

*City of Alexandria Employees'  
Retirement System*

*Alexandria, Louisiana*

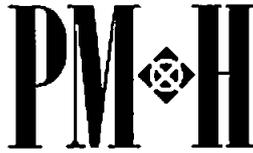
*December 31, 2017*

**City of Alexandria Employees'  
Retirement System**

**December 31, 2017**

**Table of Contents**

	<u><b>Exhibit</b></u>	<u><b>Page</b></u>
Independent Auditor's Report .....		1-3
Required Supplementary Information - Part I Management's Discussion and Analysis .....		4-8
Financial Statements .....		9
Statement of Fiduciary Net Position .....	A	10
Statement of Changes in Fiduciary Net Position .....	B	11
Notes to Financial Statements .....		12-19
Required Supplementary Information - Part II .....		20
	<u><b>Schedule</b></u>	
Schedule of Changes in Net Pension Liability and Related Ratios .....	1	21
Schedule of Employer Contributions .....	2	22
Schedule of Investment Returns .....	3	23
Supplementary Information .....		24
Schedule of Cash Receipts and Cash Disbursements .....	4	25
Investments - Corporate Bonds .....	5	26-27
Investments - GNMA Notes .....	6	28
Investments - U.S. Government Agency Notes .....	7	29
Investments - Preferred Stocks .....	8	30
Investments - Common Stocks .....	9	31-32
Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer .....	10	33
Other Report Required by <i>Government Auditing Standards</i> .....		34
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 <i>Government Auditing Standards</i> .....		35-36
Schedule of Findings and Responses .....		37-38



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying statement of fiduciary net position of the City of Alexandria Employees' Retirement System (the System), Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of December 31, 2017, and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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





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PAYNE, MOORE & HERRINGTON, LLP

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Alexandria Employees' Retirement System, as of December 31, 2017, and the respective changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the City of Alexandria Employees' Retirement System, a pension trust fund of the City of Alexandria, Louisiana, and do not purport to, and do not present fairly the financial position of the City of Alexandria, Louisiana, as of December 31, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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



PAYNE, MOORE & HERRINGTON, LLP

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

*Other Information*

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

This supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2018 on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alexandria Employees' Retirement System's internal control over financial reporting and compliance.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants  
Alexandria, Louisiana

June 18, 2018

**Required Supplementary Information  
Part I**

**Management's Discussion and Analysis**

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2017**

Our discussion and analysis of the City of Alexandria Employees' Retirement System's (the System) financial performance provides an overview of the System's financial activities for the year ended December 31, 2017. It encompasses year-long activities and is management's representation of the System's activities and should be read in conjunction with the accompanying financial statements.

**Overview of the Financial Statements**

The **Statement of Fiduciary Net Position** includes all of the System's assets and liabilities, and provides information about the nature and amount of investments available to satisfy the pension benefits of the System. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2017.

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

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

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

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

**Financial Analysis**

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

**Condensed Statement of Plan Net Assets**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Cash	\$ 5,356,988	\$ 5,043,904	\$ 313,084
Receivables	744,473	771,108	(26,635)
Investments, at fair value	156,122,934	141,863,453	14,259,481
Capital assets, net	<u>683</u>	<u>1,138</u>	<u>(455)</u>
Total Assets	162,225,078	147,679,603	14,545,475
Liabilities	<u>(780)</u>	<u>(642)</u>	<u>(138)</u>
Net position restricted for pensions	\$ 162,224,298	\$ 147,678,961	\$ 14,545,337

As the table above indicates, the Net Position Restricted for Pensions increased by \$14,545,337, primarily due to investment market activity. The year ended December 31, 2017, while marked with a level of volatility as in previous years, showed a significant increase at year-end. As a result, during the year 2017 there was a net change of \$14,545,337 in Plan Net Position when measured year over year at December 31<sup>st</sup>.

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2017**

**Cash** - The System, for the past several years, has maintained a portion of its assets in cash. As the table above indicates, there was net increase of \$313,084 in total cash amounts – a level that is still somewhat higher than normally would be the case. The primary reason is due to the DROP program and its activities which requires higher balances to be on hand. It is anticipated that over time a reduction of these cash amounts would be permitted.

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

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

The cash balances of the System are subject to a call by those persons participating in the DROP program. The termination of participation is a choice of timing by the individual, resulting in a need to disperse large amounts at the time of notice given by these persons. During the year 2017 a total of \$337,652 was paid out in cash to DROP participants terminating employment [a increase of \$1,161 over the amount paid in the prior year]. At year-end the total liability to DROP participants was \$1,791,478. Further, the decisions of individuals completing the DROP and electing to continue employment required the establishment of an interest bearing sub-account for the accumulated DROP funds. These sub-account amounts are reflected in the cash balances shown in the table above. At the year-end the total in the DROP sub-accounts totaled \$1,081,366. Individuals have a call on these funds at a time of their choosing thereby increasing the need for a ready amount of funds.

