

R E P O R T

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

JUNE 30, 2017 AND 2016

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

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Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT AUDITOR'S REPORT

December 29, 2017

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans

1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

Board of Trustees
District Attorneys' Retirement System
State of Louisiana
1645 Nicholson Drive
Baton Rouge, Louisiana 70802-8143

Report on the Financial Statements

We have audited the accompanying financial statements of the District Attorneys' Retirement System (the System) of the State of Louisiana, as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District Attorneys' Retirement System of the State of Louisiana as of June 30, 2017 and 2016, and the respective changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As disclosed in Note 12 to the financial statements, the total pension liability for the District Attorneys Retirement System of Louisiana was \$419,576,007 and \$389,883,177 at June 30, 2017 and 2016, respectively. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2017 and 2016 could be understated or overstated.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information 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 a report dated December 29, 2017 on our consideration of the District Attorneys' Retirement System of the State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District Attorneys' Retirement System's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

The Management's Discussion and Analysis of the District Attorneys' Retirement System financial performance presents a narrative overview and analysis of the System's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the District Attorneys' Retirement System's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The District Attorneys' Retirement System's assets exceeded its liabilities at the close of fiscal year 2017 by \$392,603,825, which represents an increase from last fiscal year.
- Contributions to the plan by members totaled \$4,865,302, a decrease of \$58,319 or 1.18% from the prior year.
- The fair value of investments reflected a net increase of \$22,642,062 or 6.15%. The net position held in trust for pension benefits increased by \$21,861,373 or 5.90%.
- The rate of return on the System's investments was 9.41% based on the market value. This is higher than the prior year's (1.60)% market rate of return.
- Pension benefits paid to retirees and beneficiaries increased by \$1,204,888 or 8.00%. This increase is due to an increase in the number of retirees and their benefit amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The statement of fiduciary net position report the System's assets, liabilities, and resultant net position - restricted for pension benefits. It discloses the financial position of the System as of June 30, 2017.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The statement of changes in fiduciary net position reports the results of the System's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net position value on the statement of plan net position.

FINANCIAL ANALYSIS OF THE SYSTEM

The District Attorneys' Retirement System provides benefits to all eligible employees of the Louisiana Judicial Districts in the State of Louisiana. Employee contributions and earnings on investments fund these benefits.

	<u>Statement of Fiduciary Net Position</u>	
	<u>June 30, 2017 and 2016</u>	
	<u>2017</u>	<u>2016</u>
Cash and investments	\$ 391,373,180	\$ 369,552,357
Receivables	1,230,645	1,190,095
Total assets	<u>392,603,825</u>	<u>\$ 370,742,452</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position - Restricted for Pension Benefits	<u>\$ 392,603,825</u>	<u>\$ 370,742,452</u>

Fiduciary net position increased by \$21,861,373 or 5.09%. All of these positions are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The increase in fiduciary net position was a result of the investment and contribution income exceeding the benefits paid.

	<u>Statement of Changes in Fiduciary Net Position</u>	
	<u>June 30, 2017 and 2016</u>	
	<u>2017</u>	<u>2016</u>
Additions:		
Contributions	\$ 13,085,606	\$ 15,828,831
Investment income, net	28,228,802	6,734,928
Other	728,296	1,851,976
Total additions	<u>42,042,704</u>	<u>24,415,735</u>
Deductions	<u>20,181,331</u>	<u>22,727,572</u>
Increase in Plan Net Position	<u>\$ 21,861,373</u>	<u>\$ 1,688,163</u>

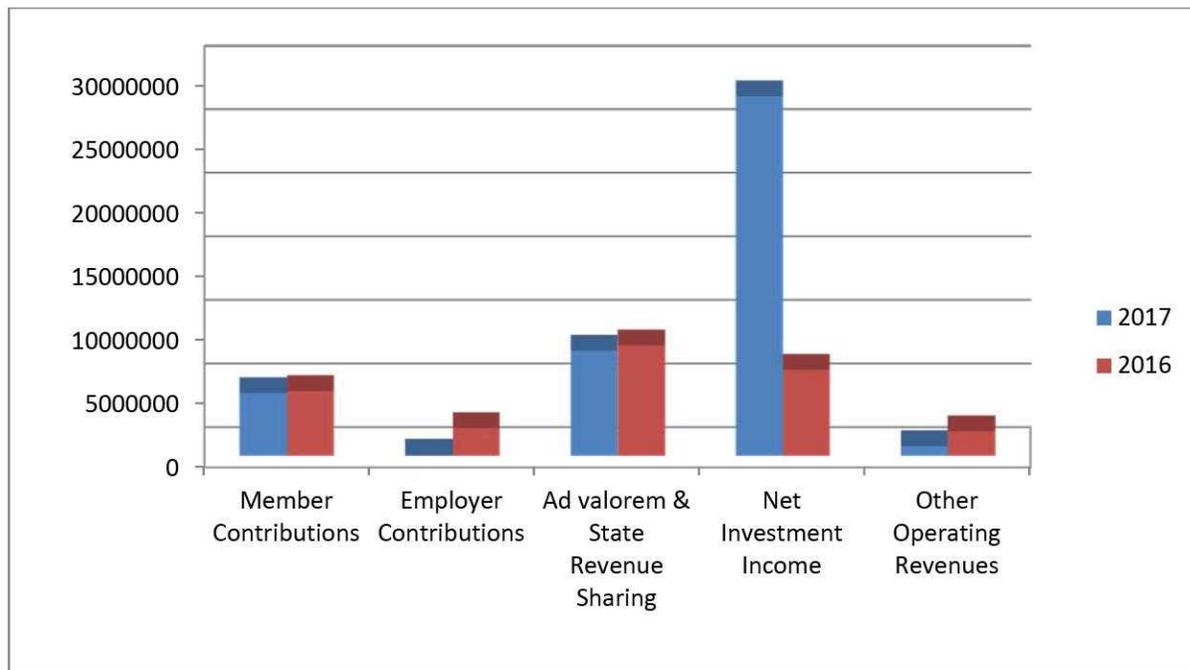
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SYSTEM (Continued)

Additions to Fiduciary Net Position

Additions to the System's fiduciary net position were derived from member and employer contributions, ad valorem taxes and state revenue sharing funds, and investment income. The System experienced a net investment gain of \$28,228,802 as compared to a gain of \$6,734,928 in the previous year. The change was mainly due to an increase in the appreciation of bonds and exchange traded funds.

	<u>2017</u>	<u>2016</u>	Increase (Decrease) <u>Percentage</u>
Member contributions	\$ 4,865,302	\$ 5,044,977	-3.56%
Employer contributions	-	2,125,900	-100.00%
Irregular contributions	909	-	100.00%
Ad valorem & state revenue sharing	8,219,395	8,657,954	-5.07%
Net investment income	28,228,802	6,734,928	319.14%
Other operating revenues	728,296	1,851,976	-60.67%
Total	<u>\$ 42,042,704</u>	<u>\$ 24,415,735</u>	



