 Healthy Annuitant Sex Distinct Tables (set forward 1 year for males with no set forward for females) projected to 2029 using scale AA as published by the Society of Actuaries were selected for annuitant and beneficiary mortality. For employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and set back 3 years for females was selected. The RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females was selected for disabled annuitants. Setbacks in the employee and disability tables were used to approximate mortality improvement.

See independent auditor's report.

**City of Alexandria Employees' Retirement System
 Required Supplementary Information
 Schedule of Investment Returns
 December 31,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	Schedule 3 <u>2014</u>
Annual money-weighted rate of return, net of investment expense	-6.2%	12.2%	8.1%	-3.0%	9.9%

23 Notes to Schedule:
 This schedule is presented to show trend information for 10 years. However, until a full 10-year trend is compiled, this schedule presents information for those years for which information is available.

See independent auditor's report.

Supplementary Information

**City of Alexandria Employees' Retirement System
Schedule of Cash Receipts and Cash Disbursements
Year Ended December 31, 2018**

Schedule 4

Cash Receipts

Employer contributions	\$ 4,609,374
Member contributions	1,890,978
Interest received	2,407,874
Dividends received	2,287,431
Proceeds from sale or redemption of investments	29,410,741
Total Cash Receipts	40,606,398

Cash Disbursements

Plan benefits	9,213,255
DROP benefits	641,896
Refunds of contributions	300,012
Transfers to other systems	83,881
Administrative expenses	162,814
Purchase of investments	29,963,393
Total Cash Disbursements	40,365,251

Net Increase (Decrease) in Cash	241,147
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Cash, Beginning of Year	5,356,988
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Cash, End of Year	\$ 5,598,135
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See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Corporate Bonds
December 31, 2018**

Schedule 5
(Continued)