Additional demands for cash payments during the year were not only the payment to retired employees, which totaled \$8,902,930, but also include refunds to terminated employees as well. Persons terminating employment, who are not vested for future benefits, are refunded the amount of their employee contributions. During the year 2017 this amounted to \$596,958, a increase of \$244,618 over the prior year. Cash payments for the DROP amounted to \$337,652 during the year 2017.

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

**Investments** - The year ended December 31, 2017 was investment wise much like previous years in terms of volatility; as a result, the System's investments ended the year with a net increase of fair value of assets of \$14,259,481. A positive rate of return of 12.2% was recorded at the end of the fiscal year, December 31, 2017. The System's return, according to our actuaries, was still among the better rates of return experienced by Louisiana public retirement areas. Further, the System over the past 25 years, when compared to the universe of systems covered by our actuary, has experienced a positive geometric return of 7.7%, ranking the System among the very highest returns in any public retirement system in Louisiana.

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2017**

**Condensed Statements of Changes in Plan Net Assets**

**Additions**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Employer	\$ 4,734,943	\$ 4,580,596	\$ 154,347
Plan members	1,873,690	1,830,452	43,238
Purchased service	47,822	34,248	13,574
Net investment income (loss)	<u>17,882,012</u>	<u>11,143,790</u>	<u>6,738,222</u>
Total Additions	24,538,467	17,589,086	6,949,381

**Deductions**

Plan benefits	8,902,930	8,706,477	196,453
DROP benefits	337,652	336,491	1,161
Employee refunds	596,958	352,340	244,618
Transfer to other systems	-	77,068	(77,068)
Administrative expenses	<u>155,590</u>	<u>149,330</u>	<u>6,260</u>
Total Deductions	<u>9,993,130</u>	<u>9,621,706</u>	<u>371,424</u>

**Net Increase (Decrease) in Plan Net Assets**                    \$ 14,545,337    \$ 7,967,380    \$ 6,577,957

The table above indicates that the plan net position increased by \$6,577,957 at the end of 2017.

**Employer Contributions** - Employer contribution rates are set through the report of the consulting actuary and are designed to change with the beginning of the City's fiscal year at May 1st. Rates run for a 12-month period until the following April 30th with the current actuarial valuation determining any change in rate structure. The current employer contribution rate of 24.15% will be decreased to 21.87% on May 1, 2018. This rate will be in effect until the close of the City's fiscal year of April 30, 2019. The actuary has recommended that the rate beginning May 1, 2019 be further reduced to 17.94%.

During the five year period (May 2014 to May 2019) the System's employer contribution rate will have been reduced by 10.84% of payroll; which will result in a cost savings of the City of approximately \$2,000,000 per year.

**Investment Income** - The System invests in markets with a prudent amount of risk taken, but it cannot control the events that shape and govern the markets in which we place our funds. The System either matched or exceeded the indices it measures itself against during the year ended December 31, 2017.

**Other information**

While the report of the actuary for the fiscal year end was just received at this writing, it indicated a steady decline in the amount of the Frozen Unfunded Accrued Liability of the system. The System is not adding new unfunded liability, and it is on track to be fully funded in three more years at which time there will be a dramatic reduction in the employer contribution rate. That report speaks for itself and will not be further addressed in this writing.

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

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2017**

**Request for Information**

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

## **Financial Statements**

**City of Alexandria Employees' Retirement System  
Statement of Fiduciary Net Position  
December 31, 2017**

**Exhibit A**

**Assets**

Cash		\$ 5,356,988
Accrued interest and dividends receivable		744,473
Investments, at fair value:		
Domestic fixed income securities		
Corporate bonds (amortized cost \$53,307,368)	58,227,574	
GNMA notes (amortized cost \$648)	653	
U.S. government agency notes (amortized cost \$1,011,760)	1,003,174	
Domestic equities		
Preferred stocks (cost \$684,159)	714,306	
Common stocks (cost \$74,224,882)	96,177,227	
Total Investments (cost \$129,228,817)		156,122,934
Furniture, fixtures, and equipment, net of depreciation		683
Total Assets		162,225,078

**Liabilities**

Payroll taxes withheld		780
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**Net Position Restricted for Pensions**