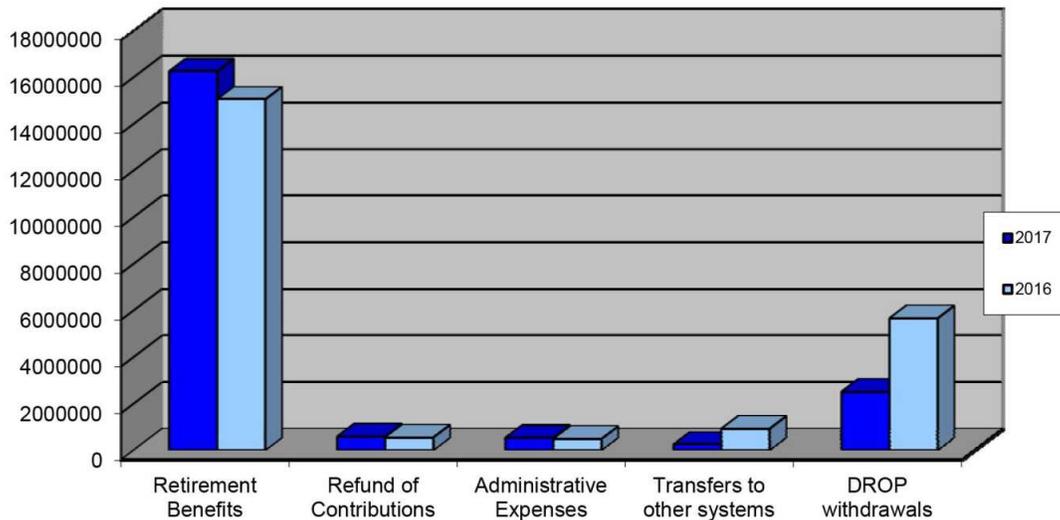
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SYSTEM (Continued)

Deductions from Fiduciary Net Assets

Deductions from fiduciary net assets include retirement, death, and survivor benefits; and administrative expenses; and transfers to other systems. Deductions from plan net position totaled \$20,181,331 in fiscal year 2017. The increase in retirement benefit payments to \$16,266,404 from \$15,061,516 is due largely to an increase in the number of retirees and newer retirees earning higher benefit amounts than previous retirees.

	<u>2017</u>	<u>2016</u>	Increase (Decrease) Percentage
Retirement benefits	\$ 16,266,404	\$ 15,061,516	8.00%
Refunds of contributions	599,683	562,626	6.59%
Administrative expenses	539,682	495,267	8.97%
Transfers to other systems	252,073	936,489	-73.08%
DROP withdrawals	2,523,489	5,671,674	-55.51%
Total	<u>\$ 20,181,331</u>	<u>\$ 22,727,572</u>	



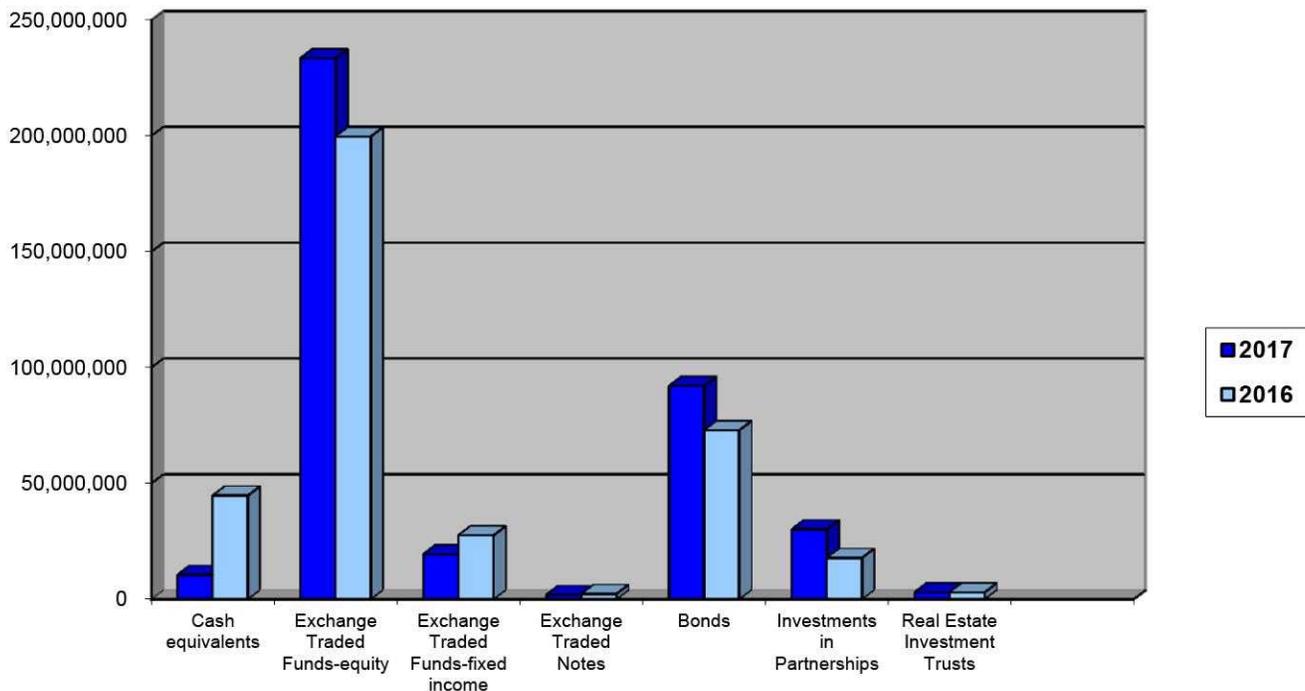
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SYSTEM (Continued)

Investments

The District Attorneys' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of its members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments and cash equivalents at June 30, 2017 were \$390,956,414 as compared to \$368,314,352 at June 30, 2016, which is an increase of \$22,642,062 or 6.15%. The major factor contributing to this increase was the increase in bonds, and partnerships. The System's investments in various markets at the end of the 2017 and 2016 fiscal years are detailed in the following table:

	<u>2017</u>	<u>2016</u>	Increase (Decrease) <u>Percentage</u>
Cash equivalents	\$ 10,598,910	\$ 44,768,946	-76.33%
Exchange traded funds - equity	233,581,426	199,714,521	16.96%
Exchange traded funds - fixed income	19,483,358	27,638,284	-29.51%
Exchange traded notes	1,929,011	2,359,291	-18.24%
Bonds	92,104,241	72,944,832	26.27%
Investments in partnerships	30,228,374	17,880,325	69.06%
Real estate investment trusts	3,031,094	3,008,153	0.76%
Total	<u>\$ 390,956,414</u>	<u>\$ 368,314,352</u>	



DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Roxanne Barrios Juneau, Assistant Director, District Attorneys' Retirement System, 1645 Nicholson Drive, Baton Rouge, Louisiana 70802, (225) 267-4824.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash	\$ 416,766	\$ 1,238,005
Receivables:		
Employer contributions	-	162,746
Member contributions	405,403	372,251
Accrued interest and dividends	825,242	655,098
Total	<u>1,230,645</u>	<u>1,190,095</u>
Investments (at fair value):		
Cash equivalents	10,598,910	44,768,946
Bonds:		
Treasury bills	4,940,860	4,241,509
U.S Government backed	7,434,415	9,091,585
Municipal	79,728,966	59,611,738
Private equity partnerships	30,228,374	17,880,325
Exchange traded funds - equity	233,581,426	199,714,521
Exchange traded funds - fixed income	19,483,358	27,638,284
Exchange traded notes	1,929,011	2,359,291
Real estate investment trusts	3,031,094	3,008,153
Total investments	<u>390,956,414</u>	<u>368,314,352</u>
Total assets	<u>392,603,825</u>	<u>370,742,452</u>
LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 392,603,825</u>	<u>\$ 370,742,452</u>

See accompanying notes.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ADDITIONS:		
Contributions:		
Members	\$ 4,865,302	\$ 4,923,621
Employer	-	2,125,900
Purchase of prior year service	-	121,356
Irregular contributions	909	-
Ad valorem taxes	8,020,166	8,461,331
State revenue sharing funds	199,229	196,623
Total contributions	13,085,606	15,828,831
Investment income:		
Interest and dividend income	9,297,306	10,261,285
Other investment income (loss)	(1,619,914)	2,572,317
Net appreciation (depreciation) in fair value of investments	21,056,085	(5,732,448)
Less investment expense	(504,675)	(366,226)
Net investment income	28,228,802	6,734,928
Other additions:		
Transfers from other retirement systems	728,296	1,851,976
Total other additions	728,296	1,851,976
Total additions	42,042,704	24,415,735
DEDUCTIONS:		
Benefits	16,266,404	15,061,516
DROP withdrawal	2,523,489	5,671,674
Refund of contributions	599,683	562,626
Transfers to other retirement systems	252,073	936,489
Administrative expenses	539,682	495,267
Total deductions	20,181,331	22,727,572
NET INCREASE IN PLAN NET ASSETS	21,861,373	1,688,163
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	370,742,452	369,054,289
END OF YEAR	\$ 392,603,825	\$ 370,742,452

See accompanying notes.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

The District Attorneys' Retirement System (System) was created on August 1, 1956 by Act 56 of the 1956 session of the Louisiana Legislature for the purpose of providing retirement allowances and other benefits for district attorneys and their assistants in each parish. The System is administered by a Board of Trustees. Benefits, including normal retirement, early retirement, disability retirements, and death benefits, are provided as specified in the plan.