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
Wells Fargo & Company	10/23/2026	3.000%	\$ 410,000	\$ 402,681	\$ 379,567
The Walt Disney Company	6/15/2027	2.950%	400,000	398,794	381,160
GTE Corporation	4/15/2028	6.940%	500,000	501,735	578,483
Coca Cola Enterprises, Inc.	9/15/2028	6.750%	500,000	498,965	621,860
JPMorgan Chase & Co.	4/29/2031	3.000%	500,000	500,000	469,538
Atlantic Richfield	3/1/2032	8.750%	100,000	100,000	146,133
Goldman Sachs Group, Inc.	2/15/2033	6.125%	250,000	250,000	284,736
Goldman Sachs Group, Inc.	2/15/2033	6.125%	500,000	499,417	569,472
Allstate	6/1/2033	5.350%	1,300,000	1,315,035	1,455,899
Loews Corporation	2/1/2035	6.000%	500,000	497,517	564,280
The Boeing Company	3/1/2035	3.300%	500,000	504,051	454,727
Wal-Mart Stores, Inc.	9/1/2035	5.250%	1,000,000	998,170	1,149,619
Verizon Global Funding Corp.	9/15/2035	5.850%	540,000	549,210	590,185
Lowe's Companies	10/15/2035	5.500%	600,000	563,930	659,615
JPMorgan Chase & Co.	11/25/2035	3.500%	400,000	400,000	375,602
Wyeth	2/15/2036	6.000%	300,000	296,451	367,522
Comcast Corporation	7/15/2036	3.200%	500,000	500,000	425,799
JPMorgan Chase & Co.	7/26/2036	3.000%	500,000	500,000	425,790
Gilead Sciences, Inc.	9/1/2036	4.000%	500,000	499,953	457,741
Honeywell International	3/15/2037	5.700%	500,000	513,100	603,261
Duke Energy Carolinas, LLC	4/15/2038	6.050%	750,000	750,000	911,819
Consolidated Edison Co. of New York	12/1/2039	5.500%	500,000	501,997	567,961
Cisco Systems, Inc.	1/15/2040	5.500%	500,000	499,457	590,211
Cisco Systems, Inc.	1/15/2040	5.500%	1,000,000	1,069,650	1,180,421
PepsiCo Capital Resources, Inc.	1/15/2040	5.500%	300,000	307,959	353,661
Southern California Edison Company	3/15/2040	5.500%	500,000	506,702	541,276
Wal-Mart Stores, Inc.	7/8/2040	4.875%	500,000	490,894	554,297
Microsoft Corporation	2/8/2041	5.300%	500,000	505,485	590,694
Honeywell International	3/1/2041	5.375%	300,000	304,121	352,870
Amgen, Inc.	10/1/2041	4.950%	300,000	290,637	300,395
Halliburton Company	11/15/2041	4.500%	300,000	304,345	274,309
Halliburton Company	11/15/2041	4.500%	750,000	731,585	685,773
Philip Morris International, Inc.	11/15/2041	4.375%	300,000	299,087	274,582
Philip Morris International, Inc.	11/15/2041	4.375%	250,000	249,115	228,819
Unitedhealth Group, Inc	11/15/2041	4.625%	300,000	298,746	314,358
Florida Power and Light	2/1/2042	4.125%	500,000	500,280	504,029
McDonalds Corporation	2/15/2042	3.700%	1,000,000	982,252	871,428
PepsiCo Capital Resources, Inc.	3/5/2042	4.000%	1,000,000	998,988	982,186
Duke Energy Indiana, Inc.	3/15/2042	4.200%	500,000	499,670	484,773
Mississippi Power Company	3/15/2042	4.250%	1,000,000	980,933	926,036
Southern California Edison Company	3/15/2042	4.050%	500,000	495,396	468,422
UnitedHealth Group, Inc.	3/15/2042	4.375%	500,000	491,908	507,575
Philip Morris International, Inc.	3/20/2042	4.500%	505,000	513,080	473,107
Berkshire Hathaway Finance Corporation	5/15/2042	4.400%	670,000	651,816	681,797
International Business Machines Corporation	6/20/2042	4.000%	1,000,000	949,218	903,794
Target Corporation	7/1/2042	4.000%	500,000	507,301	471,199
Target Corporation	7/1/2042	4.000%	1,000,000	994,167	942,398
Anheuser-Busch Inbev Worldwide, Inc.	7/15/2042	3.750%	250,000	241,043	195,134
Anheuser-Busch Inbev Worldwide, Inc.	7/15/2042	3.750%	250,000	245,478	195,134
Metlife, Inc.	8/13/2042	4.125%	1,000,000	983,809	934,754
Metlife, Inc.	8/13/2042	4.125%	500,000	483,162	467,377
Caterpillar, Inc.	8/15/2042	3.803%	1,000,000	1,003,300	935,198
The Estee Lauder Companies, Inc.	8/15/2042	3.700%	700,000	656,601	644,931
Merck, Sharp & Dohme Corporation	9/15/2042	3.600%	800,000	804,062	752,458

**City of Alexandria Employees' Retirement System
Investments - Corporate Bonds
December 31, 2018**

Schedule 5
(Concluded)

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
Astrazeneca	9/18/2042	4.000%	500,000	506,810	449,554
Intel Corporation	12/15/2042	4.250%	1,000,000	1,001,248	988,033
EI DuPont	2/15/2043	4.150%	500,000	477,094	557,869
Archer-Daniels-Midland Company	4/16/2043	4.016%	650,000	650,000	612,975
Archer-Daniels-Midland Company	4/16/2043	4.016%	600,000	586,222	565,823
Nike, Inc.	5/1/2043	3.625%	600,000	587,184	559,374
Loews Corporation	5/15/2043	4.125%	700,000	646,060	640,063
The Walt Disney Company	6/1/2044	4.125%	720,000	705,226	713,744
Apple, Inc.	2/9/2045	3.450%	250,000	227,564	220,809
Apple, Inc.	2/9/2045	3.450%	500,000	481,172	441,618
Microsoft Corporation	2/12/2045	3.750%	650,000	624,710	628,948
Eli Lilly & Co	3/1/2045	3.700%	500,000	499,550	462,037
The Boeing Company	3/1/2045	3.500%	600,000	583,191	533,708
Bell South Telecommunications, Inc.	11/15/2045	5.850%	800,000	758,438	797,716
Bell South Telecommunications, Inc.	11/15/2045	5.850%	750,000	698,379	747,859
Occidental Petroleum Corporation	4/15/2046	4.400%	500,000	507,474	486,113
Wells Fargo & Company	6/14/2046	4.400%	500,000	506,746	462,674
The Boeing Company	6/15/2046	3.375%	500,000	497,840	439,115
Comcast Corporation	7/15/2046	3.400%	600,000	548,328	492,233
Oracle Corporation	7/15/2046	4.000%	500,000	488,066	466,759
Oracle Corporation	7/15/2046	4.000%	300,000	305,539	280,055
The Walt Disney Company	7/30/2046	3.000%	680,000	658,800	561,982
Apple, Inc.	8/4/2046	3.850%	500,000	499,950	470,798
Union Pacific Corporation	8/15/2046	3.350%	1,000,000	911,913	821,848
Shell International Finance B.V.	9/12/2046	3.750%	1,000,000	997,660	926,604
Shell International Finance B.V.	9/12/2046	3.750%	500,000	494,388	463,302
PepsiCo Capital Resources, Inc.	10/6/2046	3.450%	600,000	580,359	540,316
AFLAC, Inc	10/15/2046	4.000%	1,000,000	985,227	914,521
United Parcel Service, Inc.	11/15/2046	3.400%	550,000	535,048	474,812
Pfizer, Inc	12/15/2046	4.125%	600,000	602,387	602,497
Occidental Petroleum	2/15/2047	4.100%	1,000,000	999,932	936,409
Gilead Sciences, Inc.	3/1/2047	4.150%	500,000	484,592	466,915
Progressive Corp	4/15/2047	4.125%	600,000	592,747	586,751
Lowe's Companies	5/3/2047	4.050%	600,000	578,108	517,712
Qual Comm Inc	5/20/2047	4.300%	500,000	475,399	445,778
Travelers Co	5/30/2047	4.000%	500,000	495,264	479,428
Unitedhealth Group, Inc	10/15/2047	3.750%	1,000,000	952,120	920,390
Oracle Corporation	11/15/2047	4.000%	530,000	524,880	493,893
Target Corporation	11/15/2047	3.900%	600,000	597,368	552,988
United Parcel Service, Inc.	11/15/2047	3.750%	950,000	915,662	853,205
Travelers Co	3/7/2048	4.050%	1,000,000	979,990	960,463
Totals			\$ 56,955,000	\$ 56,129,888	\$ 55,561,856

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - GNMA Notes
December 31, 2018**

Schedule 6

<u>Description</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
GNMA Notes	9.00%	\$ 245	\$ 245	\$ 246
GNMA Notes	9.50%	95	95	95
GNMA Notes	10.50%	1	1	1
Totals		<u>\$ 341</u>	<u>\$ 341</u>	<u>\$ 342</u>

All of the above are monthly principal reduction notes with final maturity scheduled on various dates.

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - U.S. Government Agency Notes
December 31, 2018**

Schedule 7

<u>Description</u>	<u>Maturity Date</u>	<u>Yield</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Federal Farm Credit Banks Debenture	07/02/30	3.570%	\$ 250,000	\$ 252,870	\$ 245,472
Totals			\$ 250,000	\$ 252,870	\$ 245,472

Yield represents yield to maturity.

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Preferred Stocks
December 31, 2018**

Schedule 8

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Entergy Arkansas, Inc	3,900	\$ 89,012	\$ 87,906
Entergy Louisiana, LLC	5,000	119,771	118,775
Entergy Arkansas, Inc	1,105	25,387	24,907
Gabelli DVD & Inc. Trust	3,880	100,104	98,358
Totals		<u>\$ 334,274</u>	<u>\$ 329,946</u>

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2018**

**Schedule 9
(Continued)**

Description	Number of Shares	Cost	Fair Value
Amgen, Inc.	18,000	\$ 1,475,675	\$ 3,504,060
Apache Corporation	10,000	745,381	262,500
Apple, Inc.	29,800	3,324,531	4,700,652
AT & T Corporation	25,000	940,266	713,500
BB & T Corporation	20,000	621,484	866,400
Bristol-Myers Squibb Company	31,500	2,053,914	1,637,370
Broadcom, Inc.	6,500	1,599,063	1,652,820
Caterpillar, Inc.	21,000	1,975,270	2,668,470
Celene Corporation	20,000	2,506,202	1,281,800
Cheniere Energy, Inc.	35,000	1,791,785	2,071,650
Cigna	2,434	454,075	462,265
Coca Cola Company	79,500	2,733,368	3,764,325
ConocoPhillips	15,000	1,225,104	935,250
CVS Health Corporation	43,500	3,559,238	2,850,120
Deer & Company	15,000	1,566,586	2,237,550
Devon Energy Corporation	25,000	1,720,343	563,500
DowDuPont Incorporated	58,204	2,355,001	3,112,750
Emerson Electric Company	39,500	1,262,579	2,360,125
Exxon Mobil Corporation	57,000	3,282,089	3,886,830
Fluor Corporation	20,000	1,050,365	644,000
Frank's International N.V.	20,000	625,220	104,400
Freeport-McMoRan, Inc.	45,000	1,963,975	463,950
Frontier Communications Company	320	34,358	762
Garrett Motion, Inc.	2,000	12,722	24,680
General Motors Company	23,230	1,945,206	777,043
General Motors Company Warrants B	7,553	474,121	118,507
Gilead Sciences, Inc.	44,500	3,786,378	2,783,475
Halliburton	10,000	509,475	265,800
Honeywell International, Inc.	20,000	1,158,741	2,642,400
ING Groep, N.V.	7,000	285,259	74,620
International Business Machines	35,300	5,435,606	4,012,551
Johnson & Johnson	45,000	2,949,032	5,807,250
JPMorgan Chase & Company	15,000	1,155,228	1,464,300
Kansas City Southern	24,000	2,662,271	2,290,800
Kinder Morgan, Inc.	10,000	160,899	153,800

**City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2018**

**Schedule 9
(Concluded)**

Description	Number of Shares	Cost	Fair Value
Kraft Heinz Company	10,500	965,709	451,920
Lowes Companies, Inc.	10,000	1,101,266	923,600
Lumentum Holdings Incorporated	587	325,338	24,660
Marathon Pete Corporation	7,000	550,749	413,070
Medtronic	18,250	1,482,379	1,660,020
Microsoft Corporation	55,400	3,281,147	5,626,978
Nuance Communications, Inc.	100,000	2,102,279	1,323,000
Procter & Gamble Company	36,625	2,054,128	3,366,570
Resideo Technologies	3,333	35,567	68,493
Snap, Inc.	55,000	869,325	303,050
Union Pacific Corporation	21,000	503,843	2,902,830
US Bancorp	44,000	1,346,497	2,010,800
Viavi Solutions	2,937	465,556	29,517
Wal-Mart Stores, Inc.	23,000	2,254,437	2,142,450
Walt Disney Company	32,500	792,230	3,563,625
Totals		\$ 77,531,260	\$ 85,970,858

See independent auditor's report.

**City of Alexandria Employees' Retirement System
 Schedule of Compensation, Benefits, and
 Other Payments to Chief Executive Officer
 Year Ended December 31, 2018**

Schedule 10

Chief Executive Officer: Richard G. Moriarty

Purpose	Amount
Salary	\$ 50,834
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Total	\$ 50,834

See independent auditor's report.

**Other Report Required by
*Government Auditing Standards***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1946

**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***

To the Board of Trustees
City of Alexandria Employees' Retirement System

We 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 statements of fiduciary net position and changes in fiduciary net position of the City of Alexandria Employees' Retirement System (the System) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 12, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
Deborah R. Dunn, C.P.A.

Rebecca G. Nation, C.P.A.
Evelyn T. Renfrow, C.P.A.
Kayla G. Holloway, C.P.A.





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To the Board of Trustees
City of Alexandria Employees' Retirement System

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

June 12, 2019

Schedule of Findings and Responses

**City of Alexandria Employees' Retirement System
 Schedule of Findings and Responses
 Year Ended December 31, 2018**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses?

___ Yes X None reported

Noncompliance material to the financial statements noted?

___ Yes X No

Federal Awards

Not Applicable

Management's Summary Schedule of Prior Year Audit Findings

Not Applicable

Management's Corrective Action Plan

Not Applicable

Other Comments and Recommendations

Not Applicable

Part II - Findings Related to the Financial Statements

None

Part III - Findings and Questioned Costs for Federal Awards

Not Applicable

*City of Alexandria Employees' Retirement
System*

*Statewide Agreed-Upon Procedures
Report*

Alexandria, Louisiana

December 31, 2018



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Trustees
City of Alexandria Employees' Retirement System
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by City of Alexandria Employees' Retirement System (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated results are as follows:

Written Policies and Procedures

1. **Procedure:** Obtain and inspect the Entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Entity's operations):
 - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

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To the Board of Trustees
City of Alexandria Employees' Retirement System
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- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchase).
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: In our written policies and procedures test, we found that the Entity did not have formal written policies and procedures for the following areas: purchasing, disbursements, receipts/collections, payroll/personnel, contracting, or ethics.

Management's Response: The retirement system maintains written procedures relative to the areas of computer systems operations; investment policy; rules pertaining to the administration of the law delineated in the Revised Statutes that established and define the various operations of the system. Insofar as rules relating to purchasing, it is not practical to develop such as the system's purchases are so small in scope and financial expense. The reporting of receipts, disbursements and payroll costs are adequately handled through the general ledger accounting system ACCPAC and the costs are accounted for accurately through that process. The retirement system has developed a procedures manual to cover all aspects of the payroll system. There are no contracts utilized by the retirement system except for that of the auditors, actuary and the office lease. The retirement system office follows the Revised Statutes regarding ethics and the attendance of annual meetings pertaining to the same.



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City of Alexandria Employees' Retirement System
and the Louisiana Legislative Auditor

Board or Finance Committee

2. **Procedure:** Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the General Fund. If the General Fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the General Fund.

Results: Not applicable-no prior year exceptions noted.

Bank Reconciliations

3. **Procedure:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Entity's main operating account. Select the Entity's main operating account and randomly select four (4) additional accounts [or all accounts if less than five (5)]. Randomly select one (1) month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and



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City of Alexandria Employees' Retirement System
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- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than twelve (12) months from the statement closing date, if applicable.

Results: In our test of bank reconciliations, we noted that the bank reconciliations tested were not reviewed by management or a board member with no involvement in the transactions associated with the bank account.

Management's Response: The retirement office is a two person staff. Normally one staff person initiates the work resulting in expenditures of monies, and the other person in the office completes the work associated with that transaction. In that way, there usually is the involvement of the two members of the office staff in transactions resulting in a check and balance in the work.

Collections

4. **Procedure:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five (5) deposit sites [or all deposit sites if less than five (5)].

Results: No exceptions noted.

5. **Procedure:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one (1) collection location for each deposit site [i.e. five (5) collection locations for five (5) deposit sites], obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.



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- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: In our test of collections we noted the following:

- a) The Entity does not have a written policy specifically stating that the employee responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the bank statement.
- b) The Entity does not have a written policy specifically stating the employee responsible for reconciling cash collection to the general ledger is not responsible for collecting cash.

Management's Response: There is no cash handled by the retirement office. All transactions are by check and ACH transactions. In the last several years, the volume of work in the handling of monies has been reduced to both a debit and credit ACH, all of which is initiated by the investment firm with whom the system deals. The only check of consequence received is for the employer and employee contributions each pay period received from the parent organization [City]. These checks are balanced against the payroll registers received from the City Payroll department, and then deposited on the date received. Both of these transactions are audited by the system auditors at year end. Written policies in this instance are not of necessity to carry out the work.

- 6. **Procedure:** Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions noted.

- 7. **Procedure:** Randomly select two (2) deposit dates for each of the five (5) bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten (10) deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.



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City of Alexandria Employees' Retirement System
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- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one (1) business day of receipt at the collection location (within one (1) week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: In our test of collections, we noted none of the receipts were date stamped when received. Therefore, we were unable to determine if these collections were deposited within one day of the receipt.

Management's Response: There is no cash handled by the retirement office. All transactions are by check and ACH transactions. In the last several years, the volume of work in the handling of monies has been reduced to both a debit and credit ACH, all of which is initiated by the investment firm with whom the system deals. The only check of consequence received is for the employer and employee contributions each pay period received from the parent organization [City]. These checks are balanced against the payroll registers received from the City Payroll department, and then deposited on the date received. Both of these transactions are audited by the system auditors at year end. Written policies in this instance are not of necessity to carry out the work.

Non-Payroll Disbursements (excluding credit purchase/payments, travel reimbursements, and petty cash purchases)

- 8. **Procedure:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five (5) locations [or all locations if less than five (5)].

Results: No exceptions noted.

- 9. **Procedure:** For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.



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- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: We noted the following:

- a) The Entity does not use a requisition/purchase order or electronic equivalent system.
- b) The employee responsible for processing payments is the same employee who is responsible for mailing the payments.

Management's Response: All expenditures of funds are governed by and through an operating budget which is adopted by the Board of Trustees of the Retirement System at the beginning of the fiscal year. The retirement system does not have need for, nor does it utilize an electronic purchasing system.

10. **Procedure:** For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five (5) disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted.

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

11. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card number and the names of the person who maintained possession of the cards. Obtain management's representation that the listing is complete.



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Results: This procedure is not applicable because the Entity does not have credit cards, debit cards, fuel cards, or P-cards.

12. Procedure: Using the listing prepared by management, randomly select five (5) cards [or all cards if less than five (5)] that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]]

b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: This procedure is not applicable because the Entity does not have credit cards, debit cards, fuel cards or P-cards.

13. Procedure: Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten (10) transactions [or all transactions if less than ten (10)] from each statement, and obtain supporting documentation for the transactions [i.e. each card should have ten (10) transactions subject to testing]. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only) .

Results: This procedure is not applicable because the Entity does not have credit cards, debit cards, fuel cards or P-cards.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Procedure: Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five (5) reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five (5) reimbursements selected:



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- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: This procedure is not applicable because the Entity did not have travel and travel-related expense reimbursements during the fiscal period.

Contracts

15. Procedure: Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select five (5) contracts [or all contracts if less than five (5)] from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the five (5) contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: Not applicable-no prior year exceptions noted.



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To the Board of Trustees
City of Alexandria Employees' Retirement System
and the Louisiana Legislative Auditor

Payroll and Personnel

16. Procedure: Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five (5) employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in personnel files.

Results: No exceptions noted.

17. Procedure: Randomly select one pay period during the fiscal period. For the five (5) employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the Entity's cumulative leave records.

Results: We found that the Entity does not keep written documentation on daily attendance and leave.

Management's Response: The retirement office is not under civil service, and its personnel are at will employees. The salaries approved by the Board of Trustees in the budget process are for annual salaries, paid on a semi-monthly basis. Leave is not delineated by the Board of Trustees and the Secretary-Treasurer is delegated operational authority.

18. Procedure: Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two (2) employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.



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Results: The procedure is not applicable because the Entity incurred no employee/official terminations during the fiscal period.

19. **Procedure:** Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: No exceptions noted.

Ethics

20. **Procedure:** Using the five (5) randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: Not applicable-no prior year exceptions noted.

Debt Service

21. **Procedure:** Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Results: This procedure is not applicable because the Entity does not have any debt.

22. **Procedure:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one (1) bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: This procedure is not applicable because the Entity does not have any debt.



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Other

23. Procedure: Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Entity is domiciled.

Results: No exceptions noted.

24. Procedure: Observe that the Entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions noted.

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

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

Payne, Moore & Herrington, LLP

Payne, Moore & Herrington, LLP
Alexandria, Louisiana

June 12, 2019