**\$ 162,224,298**

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

**City of Alexandria Employees' Retirement System  
Statement of Changes in Fiduciary Net Position  
Year Ended December 31, 2017**

**Exhibit B**

**Additions**

Contributions	
Employer	\$ 4,734,943
Plan members	1,873,690
Purchased service, transfers, and/or repayment of refunds	<u>47,822</u>
Total Contributions	6,656,455
Investment income (loss)	
Interest	2,373,406
Dividends	2,143,275
Net appreciation (depreciation) in fair value of investments	<u>13,365,331</u>
Total Investment Income (Loss)	17,882,012
Total Additions	<u>24,538,467</u>

**Deductions**

Benefit payments, excluding DROP benefits	8,902,930
DROP benefits	337,652
Employee refunds	596,958
Administrative expenses	<u>155,590</u>
Total Deductions	<u>9,993,130</u>

**Net Increase (Decrease)** 14,545,337

**Net Position Restricted for Pensions**

Beginning of Year	<u>147,678,961</u>
End of Year	<u><u>\$ 162,224,298</u></u>

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

**Notes to Financial Statements**

**City of Alexandria Employees' Retirement System  
December 31, 2017**

**Notes to Financial Statements**

**1. Plan Description and Significant Accounting Policies**

**Plan Description**

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

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

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

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

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

At December 31, 2017, pension plan membership consisted of:

Inactive plan members and beneficiaries currently receiving benefits	359
Inactive plan members entitled to but not yet receiving benefits	164
Active plan members	<u>510</u>
Total	1,033

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

**City of Alexandria Employees' Retirement System  
December 31, 2017**

**Notes to Financial Statements**

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

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

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

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

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

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

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

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

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

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

**City of Alexandria Employees' Retirement System**  
**December 31, 2017**

**Notes to Financial Statements**

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

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

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

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

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

**Significant Accounting Policies**

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

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

**City of Alexandria Employees' Retirement System  
December 31, 2017**

**Notes to Financial Statements**

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

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

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

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

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

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**2. Cash**

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

At year end, cash includes amounts held by the System pursuant to DROP in the amount of \$1,081,366.

**City of Alexandria Employees' Retirement System  
December 31, 2017**

**Notes to Financial Statements**

**3. Investments**

As of December 31, 2017, the System had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Corporate bonds	\$ 58,227,574	\$ -	\$ 6,464,189	\$ 5,139,088	\$ 46,624,297
GNMA notes	653	-	653	-	-
U.S. government agency notes	1,003,174	-	-	-	1,003,174
Total Interest-Bearing	59,231,401	\$ -	\$ 6,464,842	\$ 5,139,088	\$ 47,627,471
Preferred stocks	714,306				
Common stocks	96,177,227				
Total Investments	\$156,122,934				

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

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

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

<u>Moody's Investor Services Credit Rating</u>	<u>Fair Value</u>
A or better	\$ 49,600,604
Baa	8,556,308
Less than Baa	1,074,489
	<u>\$ 59,231,401</u>

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

**City of Alexandria Employees' Retirement System  
December 31, 2017**

**Notes to Financial Statements**

**4. Furniture, Fixtures, and Equipment**

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

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Furniture and fixtures	\$ 5,938	\$ -	\$ -	\$ 5,938
Equipment	<u>4,594</u>	<u>-</u>	<u>-</u>	<u>4,594</u>
Total	10,532	-	-	10,532
Accumulated depreciation	<u>(9,394)</u>	<u>(455)</u>	<u>-</u>	<u>(9,849)</u>
Net	\$ 1,138	\$ (455)	\$ -	\$ 683

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

Furniture and fixtures	7-10 years
Computer equipment	5 years

Depreciation expense recorded in the financial statements for the year ended December 31, 2017, amounted to \$455.

**5. Net Pension Liability**

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

Total pension liability	\$ 176,336,334
Plan fiduciary net position	<u>162,224,298</u>
Net pension liability	\$ 14,112,036

Plan fiduciary net position as a percentage of total pension liability 92.00%

*Actuarial Assumptions:* The Total Pension Liability as stated in this report is based on the Individual Entry Age Normal actuarial cost method as described in Statement 67 of the Government Accounting Standards Board (GASB 67). Calculations were made as of December 31, 2017 and were based on December 31, 2017 data. The current year actuarial assumptions utilized for this report are based on the assumptions used in the December 31, 2017 actuarial funding valuation, which were based on results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, unless otherwise specified in this report.