The System is governed by a Board of Trustees composed of seven elected members and two legislators who serve as ex-officio members, all of whom are voting members consisting of a Chairman; six active, participating district attorneys; and one retired district attorney participating in the System. The chairmen of the Louisiana Senate Finance and House Retirement Committee serve as ex-officio members. The Chairman may be either an active or retired district attorney, elected by the members of the System for a term of five years. Reelection is permissible. The Board members serve three-year staggered terms. All members of the Board of Trustees must complete legislatively required hours of training. Office personnel and retained professionals serve as authorized by the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB). These financial statements include the requirements of GASB Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Related Standards*. GASB 34 requires the inclusion of a management discussion and analysis as supplementary information.

Basis of Accounting:

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

Interest income is recognized when earned. Ad valorem taxes and revenue sharing monies are recognized in the year appropriated by the legislature.

Method Used to Value Investments:

The System implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the fiscal year ended June 30, 2016. As required by GASB 72, investments are reported at fair value. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement establishes a hierarchy of inputs to valuation

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Method Used to Value Investments:

techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, whether directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage backed security. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures are organized by type of asset or liability. GASB 72 also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). These disclosures are located in Note 5.

Fair value of short-term investments approximates cost. Fair value of securities traded on a national or international exchange is calculated using the last reported sales price at current exchange rates. Fair value of investments in limited partnerships is calculated as the System's percentage of ownership of the partners' capital reported by the partnership. Fair value of real estate investment trusts is calculated based on the System's share of income and expenses as reported by the trust. Because of inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term.

Revenue and Expenditures:

Employer and employee contributions are recognized in the period in which the employee is compensated for services performed.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest income is recognized when earned and dividends are recognized at the declaration date.

Ad valorem taxes and revenue sharing monies are recognized in the year appropriated by the legislature.

Expenditures are recognized in the period incurred.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. PLAN DESCRIPTION:

The District Attorneys' Retirement System State of Louisiana is the administrator of a cost-sharing, multiple employer defined benefit pension plan. The System was established on the first day of August, nineteen hundred and fifty-six and was placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits as stated under the provisions of R.S. 11, Chapter 3 for district attorneys and their assistants in each parish.

All persons who are district attorneys in the State of Louisiana, assistant district attorneys in any parish of the State of Louisiana, or employed by this retirement system and the Louisiana District Attorneys' Association, except for elected or appointed officials who have retired from service under any publicly funded retirement system within the state and who are currently receiving benefits, shall become members as a condition of their employment; provided, however, that in the case of assistant district attorneys, they must be paid an amount not less than the minimum salary specified by the Louisiana District Attorneys' Retirement System Board of Trustees. At June 30, 2017 and 2016, the statewide retirement system membership consists of:

	<u>2017</u>	<u>2016</u>
Inactive plan members or beneficiaries		
currently receiving benefits	329	311
Inactive plan members entitled to but		
not yet receiving benefits	362	316
Active plan members	755	784
Total Participants	1,446	1,411

Members who joined the System before July 1, 1990, and who have elected not to be covered by the new provisions, are eligible to receive a normal retirement benefit if they have 10 or more years of creditable service and are at least age 62, or if they have 18 or more years of service and are at least age 60, or if they have 23 or more years of service and are at least age 55, or if they have 30 years of service regardless of age. The normal retirement benefit is equal to 3% of the member's average final compensation for each year of creditable service. Members are eligible for early retirement at age 60 if they have at least 10 years of creditable service or at age 55 with at least 18 years of creditable service. Members who retire prior to age 60 with less than 23 years of service credit, receive a retirement benefit reduced 3% for each year of age below 60. Members who retire prior to age 62 who have less than 18 years of service receive a retirement benefit reduced 3% for each year of age below 62. Retirement benefits may not exceed 100% of final average compensation.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. PLAN DESCRIPTION: (Continued)

Members who joined the System after July 1, 1990, or who elected to be covered by the new provisions, are eligible to receive normal retirement benefits if they are age 60 and have 10 years of service credit, are age 55 and have 24 years of service credit, or have 30 years of service credit regardless of age. The normal retirement benefit is equal to 3.5% of the member's final average compensation multiplied by years of membership service. A member is eligible for an early retirement benefit if he is age 55 and has 18 years of service credit. The early retirement benefit is equal to the normal retirement benefit reduced 3% for each year the member retires in advance of normal retirement age. Benefits may not exceed 100% of average final compensation.

Disability benefits are awarded to active contributing members with at least 10 years of service who are found to be totally disabled as a result of injuries incurred while in active service. The member receives a benefit equal to 3% (3.5% for members covered under the new retirement benefit provisions) of his average final compensation multiplied by the lesser of his actual service (not to be less than 15 years) or projected continued service to age 60.

Upon the death of a member with less than 5 years of creditable service, his accumulated contributions and interest thereon are paid to his surviving spouse, if he is married, or to his designated beneficiary, if he is not married. Upon the death of any active, contributing member with five or more years of service or any member with 23 years of service who has not retired, automatic Option 2 benefits are payable to the surviving spouse. These benefits are based on the retirement benefits accrued at the member's date of death with the option factors used as if the member had continued in service to earliest normal retirement age. If a member has no surviving spouse, the surviving minor children under 18 or disabled children are paid 80% of the member's accrued retirement benefit divided into equal shares. If a member has no surviving spouse or children, his accumulated contributions and interest are paid to his designated beneficiary. In lieu of periodic payments, the surviving spouse or children may receive a refund of the member's accumulated contributions with interest.

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

The Board of Trustees is authorized to grant retired members and surviving spouses of members who have retired an annual cost of living increase of 3% of their original benefit, (not to exceed \$60 per month) and all retired members and surviving spouses who are 65 years of age and older a 2% increase in their original benefit. In lieu of other cost of living increases the board may grant an increase to retirees in the form of "Xx(A&B)" where "A" is equal to the number of years of credited service accrued at retirement or death of the member or retiree

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. PLAN DESCRIPTION: (Continued)

and "B" is equal to the number of years since death of the member or retiree to June 30 of the initial year of increase and "X" is equal to any amount available for funding such increase up to a maximum of \$1. In order for the board to grant any of these increases, the System must meet certain criteria detailed in the statute related to funding status and interest earnings.

In lieu of receiving a service retirement allowance, any member who has more years of service than are required for a normal retirement may elect to receive a Back-Deferred Retirement Option Program (Back-DROP) benefit.

The Back-DROP benefit is based upon the Back-DROP period selected and the final average compensation prior to the period selected. The Back-DROP period is the lesser of three years or the service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. At retirement, the member's maximum monthly retirement benefit is based upon his service, final average compensation, and plan provisions in effect on the last day of creditable service immediately prior to the commencement of the Back-DROP period. In addition to the monthly benefit at retirement, the member receives a lump-sum payment equal to the maximum monthly benefit as calculated above multiplied by the number of months in the Back-DROP period. In lieu of receiving the lump-sum payment, the member may leave the funds on deposit with the System in an interest bearing account.