<b>Actuarial assumptions:</b>	
Investment rate of return, net of investment expense, including inflation	6.50%
Salary increases, including inflation and merit increases	4.50%
Inflation	2.50%

**City of Alexandria Employees' Retirement System  
December 31, 2017**

**Notes to Financial Statements**

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

*Discount rate:* The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from the participating employer will be made at actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees. Based on these assumptions and the other assumptions and methods as specified in this report, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments 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. Thus, the discount rate used to measure the total pension liability was 6.50%. For the fiscal year ending December 31, 2016, the discount rate used was 7.00%.

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability (Asset)	\$ 33,879,189	\$ 14,112,036	\$ (2,625,267)

**Required Supplementary Information  
Part II**

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

**Schedule 1**

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

**Notes to Schedule:**

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

See independent auditor's report.

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

Schedule 2

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

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rate:

Actuarial cost method

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

Amortization method

Level percent closed

Expected Remaining Service Lives (ERSL)

4 years

Actuarial asset values

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

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

Retirement age

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

Mortality Rates

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

See independent auditor's report.

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

**Schedule 3**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	12.24%	8.06%	(3.01)%	9.86%

**Notes to Schedule:**

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

See independent auditor's report.

**Supplementary Information**

**City of Alexandria Employees' Retirement System  
Schedule of Cash Receipts and Cash Disbursements  
Year Ended December 31, 2017**

**Schedule 4**

**Cash Receipts**

Employer contributions	\$ 4,734,943
Member contributions	1,873,690
Purchased service, transfers, and/or repayment of refunds	47,822
Interest received	2,342,746
Dividends received	2,200,570
Proceeds from sale or redemption of investments	<u>27,337,618</u>
Total Cash Receipts	<u>38,537,389</u>

**Cash Disbursements**

Plan benefits	8,902,930
DROP benefits	337,652
Refunds of contributions	596,958
Administrative expenses	154,997
Purchase of investments	<u>28,231,768</u>
Total Cash Disbursements	<u>38,224,305</u>

**Net Increase (Decrease) in Cash**

313,084

**Cash, Beginning of Year**

5,043,904

**Cash, End of Year**

\$ 5,356,988

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Investments - Corporate Bonds  
December 31, 2017**

Schedule 5  
(Continued)

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
Philip Morris International, Inc.	3/26/2020	4.500%	\$ 300,000	\$ 299,241	\$ 313,971
Exxon Mobil Corporation	8/15/2021	8.625%	100,000	99,867	121,315
Atlantic Richfield	2/1/2022	8.250%	200,000	200,000	238,137
National Rural Utilities Cooperative Finance Corporation	2/15/2022	3.000%	530,000	535,179	520,731
Coca Cola Enterprises, Inc.	9/15/2022	8.000%	300,000	300,000	363,939
Occidental Petroleum Corporation	2/15/2023	2.700%	500,000	478,566	498,537
GlaxoSmithKline Capital, Inc.	3/18/2023	2.800%	800,000	784,489	807,677
GlaxoSmithKline Capital, Inc.	3/18/2023	2.800%	350,000	347,037	353,359
BP Capital Markets	5/10/2023	2.750%	500,000	483,054	501,195
Bristol-Myers Squipp Company	11/1/2023	3.250%	750,000	749,861	776,955
Bristol-Myers Squipp Company	11/1/2023	3.250%	350,000	353,119	362,579
The Coca-Cola Company	11/1/2023	3.200%	750,000	750,885	776,997
The Coca-Cola Company	11/1/2023	3.200%	800,000	796,449	828,797
Public Service Electric and Gas Company	11/15/2024	3.050%	500,000	500,000	502,431
Union Pacific Corporation	1/15/2025	3.250%	500,000	504,875	511,031
Apple, Inc.	2/9/2025	2.500%	500,000	501,225	488,474
The Coca-Cola Company	10/27/2025	2.875%	500,000	496,255	502,225
Wells Fargo & Company	10/23/2026	3.000%	410,000	401,636	399,709
GTE California, Inc.	5/15/2027	6.750%	1,000,000	1,004,975	1,074,489
The Walt Disney Company	6/15/2027	2.950%	400,000	398,643	397,031
GTE Corporation	4/15/2028	6.940%	500,000	501,939	611,962
Coca Cola Enterprises, Inc.	9/15/2028	6.750%	500,000	498,850	651,736
JPMorgan Chase & Co.	4/29/2031	3.000%	500,000	500,000	474,817
Atlantic Richfield	3/1/2032	8.750%	100,000	100,000	144,796
Goldman Sachs Group, Inc.	2/15/2033	6.125%	250,000	250,000	318,570
Goldman Sachs Group, Inc.	2/15/2033	6.125%	500,000	499,375	637,140
Allstate	6/1/2033	5.350%	1,300,000	1,316,109	1,551,597
Loews Corporation	2/1/2035	6.000%	500,000	497,361	627,016
The Boeing Company	3/1/2035	3.300%	500,000	504,304	492,201
Wal-Mart Stores, Inc.	9/1/2035	5.250%	1,000,000	998,055	1,262,353
Verizon Global Funding Corp.	9/15/2035	5.850%	540,000	549,786	634,032
Lowe's Companies	10/15/2035	5.500%	600,000	561,675	734,314
JPMorgan Chase & Co.	11/25/2035	3.500%	400,000	400,000	392,220
Wyeth	2/15/2036	6.000%	300,000	296,242	398,989
Comcast Corporation	7/15/2036	3.200%	500,000	500,000	478,896
JPMorgan Chase & Co.	7/26/2036	3.000%	500,000	500,000	462,061
Honeywell International	3/15/2037	5.700%	500,000	513,828	653,506
Duke Energy Carolinas, LLC	4/15/2038	6.050%	750,000	750,000	1,010,135
Consolidated Edison Co. of New York	12/1/2039	5.500%	500,000	502,096	635,983
Cisco Systems, Inc.	1/15/2040	5.500%	500,000	499,432	658,126
Cisco Systems, Inc.	1/15/2040	5.500%	1,000,000	1,072,967	1,316,252
PepsiCo Capital Resources, Inc.	1/15/2040	5.500%	300,000	308,338	384,017
Southern California Edison Company	3/15/2040	5.500%	500,000	507,022	641,591
Abbot Laboratories	5/27/2040	5.300%	500,000	498,862	580,061
The Western Union Company	6/21/2040	6.200%	500,000	511,068	533,371
Wal-Mart Stores, Inc.	7/8/2040	4.875%	500,000	490,460	618,006
Microsoft Corporation	2/8/2041	5.300%	500,000	505,735	639,826
Honeywell International	3/1/2041	5.375%	300,000	304,308	383,628
Amgen, Inc.	10/1/2041	4.950%	300,000	290,211	346,908
Halliburton Company	11/15/2041	4.500%	300,000	304,542	316,232
Halliburton Company	11/15/2041	4.500%	750,000	730,748	790,579
Philip Morris International, Inc.	11/15/2041	4.375%	300,000	299,045	322,882
UnitedHealth Group, Inc.	11/15/2041	4.625%	300,000	298,689	341,573
Florida Power and Light	2/1/2042	4.125%	500,000	500,292	551,357
McDonalds Corporation	2/15/2042	3.700%	1,000,000	981,480	976,435

**City of Alexandria Employees' Retirement System  
Investments - Corporate Bonds  
December 31, 2017**

Schedule 5  
(Concluded)