Prior to January 1, 2009, eligible members could elect to participate in the Deferred Retirement Option Program (DROP) for up to three years in lieu of terminating employment and accepting a service benefit. During participation in the DROP, employer contributions were payable and employee contributions were reduced to ½ of 1%. The monthly retirement benefits that would have been payable to the member were paid into a DROP account, which did not earn interest while the member was participating in the DROP. Upon termination of participation, the participant in the plan received, at his option, a lump sum from the account equal to the payments into the account or systematic disbursements from his account in any manner approved by the Board of Trustees. The monthly benefits that were being paid into the DROP would then be paid to the retiree. All amounts which remain credited to the individual's sub-account after termination of participation in the plan were invested in liquid money market funds. Interest was credited thereon as actually earned.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

The System is financed by employee contributions established by state statute at 8% of salary for active members at June 30, 2017 and 2016. In addition, the System receives revenue sharing

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

funds as appropriated by the legislature and ad valorem taxes as determined by the Public Retirement Systems' Actuarial Committee up to a maximum of .2% of the ad valorem taxes shown to be collected. According to state statute, in the event that the contributions from ad valorem taxes and revenue sharing funds are insufficient to provide for the gross employer actuarially required contribution, the employer is required to make direct contributions as determined by the Public Retirement Systems' Actuarial Committee. The actuarially determined employer contribution was 0% for the years ended June 30, 2017 and 2016. The actual employer contribution was 0% and 3.50% for the years ended June 30, 2017 and 2016, respectively.

Administrative costs of the fund are financed through employer contributions.

Reserves:

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

A) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the reserve from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve. The Pension Reserve balance as of June 30, 2017 and 2016 was \$179,702,522 and \$164,188,031, respectively.

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. When a member retires, the amount of his accumulated contributions is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance as of June 30, 2017 and 2016 was \$52,297,690 and \$50,029,555, respectively.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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3. CONTRIBUTIONS AND RESERVES: (Continued)

C) Pension Accumulation: (Continued)

reserve is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance as of June 30, 2017 and 2016 was \$154,187,584 and \$148,566,735, respectively.

D) Back-Deferred Retirement Option Plan Account:

The Back-Deferred Retirement Option Plan (Back-DROP) Account receives and holds the retirement benefits deposited on behalf of DROP participants at time of retirement. A participant may receive a lump sum payment of the Back-DROP deposit or systematic disbursements approved by the Board of Trustees. The Back-DROP account balance as of June 30, 2017 was \$6,416,029 and \$7,958,131, respectively.

4. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents, and investments at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash (bank balance)	\$ 671,892	\$ 1,406,838
Cash equivalents	10,598,910	44,768,946
Investments	<u>380,357,504</u>	<u>323,545,406</u>
Total	<u>\$ 391,628,306</u>	<u>\$ 369,721,190</u>

Deposits:

The System's bank deposits were fully covered by federal depository insurance and pledged securities held in the name of the System.

Cash Equivalents:

At June 30, 2017 and 2016, cash equivalents in the amount of \$2,273,982 and \$33,862,172, respectively, were held by a sub-custodian, are managed by a separate money manager and are in the name of the System's custodian department.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Cash Equivalents: (Continued)

At June 30, 2017 and 2016, cash equivalents in the amount of \$8,324,928 and \$10,906,774, respectively, consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP), held by a custodial bank, and are in the name of the System. All of LAMP's investments are AAAM rated by S&P.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Investments:

State statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of the system to act with care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The System shall not invest more than 65% of the total portfolio in equity investments, as a result of legislation enacted during the 2004 regular session. At June 30, 2017 and 2016, the System was in compliance with this legislation.

At June 30, 2017 and 2016, all investments except investments in partnerships and real estate investment trusts (REITs) are held in safekeeping by Fidelity Investments in Cincinnati, Ohio.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy states that no more than 5% (of cost) of the assets assigned to an investment manager may be invested in the securities of one issuer. This restriction applies to active investment management programs and does not apply to Index Funds or Exchange Traded Funds as they are diversified investment pools by

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Concentration of Credit Risk: (Continued)

definition and practice. At June 30, 2017, there were no investments other than Exchange Traded Funds which exceeded 5% of net assets available for benefits or 5% of the assets assigned to an investment manager.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the System's investments in long-term debt securities at June 30, 2017:

June 30, 2017

	<u>Fair Value</u>	U.S. Government and Agency Obligations and Mortgage-Backed <u>Securities</u>	<u>Other Bonds</u>
AAA	\$ 11,048,850	\$ -	\$ 11,048,850
AA+	13,958,203	4,940,860	9,017,343
AA	17,060,944	-	17,060,944
A	5,365,195	-	5,365,195
A+	6,981,776	-	6,981,776
AA-	13,152,271	-	13,152,271
Not Rated	<u>24,537,002</u>	<u>7,434,415</u>	<u>17,102,587</u>
	<u>\$ 92,104,241</u>	<u>\$ 12,375,275</u>	<u>\$ 79,728,966</u>

June 30, 2016

	<u>Fair Value</u>	U.S. Government and Agency Obligations and Mortgage-Backed <u>Securities</u>	<u>Other Bonds</u>
AAA	\$ 9,434,305	\$ -	\$ 9,434,305
AA+	10,397,671	4,241,509	6,156,162
AA	12,984,269	-	12,984,269
A	2,141,885	-	2,141,885
A-	2,595,989	-	2,595,989
AA-	11,598,745	-	11,598,745
Not Rated	<u>23,791,968</u>	<u>9,091,585</u>	<u>14,700,383</u>
	<u>\$ 72,944,832</u>	<u>\$ 13,333,094</u>	<u>\$ 59,611,738</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Credit Risk: (Continued)

The System also invests in an exchange traded bond fund with a balance of \$19,483,358 and \$27,638,284 at June 30, 2017 and 2016, respectively. The bond fund's credit quality rating had a range of Aaa – Baa as of June 30, 2017 and 2016.

The System's investment policy regarding credit risk requires each investment manager to closely monitor the investment credit ratings and to report any concerns to the investment consultant and the Board.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System is exposed to custodial credit risk for investments in the amount of \$347,098,036 and \$302,656,928 at June 30, 2017 and 2016, respectively, as the assets are not held in a nominee name or in the name of the System. The assets are held in a Fidelity custodial account.

The System had \$2,273,982 and \$33,862,172 as of June 30, 2017 and 2016, respectively, in cash equivalents, which is exposed to custodial credit risk since the investment is held in the name of the System's custodian's trust department.

The System's policy to mitigate the custodial credit risk is to obtain the custodian's audited financial statements, SSAE 16 (formerly SAS 70) report and supplemental information as well as documentation outlining SIPC and supplemental insurance coverage. This information will be reviewed by the investment consultant.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. The System had the following investments in long-term debt securities and maturities in years:

<u>June 30, 2017</u>	<u>Fair Value</u>	<u>In Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>
U.S. Government and Agency Obligations and Mortgage-Backed Securities	\$ 12,375,275	\$ -	\$ -	\$ 4,979,877	\$ 7,395,398
Other bonds	79,728,966	509,430	23,120,447	47,740,428	8,358,661
	<u>\$ 92,104,241</u>	<u>509,430</u>	<u>\$ 23,120,447</u>	<u>\$ 52,720,305</u>	<u>\$ 15,754,059</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Interest Rate Risk: (Continued)

<u>June 30, 2016</u>		<u>In Years</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>
U.S. Government and Agency Obligations and Mortgage-Backed Securities	\$ 13,333,094	\$ 719,474	\$ -	\$ 2,334,523	\$ 10,279,097
Other bonds	<u>59,611,738</u>	<u>-</u>	<u>4,833,594</u>	<u>37,447,235</u>	<u>17,330,909</u>
	<u>\$ 72,944,832</u>	<u>\$ 719,474</u>	<u>\$ 4,833,594</u>	<u>\$ 39,781,758</u>	<u>\$ 27,610,006</u>

The System also invests in a bond fund with a balance of \$19,483,358 and \$27,638,284 at June 30, 2017 and 2016, respectively. The average portfolio duration of this bond fund ranges from 2.9 to 8.3 years at June 30, 2017 and 2016.