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
PepsiCo Capital Resources, Inc.	3/5/2042	4.000%	1,000,000	998,944	1,050,788
Duke Energy Indiana, Inc.	3/15/2042	4.200%	500,000	499,656	537,163
Mississippi Power Company	3/15/2042	4.250%	1,000,000	980,104	976,190
Southern California Edison Company	3/15/2042	4.050%	500,000	495,196	536,907
UnitedHealth Group, Inc.	3/15/2042	4.375%	500,000	491,556	551,123
Philip Morris International, Inc.	3/20/2042	4.500%	505,000	513,417	548,704
Berkshire Hathaway Finance Corporation	5/15/2042	4.400%	670,000	651,026	751,583
International Business Machines Corporation	6/20/2042	4.000%	1,000,000	946,961	1,054,519
Target Corporation	7/1/2042	4.000%	500,000	507,611	513,293
Target Corporation	7/1/2042	4.000%	1,000,000	993,908	1,026,586
Anheuser-Busch Inbev Worldwide, Inc.	7/15/2042	3.750%	250,000	240,654	243,697
Anheuser-Busch Inbev Worldwide, Inc.	7/15/2042	3.750%	250,000	245,282	243,697
Caterpillar, Inc.	8/15/2042	3.803%	1,000,000	1,003,443	1,066,696
The Estee Lauder Companies, Inc.	8/15/2042	3.700%	700,000	654,714	676,802
Merck, Sharp & Dohme Corporation	9/15/2042	3.600%	800,000	804,239	815,701
Astrazeneca	9/18/2042	4.000%	500,000	507,096	508,604
Intel Corporation	12/15/2042	4.250%	1,000,000	1,001,300	1,116,682
Archer-Daniels-Midland Company	4/16/2043	4.160%	650,000	650,000	682,345
Nike, Inc.	5/1/2043	3.625%	600,000	586,650	601,295
Loews Corporation	5/15/2043	4.125%	700,000	643,813	721,571
Apple, Inc.	2/9/2045	3.450%	250,000	226,701	244,357
Apple, Inc.	2/9/2045	3.450%	500,000	480,448	488,715
Microsoft Corporation	2/12/2045	3.750%	650,000	623,738	685,242
Eli Lilly & Co	3/1/2045	3.700%	500,000	499,532	518,253
The Boeing Company	3/1/2045	3.500%	600,000	582,544	586,511
Bell South Telecommunications, Inc.	11/15/2045	5.850%	800,000	756,840	863,552
Bell South Telecommunications, Inc.	11/15/2045	5.850%	750,000	696,394	809,580
Occidental Petroleum Corporation	4/15/2046	4.400%	500,000	507,751	551,943
Wells Fargo & Company	6/14/2046	4.400%	500,000	506,995	529,063
The Boeing Company	6/15/2046	3.375%	500,000	497,760	485,217
Comcast Corporation	7/15/2046	3.400%	600,000	546,414	563,224
Oracle Corporation	7/15/2046	4.000%	500,000	487,624	531,716
Oracle Corporation	7/15/2046	4.000%	300,000	305,744	319,029
The Walt Disney Company	7/30/2046	3.000%	680,000	658,015	608,473
Apple, Inc.	8/4/2046	3.850%	500,000	499,949	518,487
Shell International Finance B.V.	9/12/2046	3.750%	1,000,000	997,573	1,021,120
Shell International Finance B.V.	9/12/2046	3.750%	500,000	494,181	510,560
PepsiCo Capital Resources, Inc.	10/6/2046	3.450%	600,000	579,631	582,817
United Parcel Service, Inc.	11/15/2046	3.400%	550,000	534,494	534,027
Gilead Sciences, Inc.	3/1/2047	4.150%	500,000	484,021	530,605
Target Corporation	11/15/2047	3.900%	600,000	597,274	608,390
<b>Totals</b>			<b>\$ 53,835,000</b>	<b>\$ 53,307,368</b>	<b>\$ 58,227,574</b>

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Investments - GNMA Notes  
December 31, 2017**

**Schedule 6**

<u>Description</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
GNMA Notes	9.00%	\$ 471	\$ 471	\$ 475
GNMA Notes	9.50%	149	149	150
GNMA Notes	10.00%	14	14	14
GNMA Notes	10.50%	14	14	14
<b>Totals</b>		<u>\$ 648</u>	<u>\$ 648</u>	<u>\$ 653</u>

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

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Investments - U.S. Government Agency Notes  
December 31, 2017**

**Schedule 7**

<u>Description</u>	<u>Maturity Date</u>	<u>Yield</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Federal Farm Credit Banks Debenture	07/02/30	3.570%	<u>\$ 1,000,000</u>	<u>\$1,011,760</u>	<u>\$ 1,003,174</u>
<b>Totals</b>			<u>\$ 1,000,000</u>	<u>\$ 1,011,760</u>	<u>\$ 1,003,174</u>

Yield represents yield to maturity.

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Investments - Preferred Stocks  
December 31, 2017**

**Schedule 8**

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Entergy Arkansas, Inc	3,900	89,012	97,773
Entergy Louisiana, LLC	5,000	119,771	125,500
Entergy Arkansas, Inc	1,105	25,387	27,702
Gabelli DVD & Inc. Trust	3,880	100,104	101,501
Vornado Realty Trust 6.625%	3,970	99,885	99,330
Bank of America 6.375%	10,000	250,000	262,500
<b>Totals</b>		<b>\$ 684,159</b>	<b>\$ 714,306</b>

See independent auditor's report.

**City of Alexandria Employees' Retirement System**  
**Investments - Common Stocks**  
**December 31, 2017**

**Schedule 9**  
**(Continued)**

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Adient PLC	1,761	82,036	138,591
Air Products & Chemicals, Inc.	23,500	3,297,598	3,855,880
Amazon	2,000	1,782,917	2,338,940
Amgen, Inc.	18,000	1,475,675	3,130,200
Apache Corporation	10,000	745,381	422,200
Apple, Inc.	26,800	2,804,897	4,535,364
BB & T Corporation	20,000	621,484	994,400
Bristol-Myers Squibb Company	31,500	2,053,914	1,930,320
Caterpillar, Inc.	21,000	1,975,270	3,309,180
Celene Corporation	20,000	2,506,202	2,087,200
Cheniere Energy, Inc.	18,000	781,880	969,120
Coca Cola Company	79,500	2,733,368	3,647,460
ConocoPhillips	15,000	1,225,104	823,350
CVS Health Corporation	26,000	2,257,907	1,885,000
Deer & Company	15,000	1,566,586	2,347,650
Devon Energy Corporation	25,000	1,720,343	1,035,000
DowDuPont Incorporated	73,204	3,119,316	5,213,589
Emerson Electric Company	39,500	1,262,579	2,752,755
Exxon Mobil Corporation	52,000	2,908,109	4,349,280
Facebook Incorporated	7,000	542,095	1,235,220
Frank's International N.V.	20,000	625,220	133,000
Freeport-McMoRan, Inc.	45,000	1,963,975	853,200
Frontier Communications Company	320	34,358	2,163
General Electric Company	50,000	761,531	872,500
General Motors Company	23,230	1,945,206	952,198
General Motors Company Warrants B	7,553	474,121	176,287
Gilead Sciences, Inc.	35,500	3,129,802	2,543,220
Halliburton	10,000	450,086	488,700
Honeywell International, Inc.	20,000	1,207,039	3,067,200
ING Groep, N.V.	7,000	285,258	129,220
International Business Machines	35,300	5,435,606	5,415,726
Johnson & Johnson	45,000	2,949,032	6,287,400
Johnson Controls International PLC	25,010	1,042,415	953,131
JPMorgan Chase & Company	10,000	612,659	1,069,400
Kansas City Southern	24,000	2,662,271	2,525,280
Kraft Heinz Company	10,500	965,709	816,480
Lumentum Holdings Incorporated	587	325,338	28,704

**City of Alexandria Employees' Retirement System  
Investments - Common Stocks  
December 31, 2017**

**Schedule 9  
(Concluded)**

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Medtronics	12,000	985,841	969,000
Microsoft Corporation	50,000	2,780,666	4,277,000
Nuance Communications, Inc.	90,000	1,932,196	1,471,500
Procter & Gamble Company	36,625	2,054,128	3,365,105
Snap, Inc.	40,000	643,015	584,400
Union Pacific Corporation	31,000	1,037,570	4,157,100
US Bancorp	44,000	1,346,497	2,357,520
Viavi Solutions	2,937	465,556	25,669
Wal-Mart Stores, Inc.	11,000	1,094,985	1,086,250
Walt Disney Company	42,500	1,552,141	4,569,175
<b>Totals</b>		<b><u>\$ 74,224,882</u></b>	<b><u>\$ 96,177,227</u></b>

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
 Schedule of Compensation, Benefits, and  
 Other Payments to Chief Executive Officer  
 Year Ended December 31, 2017**

**Schedule 10**

**Chief Executive Officer: Richard G. Moriarty**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 49,837
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
<b>Total</b>	<b>\$ 49,837</b>

See independent auditor's report.

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



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**Independent Auditor's Report  
on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statements of fiduciary net position and changes in fiduciary net position of the City of Alexandria Employees' Retirement System (the System) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 18, 2018.

**Internal Control Over Financial Reporting**

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

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

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

REBECCA G. MORRIS, C.P.A.  
MICHAEL A. JUNEAU, C.P.A.  
CINDY L. HOMPRIES, C.P.A.

DEBORAH R. DORN, C.P.A.  
REBECCA G. HATHOR, C.P.A.  
EVELYN T. BENFROW, C.P.A.



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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Certified Public Accountants  
Alexandria, Louisiana

June 18, 2018

**Schedule of Findings and Responses**

**City of Alexandria Employees' Retirement System  
 Schedule of Findings and Responses  
 Year Ended December 31, 2017**

**Part I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

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

Yes  None reported

Noncompliance material to the financial statements noted?

Yes  No

*Federal Awards*

Not Applicable

*Management's Summary Schedule of Prior Year Audit Findings*

Not Applicable

*Management's Corrective Action Plan*

Not Applicable

*Other Comments and Recommendations*

Not Applicable

**Part II - Findings Related to the Financial Statements**

None

**Part III - Findings and Questioned Costs for Federal Awards**

Not Applicable

*City of Alexandria Employees'  
Retirement System*

*Statewide Agreed-Upon Procedures Report*

*Alexandria, Louisiana*

*December 31, 2017*



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## Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by City of Alexandria Employees' Retirement System (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated results are as follows:

### ***Written Policies and Procedures***

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1. **Procedure:** Obtain the Entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Entity does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving.
  - d) **Receipts**, including receiving, recording, and preparing deposits.
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.