The System invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The System's policy regarding interest rate risk requires each investment manager to closely monitor the maturities and interest rates of investments and to report any concerns to the investment consultant and the Board.

Money-Weighted Rate of Return:

For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.20% and 1.40%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. FAIR VALUE DISCLOSURES:

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of June 30, 2017 and 2016:

	6/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Cash Equivalents	\$ 10,598,910	\$ 10,598,910	\$ -	\$ -
Fixed Income Investments:				
Treasury bills	\$ 4,940,860	\$ 4,940,860	\$ -	\$ -
U.S. Government Agency obligations	7,434,415	-	7,434,415	-
Municipal bonds	79,728,966	-	79,728,966	-
Exchange traded funds	19,483,358	19,483,358	-	-
Total Fixed Income Investments	111,587,599	24,424,218	87,163,381	-
Equity Securities:				
Exchange traded funds	233,581,426	233,581,426	-	-
Exchange traded notes	1,929,011	1,929,011	-	-
Total Equity Securities	235,510,437	235,510,437	-	-
Total Investments at Fair Value Level	\$ 357,696,946	\$ 270,533,565	\$ 87,163,381	\$ -
Investments measured at the Net Asset Value (NAV)				
Private equities	30,228,374			
Real estate trusts	3,031,094			
Total Investments at NAV	33,259,468			
Total Investments	\$ 390,956,414			

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. FAIR VALUE DISCLOSURES: (Continued)

	6/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Cash Equivalents	\$ 44,768,946	\$ 44,768,946	\$ -	\$ -
Fixed Income Investments:				
Treasury bills	\$ 4,241,509	\$ 4,241,509	\$ -	\$ -
U.S. Government Agency obligations	9,091,585	-	9,091,585	-
Municipal bonds	59,611,738	-	59,611,738	-
Exchange traded funds	27,638,284	27,638,284	-	-
Total Fixed Income Investments	100,583,116	31,879,793	68,703,323	-
Equity Securities:				
Exchange traded funds	199,714,521	199,714,521	-	-
Exchange traded notes	2,359,291	2,359,291	-	-
Total Equity Securities	202,073,812	202,073,812	-	-
Total Investments at Fair Value Level	\$ 347,425,874	\$ 278,722,551	\$ 68,703,323	\$ -
Investments measured at the Net Asset Value (NAV)				
Private equities	17,880,325			
Real estate trusts	3,008,153			
Total Investments at NAV	20,888,478			
Total Investments	\$ 368,314,352			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2017 are presented in the following table.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. FAIR VALUE DISCLOSURES: (Continued)

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the NAV				
Alternative assets:				
Private equities	\$ 30,228,374	\$ 2,815,102	n/a	n/a
Real estate trusts	<u>3,031,094</u>	<u>-</u>	n/a	n/a
Total Investments measured at the NAV	<u>\$ 33,259,468</u>	<u>\$ 2,815,102</u>		

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2016 are presented in the following table.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the NAV				
Alternative assets:				
Private equities	\$ 17,880,325	\$ 4,440,555	n/a	n/a
Real estate trusts	<u>3,008,153</u>	<u>-</u>	n/a	n/a
Total Investments measured at the NAV	<u>\$ 20,888,478</u>	<u>\$ 4,440,555</u>		

Private Equity:

Private equity is an asset class consisting of equity securities and debt in limited partnerships that are not publicly traded on a stock exchange. Private equity funds employ a combination of strategies to earn superior risk-adjusted returns. The fair values of the investments in this type have been determined using the net asset value (NAV) per share (or equivalent) of the System's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated approximately 7 to 15 years from the commencement of the fund.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. FAIR VALUE DISCLOSURES: (Continued)

Real Estate:

Real estate is an asset class consisting of real estate investment trusts (REIT) that are not publicly traded on a stock exchange. REITs employ a strategy of investing in commercial real estate. The fair values of the investments in this type have been determined using the net asset value (NAV) per share (or equivalent) of the System's ownership of shares of the REIT.

6. USE OF ESTIMATES:

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

7. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 32-37.

8. OFFICE LEASING:

The System leases office space on a month-to-month basis. Monthly rent was \$2,500 for the year ended June 30, 2017. Monthly rent was \$2,000 for one month in the year ended June 30, 2016, increasing in August 2015 to \$2,500. Total rent expense for the years ended June 30, 2017 and 2016 was \$30,000 and \$29,500, respectively.

9. TRANSACTIONS WITH RELATED ORGANIZATION:

The System shares certain common functions and costs with the Louisiana District Attorney's Association (LDAA). The LDAA provides office space, office equipment, administrative and accounting services for the System. The System incurred \$277,371 and \$268,284 during the years ended June 30, 2017 and 2016, respectively, in costs associated with the LDAA.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

10. INVESTMENT IN PARTNERSHIPS:

The System has committed to invest \$5,000,000 in three Louisiana Partnerships. \$1,000,000 was committed to Louisiana Fund I, L.P. with \$1,000,000 in capital invested at June 30, 2017. \$2,000,000 was committed to Louisiana Fund II, LP with \$1,200,000 in capital invested at June 30, 2017. \$2,000,000 was committed to Louisiana Ventures, L.P. with \$1,900,000 in capital invested at June 30, 2017.

The System has committed to invest \$28,000,000 in six additional partnerships. \$5,000,000 was committed to Encore GP Fund, L.P. with \$5,000,000 in capital invested at June 30, 2017. \$5,000,000 was committed to Cotton Creek Capital Partners II, L.P. with \$3,084,898 in capital invested at June 30, 2017. \$2,000,000 was committed to Themelios Ventures II Side Car, L.P. with \$2,000,000 in capital invested at June 30, 2017. \$1,000,000 was committed to Rastegar Income Fund LP with \$1,000,000 in capital invested at June 30, 2017. \$10,000,000 was committed to Rastegar Income Fund II, LP with \$10,000,000 in capital invested at June 30, 2017. \$5,000,000 was committed to Rastegar Value Fund, LP with \$5,000,000 in capital invested at June 30, 2017.

Net income or loss is allocated to capital accounts of the partners in proportion to their respective capital accounts. The System's share of the partnership income (loss) was \$(1,620,517) and \$2,572,015 for the years ended June 30, 2017 and 2016, respectively. This amount is included in investment income on the financial statements.

11. INVESTMENT IN REAL ESTATE INVESTMENT TRUSTS:

The System was invested in three real estate investment trusts (REIT) during the year ended June 30, 2016. The fair value of the trusts at June 30, 2016, were considered Level 3 per the fair value hierarchy since they cannot be traced to a published third-party source, rather being derived through estimates and assumptions made by management. During the year ended June 30, 2016, the System was invested in a real estate investment trust with Behringer Harvard which was converted to a publicly traded investment with a quoted market value which is considered to be Level 1. The information regarding the market values were obtained from each respective REIT's latest audited financial statements.

The fair value of the System's investment in Lightstone Value Plus Real Estate Investment Trust II, Inc., is calculated based on the estimated value of the company's assets less the estimated value of the company's liabilities divided by the number of shares of common stock outstanding. The company also engages an independent third-party valuation firm to perform a review of the estimated fair values of assets and liabilities. The fair market value of the System's investment in Lightstone was \$3,031,094 and \$3,008,153 at June 30, 2017 and 2016, respectively.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. INVESTMENT IN REAL ESTATE INVESTMENT TRUSTS: (Continued)

During the year ended June 30, 2016, the System sold their shares of the Strategic Storage Trust. The System had a realized gain of \$1,894,415 on the sale during the year ended June 30, 2016.

During the year ended June 30, 2016, the System sold their share in this trust. The System had a realized loss of \$4,451,712 on the sale during the year ended June 30, 2016.

12. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the plan's employers determined in accordance with GASB No. 67 as of June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$ 419,576,007	\$ 389,883,177
Plan Fiduciary Net Position	<u>392,603,825</u>	<u>370,742,452</u>
Employers' Net Pension Liability	<u>\$ 26,972,182</u>	<u>\$ 19,140,725</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	93.57%	95.09%

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

The actuarial assumptions used in the June 30, 2017 and 2016 valuations (excluding mortality) was based on the results of an experience study for the period July 1, 2009 through June 30, 2014. The required Schedules of Employers' Net Pension Liability located in required supplementary information (page 32) following the Notes to the Financial Statements presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The total pension liability as of June 30, 2017 and 2016 is based on actuarial valuations for the same period, updated using generally accepted actuarial procedures.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
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NOTES TO FINANCIAL STATEMENTS
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12. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2017 and 2016
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	6.75% per annum
Inflation Rate	2.50% per annum
Mortality	Mortality rates based on the RP-2000 Combined Healthy with White Collar Adjustment Sex Distinct Tables set back 1 year for females. The RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected for disabled annuitants.
Salary increases	5.50%
Cost of living adjustments	Only those previously granted.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term geometric expected rate of return was 9.06% and 9.04% as of June 30, 2017 and 2016, respectively.

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	Long-Term	<u>Rates of Return</u>	
	<u>Target Asset Allocation</u>	<u>Real</u>	<u>Nominal</u>
Equities	61.72%	11.31%	
Fixed Income	28.95%	6.84%	
Alternatives	8.85%	10.50%	
Cash	0.68%	0.50%	
System Total			6.56%
Inflation			<u>2.50%</u>
Expected Arithmetic Nominal Return			<u>9.06%</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
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JUNE 30, 2017 AND 2016

12. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	Long-Term Target Asset	<u>Rates of Return</u>	
	<u>Allocation</u>	<u>Real</u>	<u>Nominal</u>
Equities	57.70%	10.85%	
Fixed Income	33.00%	6.85%	
Alternatives	4.80%	10.50%	
Real Estate	4.50%	0.50%	
System Total			6.34%
Inflation			<u>2.70%</u>
Expected Arithmetic Nominal Return			<u>9.04%</u>

The discount rate used to measure the total pension liability was 7.00% at June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contribution from participating employers and non-employer contributing entities will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.00% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate at June 30, 2017.

	Changes in Discount Rate		
	2017		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	5.75%	Rate	7.75%
	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	<u>\$ 77,076,391</u>	<u>\$26,972,182</u>	<u>\$(15,604,347)</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

12. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

For the year ended June 30, 2016, the net pension liability of the participating employers was calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate at June 30, 2016.

	Changes in Discount Rate		
	2016		
	Current Discount		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
Net Pension Liability (Asset)	<u>\$ 72,226,588</u>	<u>\$19,140,725</u>	<u>\$(12,907,261)</u>

13. ENGAGEMENT APPROVAL:

The audit engagement of the System has been approved by the Legislative Auditor of the State of Louisiana, in accordance with state statutes.

14. RECLASSIFICATION:

Certain amounts for year ending June 30, 2016 were reclassified to conform to the presentation of the June 30, 2017 financial statements. The net position at June 30, 2016 did not change as a result of the reclassifications.

REQUIRED SUPPLEMENTARY INFORMATION

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FOR THE FOUR YEARS ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 11,645,505	\$ 11,303,932	\$ 11,530,918	\$ 10,855,750
Interest	27,456,268	26,307,692	26,425,694	25,710,047
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,796,724)	(1,986,736)	(2,281,483)	(8,973,206)
Changes of assumptions	11,300,225	-	(6,366,162)	7,220,453
Benefit payments	(18,789,893)	(20,733,190)	(14,149,837)	(12,053,372)
Refunds of member contributions	(599,683)	(562,626)	(648,617)	(382,621)
Other	477,132	1,113,277	(591,375)	185,003
Net change in total pension liability	<u>29,692,830</u>	<u>15,442,349</u>	<u>13,919,138</u>	<u>22,562,054</u>
Total pension liability - beginning	<u>389,883,177</u>	<u>374,440,828</u>	<u>360,521,690</u>	<u>337,959,636</u>
Total pension liability - ending (a)	<u>\$ 419,576,007</u>	<u>\$ 389,883,177</u>	<u>\$ 374,440,828</u>	<u>\$ 360,521,690</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 4,865,302	\$ 4,847,187	\$ 4,800,295	\$ 5,630,420
Contributions - member	-	2,125,900	4,109,229	4,682,271
Contributions - non-employer contributing entities	8,219,395	8,657,954	8,314,617	8,120,371
Net investment income	28,228,802	6,734,928	9,060,366	49,586,276
Benefit payments	(18,789,893)	(20,733,190)	(14,149,837)	(12,053,372)
Refunds of member contributions	(599,683)	(562,626)	(648,617)	(382,621)
Administrative expenses	(539,682)	(495,267)	(367,794)	(314,495)
Other	477,132	1,113,277	(591,375)	185,003
Net change in plan fiduciary net position	<u>21,861,373</u>	<u>1,688,163</u>	<u>10,526,884</u>	<u>55,453,853</u>
Plan fiduciary net position - beginning	<u>370,742,452</u>	<u>369,054,289</u>	<u>358,527,405</u>	<u>303,073,552</u>
Plan fiduciary net position - ending (b)	<u>\$ 392,603,825</u>	<u>\$ 370,742,452</u>	<u>\$ 369,054,289</u>	<u>\$ 358,527,405</u>
Net pension liability - ending (a) - (b)	<u>\$ 26,972,182</u>	<u>\$ 19,140,725</u>	<u>\$ 5,386,539</u>	<u>\$ 1,994,285</u>
Plan fiduciary net position as a percentage of total pension liability	93.57%	95.09%	98.56%	99.45%
Covered employee payroll	\$ 60,816,275	\$ 60,740,000	\$ 58,703,271	\$ 57,747,897
Net pension liability as a percentage of covered employee payroll	44.35%	31.51%	9.18%	3.45%

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

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE FOUR YEARS ENDED JUNE 30, 2017

	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
2017	\$ 419,576,007	\$ 392,603,825	\$ 26,972,182	93.57%	\$ 60,816,275	44.35%
2016	389,883,177	370,742,452	19,140,725	95.09%	60,740,000	31.51%
2015	374,440,828	369,054,289	5,386,539	98.56%	58,703,271	9.18%
2014	360,521,690	358,527,405	1,994,285	99.45%	57,747,897	3.45%

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

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES
FOR THE FOUR YEARS ENDED JUNE 30, 2017

<u>Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Liability</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2017	\$ 8,035,045	\$ 8,219,395	\$ (184,350)	\$ 60,816,275	13.52%
2016	8,645,340	10,783,854	(2,138,514)	60,740,000	17.75%
2015	12,807,925	12,423,846	384,079	58,703,271	21.16%
2014	12,426,112	13,750,791	(1,324,679)	57,747,897	23.81%

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

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE FOUR YEARS ENDED JUNE 30, 2017

<u>Fiscal Year End</u>	<u>Annual Money-Weighted Rate of Return*</u>
2017	7.20%
2016	1.40%
2015	2.41%
2014	17.01%

* Annual money-weighted rates of return are presented net of investment expense.