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

- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

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

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

***Board (or Finance Committee, if applicable)***

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



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

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

**Results:** No exceptions noted.

### ***Bank Reconciliations***

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- 3. **Procedure:** Obtain a listing of client bank accounts from management and management's representation that the listing is complete.  
**Results:** No exceptions noted.
- 4. **Procedure:** Using the listing provided by management, select all of the Entity's bank accounts [if five accounts or less] or one-third of the bank accounts on a three year rotating basis [if more than five accounts]. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared;
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

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



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

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

### **Collections**

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5. **Procedure:** Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.  
**Results:** No exceptions noted.
6. **Procedure:** Using the listing provided by management, select all of the Entity's cash collection locations [if five locations or less] or one-third of the collection locations on a three year rotating basis [if more than five locations]. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
  - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
  - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    1. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.



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

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

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

- a) The Entity does not have written documentation supporting the policy or procedure stating that the employee responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account.
- b) The Entity does not have written documentation supporting the policy or procedure to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source, by a person not responsible for cash collections.
- c) None of the receipts tested were date stamped when received. Therefore, we were unable to determine if these collections were deposited within one day of the receipt.

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

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

**Results:** The Entity does not have formal written policies and procedures for determining the completeness of all collections for each revenue source by a person who is not responsible for those collections.

**Management's Response:** All ACH transactions are accompanied by confirmation statements, copies of deposit and debit charge in the bank account, and each have the proper general ledger account number indicated thereon to insure proper posting to the general ledger system through our ACCPAC system. Audit of these documents are performed by the auditors to assure the proper receipt, disbursement and posting of each transaction. Written policies in this instance are not of necessity to carry out the work.



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

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

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

**Results:** No exceptions noted.

9. **Procedure:** Using the disbursement population from #8 above, randomly select twenty-five disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Entity had less than twenty-five transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- 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; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

**Results:** We noted the following:

- a) The Entity does not use a requisition/purchase order or electronic equivalent system.
- b) Of the twenty-five disbursements tested, we noted two instances in which the invoices were not approved.

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

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



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

**Results:** The Entity does not have a formal written policy and procedure regarding who is responsible for adding vendors to the purchasing/disbursement system.

**Management's Response:** We are attempting to ascertain the two transactions the audit referred to that were "not approved", as all transactions have paperwork backing the expenditure of funds.

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

**Results:** The Entity does not have a formal written policy or procedure stating that persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating purchases or recording purchases.

**Management's Response:** The retirement system's purchases are so few and insignificant that the adding of vendors is not of consequence. Purchases are initiated as needed for the operation of the office, but again are few and small.

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

**Results:** Through discussion with management, we found that the unused checks are only locked when the office is closed and that both employees of the Entity have signatory authority and have access to the unused checks.

**Management's Response:** All of our checks are kept under lock, together with the check facsimile machine when not in use.

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

**Results:** No exceptions noted.



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

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

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

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

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

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

**16. Procedure:** Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the ten cards selected [i.e. each of the ten cards should have one month of transactions subject to testing].

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



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

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

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

### ***Travel and Expense Reimbursement***

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- 17. **Procedure:** Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.  
**Results:** This procedure is not applicable because the Entity did not have travel and related expense reimbursements during the fiscal period.
- 18. **Procedure:** Obtain the Entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.  
**Results:** This procedure is not applicable because the Entity did not have travel and related expense reimbursements during the fiscal period.
- 19. **Procedure:** Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
  - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.



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

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

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

### ***Contracts***

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- 20. **Procedure:** Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.  
**Results:** No exceptions noted.
- 21. **Procedure:** Using the listing above, select 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). Obtain the related contracts and paid invoices and:
  - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
  - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:



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

1. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
  2. If no, obtain supporting contract documentation and report whether the Entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

**Results:** No exceptions noted.

### ***Payroll and Personnel***

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- 22. Procedure:** Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
  - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

**Results:** No exceptions noted.

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



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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the Entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

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

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

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

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

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

**Results:** No exceptions noted.



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

### ***Ethics***

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

**Results:** No exceptions noted.

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

**Results:** No exceptions noted.

### ***Debt Service***

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

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

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

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

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

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



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

**Other**

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

**Results:** No exceptions noted.

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

**Results:** The Entity did not post the notice on its premises as required by R.S. 24:523.1 during the fiscal period. The Entity has no website.

**Management's Response:** The retirement system was made aware of the requirement for posting of a notice regarding misappropriation, fraud and abuse of public funds through this auditing process. A notice was downloaded from the State website and is now posted in the retirement office.

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

**Results:** No exceptions noted.

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

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

  
Payne, Moore & Herrington, LLP  
Alexandria, Louisiana

June 18, 2018