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

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017 AND 2016

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the System's actuary, G. S. Curran and Company, Inc. The new pension liability is measured as the total pension liability less the amount of the fiduciary net position of the fund.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

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

3. SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES:

The difference between the actuarially determined contributions for employers and non-employer contributing entities and the contributions reported for employers and non-employer contributing entities, and the percentage of contributions received to covered employee payroll is presented in this schedule. Ad valorem taxes and revenue sharing funds received from the State of Louisiana are considered to be support from non-employer contributing entities.

4. SCHEDULE OF INVESTMENT RETURNS:

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

5. ACTUARIAL ASSUMPTIONS NET PENSION LIABILITY:

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in the notes to the financial statements Note 12, Net Pension Liability of Employers.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

6. CHANGES IN ACTUARIAL ASSUMPTIONS:

For the year ended June 30, 2017, no changes were made to the actuarial assumptions.

Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015
Inflation Rate	No changes	No changes	2.50%
Investment rate of Return	6.75%	No changes	7.00%
Salary Increases	No changes	No changes	5.50%
Mortality Rate	No changes	No changes	Based on the results of an actuarial experience study for the period of July 1, 2009 - June 30, 2014

Additional information on the actuarial methods and assumptions used in the June 30, 2017 and 2016 actuarial valuations follows:

Valuation date	June 30, 2017 and 2016
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	6.75% and 7.00% per annum, respectively
Inflation Rate	2.50% per annum, respectively
Mortality	Mortality rates based on the RP-2000 Combined Healthy with White Collar Adjustment Sex Distinct Tables set back 1 year for females. 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.
Salary increases	5.50%
Cost of living adjustments	Only those previously granted.

OTHER SUPPLEMENTARY INFORMATION

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Actuarial fees	\$ 65,200	\$ 45,863
Auditing	43,450	49,900
Bank charges	6,315	3,923
Computer services	13,049	10,855
Dues	300	735
Expense of board meetings	26,436	20,636
Equipment leasing and maintenance	4,453	4,362
Legal	38,546	28,867
Miscellaneous	4,199	2,745
Office supplies and printing	3,283	3,227
Postage	3,192	2,738
Rent	30,000	29,500
Salaries and fringe benefits	257,649	258,273
Surety bond	23,253	11,481
Telephone	7,573	8,237
Travel - convention and conference	<u>12,784</u>	<u>13,925</u>
TOTAL	<u>\$ 539,682</u>	<u>\$ 495,267</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF PER DIEM AND TRAVEL EXPENSES TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

<u>Trustee</u>	Number of Meetings <u>Attended</u>	Number of Meetings <u>Paid</u>	<u>AMOUNTS PAID</u>		
			<u>Meetings</u>	<u>Travel</u>	<u>Total</u>
			<u>June 30, 2017</u>		
David Burton	5	5	\$ 375	\$ 1,262	\$ 1,637
Reed Walters	4	4	300	-	300
Houston Gascon	5	5	375	431	806
Anthony Falterman	5	5	375	479	854
S. Andrew Shealy	5	5	375	259	634
Scott Perrilloux	5	4	300	-	300
			<u>\$ 2,100</u>	<u>\$ 2,431</u>	<u>\$ 4,531</u>

<u>Trustee</u>	Number of Meetings <u>Attended</u>	Number of Meetings <u>Paid</u>	<u>AMOUNTS PAID</u>		
			<u>Meetings</u>	<u>Travel</u>	<u>Total</u>
			<u>June 30, 2016</u>		
David Burton	6	6	\$ 450	\$ 1,818	\$ 2,268
Reed Walters	6	6	450	-	450
Houston Gascon	6	6	450	709	1,159
Van Kyzar	6	6	450	-	450
Anthony Falterman	6	6	450	1,602	2,052
S. Andrew Shealy	5	5	375	153	528
Scott Perrilloux	6	6	450	-	450
			<u>\$ 3,075</u>	<u>\$ 4,282</u>	<u>\$ 7,357</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Pension Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>Pension Accumulation</u>	<u>Total</u>
BALANCES, JULY 01, 2016	\$ <u>164,188,031</u>	\$ <u>50,029,555</u>	\$ <u>7,958,131</u>	\$ <u>148,566,735</u>	\$ <u>370,742,452</u>
REVENUES AND TRANSFERS:					
Contributions:					
Member	-	4,865,302	-	-	4,865,302
Employer	-	-	-	909	909
Ad valorem taxes and state revenue sharing funds	-	-	-	8,219,395	8,219,395
Transfers from annuity savings	2,870,540	-	-	-	2,870,540
Transfers from other systems	-	170,630	-	557,666	728,296
Pensions transferred from pension reserve	-	-	981,387	-	981,387
Interest on accumulated savings	-	763,408	-	-	763,408
Net gain from investments and other sources	-	-	-	27,689,120	27,689,120
Actuarial transfers	<u>29,891,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,891,742</u>
Total revenues and transfers	<u>32,762,282</u>	<u>5,799,340</u>	<u>981,387</u>	<u>36,467,090</u>	<u>76,010,099</u>
EXPENSES AND TRANSFERS:					
Retirement allowances paid	16,266,404	-	2,523,489	-	18,789,893
Refunds to members	-	599,683	-	-	599,683
Transfers to pension reserve	-	2,870,540	-	-	2,870,540
Transfers to other systems	-	60,982	-	191,091	252,073
Pensions transferred to DROP	981,387	-	-	-	981,387
Interest transferred to annuity savings	-	-	-	763,408	763,408
Actuarial transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,891,742</u>	<u>29,891,742</u>
Total expenses and transfers	<u>17,247,791</u>	<u>3,531,205</u>	<u>2,523,489</u>	<u>30,846,241</u>	<u>54,148,726</u>
NET INCREASE (DECREASE)	<u>15,514,491</u>	<u>2,268,135</u>	<u>(1,542,102)</u>	<u>5,620,849</u>	<u>21,861,373</u>
BALANCES - JUNE 30, 2017	\$ <u>179,702,522</u>	\$ <u>52,297,690</u>	\$ <u>6,416,029</u>	\$ <u>154,187,584</u>	\$ <u>392,603,825</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Pension Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>Pension Accumulation</u>	<u>Total</u>
BALANCES, JULY 01, 2015	\$ <u>165,495,344</u>	\$ <u>47,335,723</u>	\$ <u>11,476,816</u>	\$ <u>144,746,406</u>	\$ <u>369,054,289</u>
REVENUES AND TRANSFERS:					
Contributions:					
Member	-	5,044,977	-	-	5,044,977
Employer	-	-	-	2,125,900	2,125,900
Ad valorem taxes and state revenue sharing funds	-	-	-	8,657,954	8,657,954
Transfers from annuity savings	2,585,569	-	-	-	2,585,569
Transfers from other systems	-	347,289	-	1,073,762	1,421,051
Pensions transferred from pension reserve	-	-	2,152,989	-	2,152,989
Interest on accumulated savings	-	725,929	-	-	725,929
Net gain from investments and other sources	-	-	-	6,239,661	6,239,661
Actuarial transfers	<u>13,321,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,321,623</u>
Total revenues and transfers	<u>15,907,192</u>	<u>6,118,195</u>	<u>2,152,989</u>	<u>18,097,277</u>	<u>42,275,653</u>
EXPENSES AND TRANSFERS:					
Retirement allowances paid	15,061,516	-	5,671,674	-	20,733,190
Refunds to members	-	562,626	-	-	562,626
Transfers to pension reserve	-	2,585,569	-	-	2,585,569
Transfers to other systems	-	276,168	-	229,396	505,564
Pensions transferred to DROP	2,152,989	-	-	-	2,152,989
Interest transferred to annuity savings	-	-	-	725,929	725,929
Actuarial transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,321,623</u>	<u>13,321,623</u>
Total expenses and transfers	<u>17,214,505</u>	<u>3,424,363</u>	<u>5,671,674</u>	<u>14,276,948</u>	<u>40,587,490</u>
NET INCREASE	<u>(1,307,313)</u>	<u>2,693,832</u>	<u>(3,518,685)</u>	<u>3,820,329</u>	<u>1,688,163</u>
BALANCES, JUNE 30, 2016	\$ <u>164,188,031</u>	\$ <u>50,029,555</u>	\$ <u>7,958,131</u>	\$ <u>148,566,735</u>	\$ <u>370,742,452</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Agency Head: E. Pete Adams
Position: Executive Director

Salary	\$ 19,739
Benefits - insurance	1,799
Registration fees	<u>75</u>
Total	<u>\$ 21,613</u>



Duplantier
Hrapmann
Hogan &
Maher, LLP

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans

1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

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

December 29, 2017

Board of Trustees
District Attorneys' Retirement System
State of Louisiana
1645 Nicholson Drive
Baton Rouge, Louisiana 70802-8143

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District Attorneys' Retirement System of the State of Louisiana as of and for the year ended June 30, 2017 and the related notes to the financial statements and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District Attorneys' Retirement 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 District Attorneys' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the District Attorneys' Retirement System's internal control.

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

Our consideration of internal control 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 may not have been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over compliance. Accordingly, this communication is not suitable for any other purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the District Attorneys' Retirement System of the State of Louisiana for the year ended June 30, 2017 was unmodified.

2. Internal Control
Material weaknesses: None noted.
Significant deficiencies: None noted

3. Compliance and Other Matters
Noncompliance material to financial statements: None noted.

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING
STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING
STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA: (Continued)

SUMMARY OF PRIOR YEAR FINDINGS:

2016-01 Investment Reconciliation

Condition: The System and the System's investment advisor was not receiving monthly investment statements for several investment funds and therefore was not providing monthly reconciliations.

Status: Resolved during 2017

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

JUNE 30, 2017

DISTRICT ATTORNEYS' RETIREMENT SYSTEM

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Duplantier Hrapmann Hogan & Maher, LLP

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

December 29, 2017

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)
Felix J. Hrapmann, Jr., CPA
(1919-1990)
William R. Hogan, Jr., CPA
(1920-1996)
James Maher, Jr., CPA
(1921-1999)

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

District Attorney's Retirement System
Board of Directors
1645 Nicholson Drive
Baton Rouge, LA 70802-8143

We have performed the procedures enumerated below, which were agreed to by the District Attorneys' Retirement System (the "System") 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 July 1, 2016 through June 30, 2017. The System's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

- 1) We obtained the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions:
 - 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.

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

No findings were noted as a result of applying the procedures above.

Board

- 2) We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Determined whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - c) Determined whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No findings were noted as a result of applying the procedures above.

Bank Reconciliations

- 3) We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

Bank Reconciliations - Continued

- 4) Using the listing provided by management, we selected all of the entity's bank accounts. For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and determined whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations included evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) had reviewed each bank reconciliation; and
 - c) Management had documentation reflecting that it had researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No findings were noted as a result of applying the procedures above.

Collections

- 5) We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing was complete.
- 6) Using the listing provided by management, we selected all of the entity's cash collection locations. For each cash location selected:
 - a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash was (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who was not responsible for cash collections in the cash collection location selected.
 - c) We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, we traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, we determined the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections were completely supported by documentation and report any exceptions.

Collections - Continued

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

No findings were noted as a result of applying the procedures above.

Disbursements – General (excluding credit card purchases or payments)

- 8) We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We also obtained management's representation that the listing or general ledger population was complete.
- 9) Using the disbursement population from #8 above, we randomly selected 25 disbursements excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
- 10) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the person responsible for processing payments was prohibited from adding vendors to the entity's purchasing/disbursement system.
- 11) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
- 12) We inquired of management and observed whether the supply of unused checks was maintained in a locked location, with access restricted to those persons that do not have signatory authority, and noted any exceptions. Alternately, if the checks were electronically printed on blank check stock, we reviewed entity documentation (electronic system control

Disbursements – General (excluding credit card purchases or payments) - Continued

documentation) and determined whether the persons with signatory authority have system access to print checks.

- 13) When signature stamp or signature machine was used, we inquired of the signer whether his or her signature was maintained under his or her control or was used only with the knowledge and consent of the signer. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

As a result of applying the procedures above, we noted that the system does not use requisition requests or purchase orders. We also noted that the person processing payments was also responsible for adding vendors to the purchasing/disbursement system.

Management's Response:

Due to the size of the System, the same person that is responsible for processing payments can also add vendors. Due to the nature of administration expenses being paid by the Association and reimbursed by the System, requisition requests and purchase orders are not being used by the System.

Credit Cards

This step is not applicable.

Travel and Expense Reimbursement

- 14) We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sorted/filtered for travel reimbursements. We also obtained management's representation that the listing and general ledger was complete.
- 15) We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and determined any amounts that exceed GSA rates.
- 16) Using the listing or general ledger from # 17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) We compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity did not have written policies, we compared to the GSA rates (#18 above) and determined each reimbursement that exceeded those rates.

Travel and Expense Reimbursement - Continued

- b) We determined whether each expense was supported by:
- c) An original itemized receipt that identified precisely what was purchased. (Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) did not require a receipt.)
- d) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.
- d) We determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

As a result of applying the procedures above, we noted two instances where board members were reimbursed for hotel stays that were more than the allowable amount according to the policies followed by the System.

Management's Response:

These were isolated incidents. The State Travel Guide will be followed for future hotel reimbursements.

Contracts

- 17) We obtained a listing of all contracts in effect during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for contract payments. We also obtained management's representation that the listing or general ledger was complete.
- 18) Using the listing above, we selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:
 - a) Determined whether there was a formal/written contract that supported the services arrangement and the amount paid.
 - b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. We determined whether each contract was subject to the Louisiana Public Bid Law or Procurement Code and:

Contracts – (Continued)

- If no, we obtained supporting contract documentation and determined whether the entity solicited quotes as a best practice.
- e) We determined whether the contract was amended. If so, we determined the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- f) We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and determined whether the invoice and related payment complied with the terms and conditions of the contract.
- g) We obtained/reviewed contract documentation and board minutes and determined whether there was documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No findings were noted as a result of applying the procedures above.

Payroll and Personnel

- 19) We obtained a listing of employees with their related salaries, and obtained management's representation that the listing was complete. We randomly selected two employees/officials (the System only has four employees), obtained their personnel files, and:
 - a) Reviewed compensation paid to each employee during the fiscal period and determined whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and determined whether those changes were approved in writing and in accordance with written policy.
- 20) We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected one-half of employees and:
 - a) All selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) There is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.
 - c) There is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.

Payroll and Personnel – (Continued)

- 21) We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list was complete. If applicable, we selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the termination payments were made in strict accordance with policy and/or contract and approved by management.
- 22) We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We reported whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No findings were noted as a result of applying the procedures above.

Ethics

- 23) Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management and determined whether the entity maintained documentation to demonstrate that required ethics training was completed.
- 24) We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, we reviewed documentation that demonstrated whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. We determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

As a result of applying the procedure above, we noted one employee that did not have the required ethics training in the period being tested.

Management's Response:

All employees will have the required ethics training in the future.

Debt Service

This step is not applicable.

Other

- 25) We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and determined whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Other – (Continued)

- 26) We observed and determined whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
- 27) When the practitioner observed or otherwise identified any exceptions regarding management's representations in the procedures above, the practitioner reported the nature of each exception.

No findings were noted as a result of applying the procedures above.

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.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana