

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Baton Rouge, Louisiana  
September 30, 2017**

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**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

Louis C. McKnight, III, CPA  
Charles R. Pevey, Jr., CPA  
David J. Broussard, CPA  
Neal D. King, CPA  
Brittany B. Thames, CPA

## **Independent Auditor's Report**

Members of the Board of Trustees  
Louisiana Assessors' Retirement Fund and Subsidiary  
Baton Rouge, Louisiana

We have audited the accompanying consolidated financial statements of Louisiana Assessors' Retirement Fund and Subsidiary, which comprise the consolidated statements of fiduciary net position as of September 30, 2017 and 2016, and the related consolidated statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the fiduciary net position of Louisiana Assessors' Retirement Fund and Subsidiary as of September 30, 2017 and 2016, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

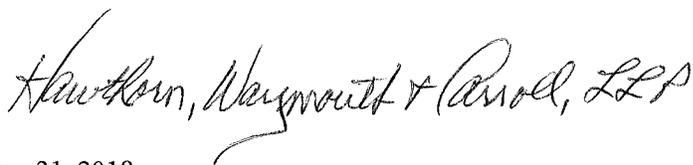
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in employers' net pension liability, schedule of employers' net pension liability, schedule of employer and non-employer contributing entities, schedule of investment returns and related notes to required supplementary information be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of trustees' per diem, schedule of administrative expenses, and schedule of compensation benefits and other payments to Agency Head or Chief Executive Officer are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated 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 consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic consolidated 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 January 31, 2018 on our consideration of Louisiana Assessors' Retirement Fund and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Assessors' Retirement Fund and Subsidiary's internal control over financial reporting and compliance.



January 31, 2018

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Management's Discussion and Analysis  
September 30, 2017**

The following discussion and analysis of the Louisiana Assessors' Retirement Fund and Subsidiary ("Retirement Fund") for the year ended September 30, 2017, highlights relevant aspects of the consolidated financial statements and provides an analytical overview of the Fund's financial activities.

**Financial Highlights**

The net assets held in trust for pension benefits increased by \$39.0 million, or (11.4) %, compared to an increase of \$33.0 million, or (10.6) %, in the prior year.

The unfunded actuarial accrued liability decreased from \$35.3 million to \$17.5 million.

The Fund had a net investment gain of \$41.2 million in 2017 compared to net investment gain of \$27.5 million in 2016.

The amount of Annuity and DROP benefit payments increased to approximately \$23.0 million in 2017 compared to \$21.4 million in 2016.

**Overview of the Financial Statements**

Management's Discussion and Analysis is intended to serve as an introduction to the Fund's consolidated financial statements, together with the related notes to the consolidated financial statements, required supplementary information, and the supporting schedules, all of which are described below:

Consolidated Statements of Fiduciary Net Position - These statements report the Fund's assets, liabilities, and resulting net position restricted for pension benefits. The statements should be read with the understanding that they present the Fund's financial position on September 30, 2017 and September 30, 2016.

Consolidated Statements of Changes in Fiduciary Net Position - These statements report the results of operations during the fiscal years, categorically presenting the additions to and deductions from net position. The net increase in net position on these statements supports the changes in net position restricted for pension benefits on the Consolidated Statements of Fiduciary Net Position.

Notes to Consolidated Financial Statements - The financial statement notes provide additional information that is essential to a complete understanding of the data set forth in the consolidated financial statements. They are considered an integral part of the consolidated financial statements. A description of the information provided in the notes follows:

Note 1 (Plan Description) provides a general description of the Fund. Information is included regarding the board of trustees, plan membership, basic benefits, the Back-Deferred Retirement Option Plan (DROP), and the excess benefit plan.

Note 2 (Summary of Significant Accounting and Financial Reporting Policies) provides information about the accounting methods and policies used in determining amounts shown on the consolidated financial statements. Information relative to the basis of accounting, determination of estimates, valuation of investments and property is included in this note.

Note 3 (Contributions, Funding Status and Reserves) describes contributions to the Fund and the Reserve Funds, the Deferred Retirement Option Plan (DROP), Back-DROP, Annuity Savings, Pension Accumulation and Annuity Reserve.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Management's Discussion and Analysis  
September 30, 2017**

**Overview of the Financial Statements (Continued)**

Note 4 (Deposits and Investment Risk Disclosures) describes cash deposits as well as investments, including a discussion of interest rate risk, credit risk, and foreign currency risk. Investment authority and policy are also briefly discussed.

Note 5 (Note Receivable - Related Party) details a note receivable from the Louisiana Assessors' Association.

Note 6 (Property and Equipment) details the cost of the Fund's fixed assets as well as related depreciation expense and accumulated depreciation.

Note 7 (Related Party Transactions) provides an explanation of the shared expenses the Fund reimburses to the Louisiana Assessors' Association.

Note 8 (Subsequent Events) discloses any significant events occurring subsequent to the financial statement date and the date through which they were evaluated.

**Louisiana Assessors' Retirement Fund's Financial Analysis**

The Fund is a cost sharing, multiple-employer, qualified governmental defined benefit pension plan covering Louisiana assessors and their employees under the provisions of Louisiana Revised Statutes 11:1401 through 1494. The plan is a qualified plan as defined by the Internal Revenue Code, effective January 1, 1998. Retirement benefits are funded through member contributions, employer contributions, ad valorem taxes, state revenue sharing, and earnings on investments. Total net assets held in trust for pension benefits at September 30, 2017 amounted to \$382.2 million; which was an increase of \$39.0 million, or 11.4% over the \$343.2 million held at September 30, 2016.

**Condensed Consolidated Statements of Fiduciary Net Position**  
(In thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash and investments	\$377,776	\$337,916	\$308,561
Receivables	4,823	5,538	2,005
Capital assets	-	-	-
Note receivable	<u>131</u>	<u>133</u>	<u>135</u>
Total assets	382,730	343,587	310,701
Liabilities	<u>533</u>	<u>354</u>	<u>438</u>
Plan net position	<u>\$382,197</u>	<u>\$343,233</u>	<u>\$310,263</u>

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Management's Discussion and Analysis  
September 30, 2017**

**Louisiana Assessors' Retirement Fund's Financial Analysis (Continued)**

Additions to Assets held in Trust for Pension Benefits

Changes to the Fund's assets held in trust for pension benefits include contributions from employers and members, ad valorem taxes, revenue sharing, and investment income. The Fund recognized a current year net investment gain of \$41.2 million compared to a \$27.5 million investment gain in the prior year.

<b>Additions to Assets held in Trust</b>	<b>In Thousands</b>			<b>2016 to 2017 Percentage Change</b>
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	
Employer contributions	\$ 4,417	\$ 5,913	\$ 5,706	(25%)
Member contributions	3,535	3,509	3,380	1%
Investment income (loss)	41,232	27,531	(5,438)	50%
Transfers in	126	259	361	(51%)
State revenue sharing	351	344	351	2%
Ad valorem taxes	12,882	17,929	12,330	(28%)
Miscellaneous	<u>1</u>	<u>2</u>	<u>2</u>	(50%)
Total additions to assets held in trust for pension benefits	<u>\$ 62,544</u>	<u>\$ 55,487</u>	<u>\$ 16,692</u>	

Deductions from Assets held in Trust for Pension Benefits

Deductions from the Fund's assets held in trust for pension benefits are comprised primarily of pensions paid to Retirement Fund retirees, survivors, and beneficiaries. Also included as deductions are administrative expenses and refunds of contributions. Pensions paid to retirees, survivors, and beneficiaries amounted to \$23.0 million for 2017, compared to \$21.4 million for 2016. The administrative expenses represented approximately 1.50% of total plan deductions, which is consistent with prior years.

<b>Deductions from Assets held in Trust</b>	<b>In Thousands</b>			<b>2016 to 2017 Percentage Change</b>
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	
Benefits paid (Annuity and DROP)	\$ 22,995	\$ 21,403	\$ 19,851	7%
Refunds and transfers	232	747	257	(69%)
Administrative expenses	<u>353</u>	<u>366</u>	<u>366</u>	(4%)
Total deductions to assets held in trust for pension benefits	<u>\$ 23,580</u>	<u>\$ 22,516</u>	<u>\$ 20,474</u>	

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Management's Discussion and Analysis  
September 30, 2017**

**Louisiana Assessors' Retirement Fund's Financial Analysis (Continued)**

Investments

Investments totaled \$373.5 million at September 30, 2017 compared to \$332.3 million at September 30, 2016, which represented an increase of \$41.3 million, or 12.4%.

When making comparisons from year to year, it is important to be aware that other factors may affect the change in investments, particularly the changes between investment categories and types. Probably the most notable factor is that of investment re-balancing, which is initiated when a certain predetermined target allocation percentage is reached. Investment allocations that have become over-allocated are sold in part and distributed for the purchase of investment allocations that have become under-allocated. It is also important to note that the investment portfolio is not stagnant, but is traded in part each business day. Therefore, the reader should be cautious about drawing conclusions as to how and why the portfolio increased or decreased in value. It is perhaps best to refer to the following table to conclude how the Fund's investments changed overall.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>
Investments, at fair value				
Short-term investments	\$ 3,581	\$ 2,399	\$ 1,871	49%
LAMP funds	250	2,105	2,097	(88 %)
Certificates of deposit	400	400	401	-
U.S. government securities	26,213	23,575	21,782	11%
Corporate bonds	44,822	37,856	36,557	18%
Foreign government securities	61	84	108	(27%)
Bond mutual funds	40,373	45,320	41,208	(11%)
Equity securities	238,928	202,473	175,482	18%
Real estate funds	<u>18,907</u>	<u>18,059</u>	<u>23,249</u>	5%
Total investments	<u>\$ 373,535</u>	<u>\$332,271</u>	<u>\$ 302,755</u>	

**Funding Status**

The primary concern to most pension plan participants is the amount of money available to pay benefits. An actuarial valuation of assets and liabilities is performed annually.

An indicator of funding status is the ratio of the actuarial present value of the assets to the actuarial present value of future benefits using the entry age normal method. An increase in this percentage over time usually indicates a plan is in financial decline. Changes in the financial markets can significantly impact the actuarial value of assets, which will impact the funded ratio. In addition to changes in the financial markets, the collection of actuarially required contributions has a significant impact on the funding status of the plan. See the required supplementary information for more information regarding the funded status.

**Requests for Information**

This Annual Financial Report is designed to provide a general overview of the Louisiana Assessors' Retirement Fund's finances for interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to the Louisiana Assessors' Retirement Fund, Post Office Box 14699, Baton Rouge, Louisiana 70898.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Consolidated Statements of Fiduciary Net Position  
September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,241,329	\$ 5,645,386
Receivables		
Employer contributions	251,378	338,393
Member contributions	203,586	203,855
Accrued interest and dividends	604,151	490,101
Pending trades	464,734	-
Other receivables	3,299,590	4,505,360
Total receivables	<u>4,823,439</u>	<u>5,537,709</u>
Investments, at fair value		
Short-term investments	3,580,779	2,398,828
LAMP Funds	250,350	2,104,463
Certificates of deposit	399,711	400,296
U.S. Government securities	26,213,421	23,575,192
Corporate bonds	44,822,073	37,856,423
Foreign government securities	60,723	84,184
Bond mutual funds	40,372,619	45,319,718
Equity securities	238,928,527	202,473,054
Real estate funds	18,906,672	18,058,667
Total investments	<u>373,534,875</u>	<u>332,270,825</u>
Note receivable - related party	<u>130,710</u>	<u>132,942</u>
Property and equipment, net of accumulated depreciation of \$101,747 for 2017 and 2016	<u>-</u>	<u>-</u>
Total assets	<u>382,730,353</u>	<u>343,586,862</u>
<b>Liabilities</b>		
Accounts payable	323,668	162,479
Pending trades payable	<u>209,319</u>	<u>191,259</u>
Total liabilities	<u>532,987</u>	<u>353,738</u>
<b>Net Position Restricted For Pension Benefits</b>	<u>\$382,197,366</u>	<u>\$343,233,124</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Consolidated Statements of Changes in Fiduciary Net Position  
Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Additions</b>		
Contributions		
Employer	\$ 4,417,302	\$ 5,912,689
Member	3,534,872	3,508,927
State revenue sharing	350,980	343,766
Ad valorem taxes	<u>12,881,701</u>	<u>17,929,052</u>
Total contributions	<u>21,184,855</u>	<u>27,694,434</u>
Investment Income		
Net appreciation in fair value of investments	38,082,321	23,030,606
Interest and dividends	<u>4,711,906</u>	<u>5,908,841</u>
	42,794,227	28,939,447
Less: Investment Expenses	<u>1,562,153</u>	<u>1,407,967</u>
Net investment income	<u>41,232,074</u>	<u>27,531,480</u>
<b>Other Additions</b>		
Assets transferred from other systems	126,699	259,107
Miscellaneous	<u>833</u>	<u>1,689</u>
Total other additions	<u>127,532</u>	<u>260,796</u>
Total additions	<u>62,544,461</u>	<u>55,486,710</u>
<b>Deductions</b>		
Annuity benefits	20,380,051	19,030,073
DROP benefits	2,615,151	2,372,790
Refunds to terminated employees	201,835	120,216
Assets transferred to other systems	30,341	626,548
Administrative expenses	<u>352,841</u>	<u>366,487</u>
Total deductions	<u>23,580,219</u>	<u>22,516,114</u>
<b>Net Increase</b>	38,964,242	32,970,596
<b>Net Position Restricted For Pension Benefits</b>		
Beginning of Year	<u>343,233,124</u>	<u>310,262,528</u>
End of Year	<u>\$382,197,366</u>	<u>\$ 343,233,124</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Notes to Consolidated Financial Statements  
September 30, 2017**

**Note 1-Plan Description**

The following brief description of the Louisiana Assessors' Retirement Fund and Subsidiary (collectively referred to as the "Fund") is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

*General* The Louisiana Assessors' Retirement Fund was created by Act 91 Section 1 of the 1950 regular Legislature Session. The Fund is a cost sharing, multiple-employer, qualified governmental defined benefit pension plan covering assessors and their deputies employed by any parish of the State of Louisiana, under the provisions of Louisiana Revised Statutes 11:1401 through 1494. The plan is a qualified plan as defined by the Internal Revenue Code Section 401(a), effective January 1, 1998. Membership in the Louisiana Assessors' Retirement Fund is a condition of employment for Assessors and their full time employees.

*Reporting Entity* The Louisiana Assessors' Retirement Fund is not a component unit of the State of Louisiana, and its financial statements are not included in the State's consolidated annual financial report. The accompanying consolidated financial statements reflect the activity of the Fund.

The Fund is administered by a board of trustees made up of seventeen members, the president, vice president, and secretary-treasurer of the Louisiana Assessors' Association and eight regular member representatives from the Association districts who are elected for a term of two years. Two of the members are retiree representatives nominated by the board and elected by the retirees, two members are assessor employee representatives nominated by the board and elected by the employees, and two members are legislative representatives of which one is from the House and one is from the Senate.

*Plan Membership* Employer membership data at September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
<b>Employer Members</b>		
Louisiana Assessors' offices	64	64
Louisiana Assessors' Association	<u>1</u>	<u>1</u>
	<u>65</u>	<u>65</u>
<b>Employee Members</b>		
Current retirees and beneficiaries	570	556
Terminated vested participants	13	10
Terminated due a refund	90	84
Active plan participants	<u>751</u>	<u>772</u>
	<u>1,424</u>	<u>1,422</u>

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Notes to Consolidated Financial Statements  
September 30, 2017**

**Note 1-Plan Description** (Continued)

Plan benefits are as follows:

A. Pension Benefits

Employees who were hired before October 1, 2013, will be eligible for pension benefits once they have either reached the age of fifty-five and have at least twelve years of service or have at least thirty years of service, regardless of age. Employees who were hired on or after October 1, 2013, will be eligible for pension benefits once they have either reached the age of sixty and have at least twelve years of service or have reached the age of fifty-five and have at least thirty years of service.

Employees who became members prior to October 1, 2006, are entitled to annual pension benefits equal to three and one-third percent of their average final compensation based on the 36 consecutive months of highest pay, multiplied by their total years of service, not to exceed 100% of final compensation. Employees who become members on or after October 1, 2006 will have their benefit based on the highest 60 months of consecutive service. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to the employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. Employees may elect a reduced benefit or any of four options at retirement:

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.
2. Upon retirement, the member receives a reduced benefit. Upon the member's death, the surviving spouse will continue to receive the same reduced benefit.
3. Upon retirement, the member receives a reduced benefit. Upon the member's death, the surviving spouse will receive one-half of the member's reduced benefit.
4. Upon retirement, the member may elect to receive a board-approved benefit that is actuarially equivalent to the maximum benefit.

B. Death Benefits

As set forth in R.S. 11:1441, benefits for members who die in service are as follows:

1. If a member of the Fund dies in service with less than 12 years of creditable service and leaves a surviving spouse, their accumulated contributions shall be paid to the surviving spouse.
2. If a member dies and has 12 or more years of creditable service and is not eligible for retirement, the surviving spouse shall receive an automatic optional benefit which is equal to the joint and survivorship amounts provided in Option 2 as provided for in R.S. 11:1423, which shall cease upon a subsequent remarriage, or a refund of the member's accumulated contributions, whichever the spouse elects to receive.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Notes to Consolidated Financial Statements  
September 30, 2017**

**Note 1-Plan Description** (Continued)

B. Death Benefits (Continued)

3. If a member dies and is eligible for retirement, the surviving spouse shall receive an automatic optional benefit which is equal to the Option 2 benefits provided for in R.S. 11:1423, which shall not terminate upon a subsequent remarriage.
4. Benefits set forth in item number 2 above, shall cease upon remarriage and shall resume upon a subsequent divorce or death of a new spouse. The spouse shall be entitled to receive a monthly benefit equal to the amount being received prior to remarriage.

C. Disability Benefits

The Board of Trustees shall award disability benefits to eligible members who have been officially certified as disabled by the State Medical Disability Board. The disability benefit shall be the lesser of (1) or (2) as set forth below:

1. A sum equal to the greater of forty-five percent (45%) of final average compensation, or the member's accrued retirement benefit at the time of termination of employment due to disability; or
2. The retirement benefit which would be payable assuming accrued creditable service plus additional accrued service, if any, to the earliest normal retirement age based on final average compensation at the time of termination of employment due to disability.

Upon approval for disability benefits, the member shall exercise an optional retirement allowance as provided in R.S. 11:1423 and no change in the option selected shall be permitted after it has been filed with the board. The retirement option factors shall be the same as those utilized for regular retirement based on the age of the retiree and that of the spouse, had the retiree continued in active service until the earliest normal retirement date.

D. Back-Deferred Retirement Option Plan (Back-DROP)

In lieu of receiving a normal retirement benefit pursuant to R.S. 11:1421 through 1423, an eligible member of the Fund may elect to retire and have their benefits structured, calculated, and paid as provided in this section.

An active, contributing member of the Fund shall be eligible for Back-DROP only if all of the following apply:

1. The member has accrued more service credit than the minimum required for eligibility for a normal retirement benefit.
2. The member has attained an age that is greater than the minimum required for eligibility for a normal retirement benefit, if applicable.
3. The member has revoked their participation, if any, in the Deferred Retirement Option Plan pursuant to R.S. 11:1456.2.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Notes to Consolidated Financial Statements  
September 30, 2017**

**Note 1-Plan Description** (Continued)

D. Back-Deferred Retirement Option Plan (Back-DROP) (Continued)

At the time of retirement, a member who elects to receive a Back-DROP benefit shall select a Back-DROP period to be specified in whole months. The duration of the Back-DROP period shall not exceed the lesser of thirty-six months or the number of months of creditable service accrued after the member first attained eligibility for normal retirement. The Back-DROP period shall be comprised of the most recent calendar days corresponding to the member's employment for which service credit in the Fund accrued.

The Back-DROP benefit shall have two portions: a lump-sum portion and a monthly benefit portion. The member's Back-DROP monthly benefit shall be calculated pursuant to the provisions applicable for service retirement set forth in R.S. 11:1421 through 1423, subject to the following conditions:

1. Creditable service shall not include service credit reciprocally recognized pursuant to R.S. 11:142.
2. Accrued service at retirement shall be reduced by the Back-DROP.
3. Final average compensation shall be calculated by excluding all earnings during the Back-DROP period.
4. Contributions received by the Fund during the Back-DROP period and any interest that has accrued on employer and employee contributions received during the period shall remain with the Fund and shall not be refunded to the employee or to the employer.
5. The member's Back-DROP monthly benefit shall be calculated based upon the member's age and service and the Fund provisions in effect on the last day of creditable service before the Back-DROP period.
6. At retirement, the member's maximum monthly retirement benefit payable as a life annuity shall be equal to the Back-DROP monthly benefit.
7. The member may elect to receive a reduced monthly benefit in accordance with the options provided in R.S. 11:1423 based upon the member's age and the age of the member's beneficiary as of the actual effective date of retirement. No change in the option selected or beneficiary shall be permitted after the option is filed with the Board of Trustees.

In addition to the monthly benefit received, the member shall be paid a lump-sum benefit equal to the Back-DROP maximum monthly retirement benefit multiplied by the number of months selected as the Back-DROP period. Cost-of-living adjustments shall not be payable on the member's Back-DROP lump sum.

Upon the death of a member who selected the maximum option pursuant to R.S. 11:1423, the member's named beneficiary or, if none, the member's estate shall receive the deceased member's remaining contributions, less the Back-DROP benefit amount. Upon the death of a member who selected Option 1 pursuant to R.S. 11:1423, the member's named beneficiary or, if none, the member's estate, shall receive the member's annuity savings fund balance as of the member's date of retirement reduced by the portion of the Back-DROP account balance and previously paid retirement benefits that are attributable to the member's annuity payments as provided by the annuity savings fund.

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**Note 1-Plan Description** (Continued)

D. Back-Deferred Retirement Option Plan (Back-DROP) (Continued)

During the year ended September 30, 2017, \$2,615,151 was paid from the deferred retirement option accounts on behalf of 24 participants. During the year ended September 30, 2016, \$2,372,790 was paid from the deferred retirement option accounts on behalf of 23 participants.

E. Excess Benefit Plan

Under the provisions of this excess benefit plan, a member may receive a benefit equal to the amount by which the member's monthly benefit from the Fund has been reduced because of the limitations of Section 415 of the Internal Revenue Code.

**Note 2-Summary of Significant Accounting and Financial Reporting Policies**

A. Basis of Accounting

The Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services. Benefits and refunds are recognized when due and payable. Investment purchases and sales are recorded as of their trade date. Additional contributions from ad valorem taxes and revenue sharing monies are recognized in the year appropriated by the legislature.

B. Principles of Consolidation

The consolidated financial statements include the accounts of Louisiana Assessors' Retirement Fund and its wholly-owned subsidiary, Louisiana Assessors' Retirement Fund Excess Benefit Account. All significant intercompany balances have been eliminated in the consolidation.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, and the reported amounts of additions to and deductions from plan net position during the reporting period. Actual results could differ from those estimates. The Fund utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Consolidated Statements of Fiduciary Net Position.

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**Note 2-Summary of Significant Accounting and Financial Reporting Policies (Continued)**

D. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits in banks and temporary cash investments in money market accounts with the trust department of the investment custodian bank. The money market balances consist of government-backed pooled funds.

E. Valuation of Investments

Investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices, when available, have been used to value investments. Short-term investments are reported at market value, when published prices are available, or at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. Mortgage-backed securities are valued on the basis of estimated future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Fair values of the limited partnership investments are based on valuations reported by the general partner. Because of the inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term. Investments that do not have an established market are reported at estimated fair value. Unrealized gains and losses are included in investment income in the Consolidated Statements of Changes in Fiduciary Net Position.

F. Property and Equipment

Property and equipment are reported at historical cost. Depreciation is computed using the straight-line method based upon useful lives of 3 to 15 years for equipment and furniture. Minor equipment and furniture acquisitions are reported as capital outlays in the period they are made.

**Note 3-Contributions, Funding Status and Reserves**

A. Contributions

Contributions for all members are established by statute at 8.0% of earned compensation. The contributions are deducted from the member's salary and remitted by the participating agency.

Administrative costs of the Fund are financed through employer contributions. According to state statute, contributions for all employers are actuarially determined each year. Employer contributions were 10.00% of members' earnings for the year ended September 30, 2017.

The Fund also receives one-fourth of one percent of the property taxes assessed in each parish of the state, except for Orleans Parish which is one percent, as well as a state revenue sharing appropriation. According to state statute, in the event that contributions for ad valorem taxes and revenue sharing funds are insufficient to provide for the gross employer actuarially required contribution, the employer is required to make direct contributions as determined by the Public Retirement System's Actuarial Committee. Although the direct employer actuarially required contribution for fiscal year 2017 is 4.69%, the actual employer contribution rate for fiscal year 2017 is 10.00%, since state statutes require that employer rates be set one year in advance. The minimum direct employer actuarially required contribution will be 5.25% for fiscal year 2018.

**Louisiana Assessors' Retirement Fund  
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**Note 3-Contributions, Funding Status and Reserves (Continued)**

B. Funding Status

*Actuarial Methods and Assumptions*

The current year actuarial assumptions utilized for this report are based on the assumptions used in the September 30, 2017 actuarial funding valuation, which (with the exception of mortality) were based on results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, unless otherwise specified in this report. Based on the results of the actuarial experience study and expectations of future experience, retirement, DROP entry, and withdrawal rates were changed. All assumptions selected were determined to be reasonable and represent the Fund's expectations of future experience for the Fund.

Additional information on the actuarial methods and assumptions used as of the September 30 actuarial valuation follows:

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Valuation date	September 30, 2017	September 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return (discount rate)	6.75%, net of pension plan investment expense, including inflation.	7.00%, net of pension plan investment expense, including inflation.
Inflation rate	2.50%.	2.50%.
Salary increases, including inflation and merit increases	5.75%.	5.75%.
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Table set forward one year and projected to 2030 for males and females.	RP-2000 Healthy Annuitant Table set forward one year and projected to 2030 for males and females.
Active member mortality	RP-2000 Employee Table set back four years for males and three years for females.	RP-2000 Employee Table set back four years for males and three years for females.
Disabled Lives Mortality	RP-2000 Disabled Lives Mortality Table set back five years for males and three years for females.	RP-2000 Disabled Lives Mortality Tables set back five years for males and three years for females.

**Louisiana Assessors' Retirement Fund  
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**Note 3-Contributions, Funding Status and Reserves (Continued)**

B. Funding Status (Continued)

*Net Pension Liability and Pension Expense*

The Schedule of Employers' Net Pension Liability presents information about whether the plan fiduciary net position is increasing or decreasing over time relative to total pension liability. The total pension liability was determined by an actuarial valuation as of the valuation date using assumptions and methods as described in the previous section.

The net pension liability, which was calculated in accordance with GASB 67, as of September 30, 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
Total pension liability	\$399,744,486	\$378,520,063
Plan fiduciary net position	<u>382,197,366</u>	<u>343,233,124</u>
Net pension liability	<u>\$ 17,547,120</u>	<u>\$ 35,286,939</u>
Plan fiduciary net position as a percentage of total pension liability	95.61%	90.68%

*Discount Rate*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 and 2016, are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>2017</u>	<u>2016</u>
Domestic equity	7.50%	7.50%
International equity	8.50%	8.50%
Domestic bonds	2.50%	2.50%
International bonds	3.50%	3.50%
Real estate	4.50%	4.50%
Alternative assets	6.24%	—

**Louisiana Assessors' Retirement Fund  
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**Note 3-Contributions, Funding Status and Reserves (Continued)**

B. Funding Status (Continued)

*Discount Rates* (Continued)

The long-term expected rate of return selected for this report by the Fund was 6.75%. 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 employers and non-employer contributing entities will be made at actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on 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 6.75%.

*Sensitivity to Changes in the Discount Rate*

The following presents the net pension liability of the Fund calculated using the discount rate of 6.75% in 2017 and 7% in 2016, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (assuming all other assumptions remain unchanged):

	<b>1% Decrease <u>(5.75%)</u></b>	<b>Current Discount Rate <u>(6.75%)</u></b>	<b>1% Increase <u>(7.75%)</u></b>
2017 Net pension liability	\$59,502,768	\$ 17,547,120	\$(18,419,993)
	<b>1% Decrease <u>(6.00%)</u></b>	<b>Current Discount Rate <u>(7.00%)</u></b>	<b>1% Increase <u>(8.00%)</u></b>
2016 Net pension liability	\$74,585,703	\$ 35,286,939	\$ 1,589,575

C. Reserve Funds

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

*Annuity Savings Fund*

The Annuity Savings Fund is credited with contributions made by members of the Fund. When a member terminates service, or upon death before qualifying for a benefit, the refund of member's contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings Fund to the Annuity Reserve Fund to provide part of the benefits. The Annuity Savings Fund is fully funded.

**Louisiana Assessors' Retirement Fund  
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**Note 3-Contributions, Funding Status and Reserves (Continued)**

C. Reserve Funds (Continued)

*Pension Accumulation Fund*

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

*Annuity Reserve Fund*

The Annuity Reserve Fund consists of the reserves for all pensions granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve Fund is fully funded.

*Deferred Retirement Option Account*

The Deferred Retirement Option Account consists of the reserves for all members, who upon retirement eligibility, elect to deposit into this account an amount equal to the member's monthly benefit as if the member had retired. A member can participate in the program for a maximum of three years, and upon termination may receive benefits in a lump sum payment. The Deferred Retirement Option Account is fully funded.

*Funding Deposit Account*

The Funding Deposit Account is credited with all surplus funds collected by the Fund, in which the Board of Trustees elects to set the direct employer contribution rate higher than the minimum recommended rate. The funds may be used to reduce the unfunded accrued liability, reduce the present value of future normal costs, or to pay all or a portion of any future net direct employer contributions or to provide for cost of living increases.

The balances of the reserve funds at September 30, 2017 and 2016 were as follows:

<u>Reserve Funds</u>	<u>2017</u>	<u>2016</u>
Annuity Savings Fund	\$ 31,546,377	\$ 31,139,604
Pension Accumulation Fund	103,034,585	84,349,258
Annuity Reserve Fund	209,863,166	192,083,393
Deferred Retirement Option Account	3,313,955	3,794,755
Funding Deposit Account	<u>34,439,283</u>	<u>31,866,114</u>
	<u>\$ 382,197,366</u>	<u>\$ 343,233,124</u>

**Louisiana Assessors' Retirement Fund  
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**Note 4-Deposits and Investment Risk Disclosures**

The information presented on the following pages includes disclosures of custodial, interest rate, credit and foreign currency risks in accordance with GASB 40 and is designed to inform financial statement users about investment risks that could affect the Fund's ability to meet its obligations. The tables presented classify investments by risk type, while the consolidated financial statements present investments by asset class; thus, the totals shown on the tables may not be comparable to the amounts shown for the individual asset classes on the consolidated financial statements.

A. Deposits

At September 30, 2017, the carrying amount of the Fund's demand deposit accounts classified as cash, was \$4,241,329 and the bank balance was \$4,298,472, of which \$250,000 was protected from custodial credit risk by Federal Depository insurance. The remainder of the demand deposit balances was collateralized by securities held by the Fund's agent, Regions Bank, in a custodial account in the Fund's name.

B. Investments

The Fund has no investments of any single organization (other than those insured or guaranteed by the U.S. government) that represent 5% or more of the Fund's net position, nor does the Fund hold more than 5% of any corporation's stock.

Statutes authorize the Fund to invest under the Prudent-Man Rule. The Prudent-Man Rule requires each fiduciary of a retirement system and each board of trustees acting collectively on behalf of the Fund to act with care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The Fund's policy regarding investments is established and amended by the Fund's Board. The Fund shall be managed at all times in accordance with Louisiana statutes and any other applicable law. The policy states that the investment of the Fund's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries, and paying the Fund's administrative expenses. The Fund's investments shall be prudently selected and properly diversified so as to minimize the risk of large losses.

The following schedule shows the Fund's allocation policy as of September 30, 2017 and 2016:

<b>Asset Class</b>	<b>Target Allocation</b>	
	<b>2017</b>	<b>2016</b>
Large Core	20.0%	20.0%
All Cap Value	12.5%	12.5%
All Cap Growth	12.5%	12.5%
SSGA ACWI ex USA Index Fund	2.5%	2.5%
Total fixed income	35.0%	35.0%
Europacific Growth Fund	6.3%	6.3%
TS & W Int LC	6.2%	6.2%
Total alternatives	5.0%	5.0%
LAMP	<u>0.0%</u>	<u>0.0%</u>
Total fund	<u>100.0%</u>	<u>100.0%</u>

**Louisiana Assessors' Retirement Fund  
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**Note 4-Deposits and Investment Risk Disclosures (Continued)**

B. Investments (Continued)

The Board of Trustees' investment objective is a long-term compound rate of return on the Fund's assets that is the greater of (a) 3.5% above the CPI-U seasonally adjusted or (b) the actuarial rate (currently 6.75%).

The Fund's investments, including investments bought, sold, and held during the year, appreciated in value by \$38,082,321 and \$23,030,606 for the years ended September 30, 2017 and 2016, respectively. Included in these amounts are realized losses on the sale of securities in the amount of \$350,659 and \$5,279,275 for the years ended September 30, 2017 and 2016, respectively.

LAMP is a local government investment pool administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP's permissible investments are set forth in R.S. 33:2955 and are further limited in accordance with investment guidelines promulgated by its board of directors. LAMP's Statement of Investment Guidelines authorizes investments in various investments and products, including United States Treasury bills or notes, Federal Home Loan Bank notes, Federal National Mortgage Association notes, Federal Farm Credit Bank notes, Student Loan Marketing Association notes, and other investments as approved by the board of directors. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the Louisiana state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

In accordance with GASB Codification Section I50.126, the investment in LAMP at September 30, 2017 and 2016 is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investments are in a pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

The Fund's investments at cost and fair value as determined by quoted market prices at September 30, 2017 and 2016 are as follows.

	<u>2017</u>		<u>2016</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Short-term investments	\$ 3,580,779	\$ 3,580,779	\$ 2,398,828	\$ 2,398,828
LAMP funds	250,350	250,350	2,104,463	2,104,463
Certificates of deposit	400,000	399,711	400,000	400,296
U.S. government securities	26,231,193	26,213,421	23,154,236	23,575,192
Corporate bonds	44,917,355	44,822,073	37,119,746	37,856,423
Foreign government securities	60,723	60,723	84,184	84,184
Bond mutual funds	24,882,420	40,372,619	29,828,588	45,319,718
Equity securities	147,138,749	238,928,527	142,269,532	202,473,054
Real estate funds	<u>17,684,941</u>	<u>18,906,672</u>	<u>23,533,011</u>	<u>18,058,667</u>
	<u>\$265,146,510</u>	<u>\$373,534,875</u>	<u>\$260,892,588</u>	<u>\$332,270,825</u>

**Louisiana Assessors' Retirement Fund  
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**Note 4-Deposits and Investment Risk Disclosures (Continued)**

C. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Fund's name.

The investments of Louisiana Assessors' Retirement Fund and Subsidiary are held by its custodian separately from the custodian's assets in the name of the Fund, and would not be adversely affected if the custodian were placed in receivership. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form required by the Securities and Exchange Commission. The Fund had no custodial credit risk as of September 30, 2017 and 2016.

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The Fund has no formal policy regarding interest rate risk.

As of September 30, 2017 and 2016, the Fund had the following investments with interest rate risk and their maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>			
		<b>Less than 1</b>	<b>1 – 5</b>	<b>5 – 10</b>	<b>More than 10</b>
<b>September 30, 2017</b>					
U.S. Government Securities	\$ 26,213,421	\$ 3,143,586	\$ 2,675,114	\$ 2,575	\$ 20,392,146
Corporate Bonds	44,822,073	3,194,549	12,436,444	19,770,991	9,420,089
Certificates of Deposit	399,711	249,958	149,753	–	–
Foreign Government Securities	60,723	–	60,723	–	–
	<u>\$ 71,495,928</u>	<u>\$ 6,588,093</u>	<u>\$ 15,322,034</u>	<u>\$ 19,773,566</u>	<u>\$ 29,812,235</u>
<b>September 30, 2016</b>					
U.S. Government Securities	\$ 23,575,192	\$ 3,963,007	\$ 2,699,635	\$ 3,256	\$ 16,909,294
Corporate Bonds	37,856,423	3,120,510	13,753,688	12,508,329	8,473,896
Certificates of Deposit	400,296	400,296	–	–	–
Foreign Government Securities	84,184	–	84,184	–	–
	<u>\$ 61,916,095</u>	<u>\$ 7,483,813</u>	<u>\$ 16,537,507</u>	<u>\$ 12,511,585</u>	<u>\$ 25,383,190</u>

**Louisiana Assessors' Retirement Fund  
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**Note 4-Deposits and Investment Risk Disclosures (Continued)**

E. Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund's investment policy states that no more than 5% of the assets assigned to an investment manager may be invested in the securities of one issuer with the exception of Treasury and Agency securities. At September 30, 2017 and 2016, with the exception of Government Treasury and Agency securities, there were no investments with a single issuer which exceeded 5% of net assets held in trust for pension benefits.

The Fund held investments with the following ratings as determined by Moody's Investors Service:

<b>Corporate Bonds</b>	<b>Market Value at September 30,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Aa1	\$ 1,522,934	\$ 1,568,952
A1	4,412,552	4,520,767
A2	9,110,829	6,293,424
A3	11,158,012	9,936,923
Baa1	6,328,303	5,649,039
Baa2	8,979,077	7,282,418
Baa3	<u>3,310,366</u>	<u>2,604,900</u>
Total corporate bonds	<u>\$ 44,822,073</u>	<u>\$ 37,856,423</u>
 <b>Bond Mutual Funds</b>		
Loomis Sayles MultiSector - Full Discretion Trust	<u>\$ 40,372,619</u>	<u>\$ 45,319,718</u>

F. Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The Fund's exposure to foreign currency risk at September 30, 2017 and 2016 is as follows:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Indonesian Rupiah	<u>\$ 60,723</u>	<u>\$ 84,184</u>

G. Fair Value Measurements

The Fund categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These qualifications are summarized as follows:

**Louisiana Assessors' Retirement Fund  
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**Note 4-Deposits and Investment Risk Disclosures (Continued)**

G. Fair Value Measurements (Continued)

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level of input that is significant to the entire valuation. These levels are not necessarily an indication of risk, but are based upon the pricing transparency of the investment. In determining the appropriate levels, the System performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

The following table sets forth by level, the investments reported at fair value as of September 30, 2017:

<b>Investments by Fair Value Level</b>	<b>Total</b>	<b>Fair Value Measurements</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Debt Securities</b>				
U.S. government securities	\$ 26,213,421	\$ -	\$ 26,213,421	\$ -
Corporate bonds	44,822,073	-	44,822,073	-
Foreign government securities	60,723	-	60,723	-
Bond mutual funds	40,372,619	-	40,372,619	-
Total debt securities	<u>111,468,836</u>	<u>-</u>	<u>111,468,836</u>	<u>-</u>
<b>Equity Securities</b>				
Domestic stock	81,951,553	81,951,533	-	-
Domestic mutual funds	116,176,944	-	116,176,944	-
Foreign mutual funds	31,092,287	-	31,092,287	-
Foreign stock	9,707,743	9,707,743	-	-
Total equity securities	<u>238,928,527</u>	<u>91,659,296</u>	<u>147,269,231</u>	<u>-</u>
Short-term investments	3,580,779	-	3,580,779	-
Certificates of deposit	399,711	-	399,711	-
LAMP	250,350	-	250,350	-
	<u>4,230,840</u>	<u>-</u>	<u>4,230,840</u>	<u>-</u>
Total investments at Fair Value Level	<u>\$ 354,628,203</u>	<u>\$ 91,659,296</u>	<u>\$ 262,968,907</u>	<u>\$ -</u>

**Louisiana Assessors' Retirement Fund  
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**Note 4-Deposits and Investment Risk Disclosures (Continued)**

G. Fair Value Measurements (Continued)

**Investments measured at the  
Net Asset Value (NAV)**

Real estate funds	<u>\$ 18,906,672</u>
<b>Total Investments at Fair Value</b>	<u><b>\$ 373,534,875</b></u>

The following table sets forth by level, the investments reported at fair value as of September 30, 2016:

<b>Investments by Fair Value Level</b>	<b>Total</b>	<b>Fair Value Measurements</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Debt Securities</b>				
U.S. government securities	\$ 23,575,192	\$ -	\$ 23,575,192	\$ -
Corporate bonds	37,856,423	-	37,856,423	-
Foreign government securities	84,184	-	84,184	-
Bond mutual funds	45,319,718	-	45,319,718	-
Total debt securities	<u>106,835,517</u>	<u>-</u>	<u>106,835,517</u>	<u>-</u>
<b>Equity Securities</b>				
Domestic stock	71,999,675	71,389,722	609,953	-
Domestic mutual funds	97,785,334	-	97,785,334	-
Foreign mutual funds	26,515,707	-	26,515,707	-
Foreign stock	6,172,338	6,172,338	-	-
Total equity securities	<u>202,473,054</u>	<u>77,562,060</u>	<u>124,910,994</u>	<u>-</u>
Short-term investments	2,398,828	-	2,398,828	-
Certificates of deposit	400,296	-	400,296	-
LAMP	2,104,463	-	2,104,463	-
Total investments at Fair Value Level	<u>\$ 314,212,158</u>	<u>\$ 77,562,060</u>	<u>\$ 236,650,098</u>	<u>\$ -</u>

**Investments measured at the  
Net Asset Value (NAV)**

Real estate funds	<u>\$ 18,058,667</u>
<b>Total Investments at Fair Value</b>	<u><b>\$ 332,270,825</b></u>

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Notes to Consolidated Financial Statements  
September 30, 2017**

**Note 4-Deposits and Investment Risk Disclosures (Continued)**

G. Fair Value Measurements (Continued)

*Valuation Techniques*

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix and market-corroborate pricing and inputs such as yield curves and indices. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

*Real Estate*

This type includes real estate funds and direct ownership of real estate that invests primarily in major property types including office, residential, retail, industrial, and hotel properties. The fair values of the investments in real estate funds have been determined using the NAV per share of the Plan's ownership interest in partners capital while the fair value of the direct ownership in real estate is determined using independent appraisals or other means. These are illiquid investments with a length of investment often over 10 years. Returns are generated by capital appreciation and income from lease agreements.

The Fund invests in limited private real estate equity partnerships. These investments are valued at market value, calculated at a net asset value per share basis, which is estimated by the General Partner of each partnership. The value assigned to these investments is based upon available information and does not necessarily represent the amounts that might ultimately be realized, since such investments depend on future circumstances and cannot be determined until the individual investments are actually liquidated. Distributions are made at the discretion of the partnerships' General Partners.

H. Money-weighted Rate of Return

During the year ended September 30, 2017 and 2016, the annual money-weighted rate of return on the Fund's investments, net of investment expenses, was 12.42% and 8.88% respectively. The money-weighted rate of return expresses performance, net of investment, adjusted for the changing amounts actually invested.

**Note 5-Note Receivable - Related Party**

The following is a summary of the note receivable from a related party at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Note receivable due from the Louisiana Assessors' Association in monthly installments of \$983 at an interest rate of 7.25%, collateralized by a building.	<u>\$130,710</u>	<u>\$132,942</u>

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Notes to Consolidated Financial Statements  
September 30, 2017**

**Note 5-Note Receivable - Related Party** (Continued)

Annual future maturities of the note receivable as of September 30, 2017 are as follows:

2018	\$	2,398
2019		2,578
2020		2,771
2021		2,979
2022		3,202
Thereafter		<u>116,782</u>
		<u><u>\$130,710</u></u>

**Note 6-Property and Equipment**

The following is a summary of property, equipment and fixtures at September 30, 2017:

	<u>Balance October 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30,</u>
<b><u>September 30, 2017</u></b>				
Furniture	\$ 58,962	\$ -	\$ -	\$ 58,962
Computer software	42,785	-	-	42,785
Less: accumulated depreciation	<u>(101,747)</u>	<u>-</u>	<u>-</u>	<u>(101,747)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following is a summary of property, equipment and fixtures at September 30, 2016:

<b><u>September 30, 2016</u></b>				
Furniture	\$ 58,962	\$ -	\$ -	\$ 58,962
Computer software	42,785	-	-	42,785
Less: accumulated depreciation	<u>(101,747)</u>	<u>-</u>	<u>-</u>	<u>(101,747)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the years ended September 30, 2017 and 2016.

**Note 7-Related Party Transactions**

The Fund shares an office building, staff, equipment and other office expenses with the Louisiana Assessors' Association and the Louisiana Assessors' Insurance Fund, related parties. Most of the expenses, including the salaries of employees of all three entities, are paid by the Association. The Fund reimbursed the Association \$134,625 and \$131,767 for shared expenses for the years ended September 30, 2017 and 2016, respectively.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Notes to Consolidated Financial Statements  
September 30, 2017**

**Note 7-Related Party Transactions**

The Fund's retirees may also participate in the Louisiana Assessors' Insurance Fund, which provides health and other insurance coverage to assessors' employees. Monthly premiums are withheld from retiree benefits and remitted to the Insurance Fund. The total amounts of insurance premiums withheld and remitted by the Fund to the Insurance Fund were \$386,169 and \$363,691 for the years ended September 30, 2017 and 2016, respectively.

Interest earned on the note due from Louisiana Assessors' Association as described in Note 5 was \$9,565 and \$9,721 for the years ended September 30, 2017 and 2016, respectively.

**Note 8-Subsequent Events**

The Fund evaluated all subsequent events through January 31, 2018, the date the consolidated financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these consolidated financial statements.

**Required Supplementary Information**

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Schedules of Changes in Net Pension Liability  
For the Four Years Ended September 30, 2017, 2016, 2015, and 2014**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability:</b>				
Service cost	\$ 9,938,825	\$ 9,581,168	\$ 8,938,003	\$ 8,445,473
Interest	26,397,302	25,299,167	25,247,595	24,678,438
Changes of benefit terms	2,075,489	-	-	1,896,120
Differences between expected and actual experience	(3,600,687)	2,933,747	(1,472,967)	(5,316,210)
Changes of assumptions	9,513,340	-	623,015	8,206,159
Benefit payments	(22,995,202)	(21,402,863)	(19,851,313)	(19,001,492)
Refunds of member contributions	(201,835)	(120,216)	(257,221)	(265,279)
Other	<u>97,191</u>	<u>(365,752)</u>	<u>362,959</u>	<u>593,142</u>
Net change in total pension liability	21,224,423	15,925,251	13,590,071	19,236,351
<b>Total pension liability - beginning</b>	<u>378,520,063</u>	<u>362,594,812</u>	<u>349,004,741</u>	<u>329,768,390</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 399,744,486</u>	<u>\$ 378,520,063</u>	<u>\$ 362,594,812</u>	<u>\$ 349,004,741</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - member	\$ 3,534,872	\$ 3,508,927	\$ 3,380,177	\$ 3,292,049
Contributions - employer	4,417,302	5,912,689	5,706,310	5,561,363
Contributions - nonemployer contributing entities	13,232,681	18,272,818	12,680,751	12,209,395
Net investment income (loss)	41,232,074	27,531,480	(5,438,243)	25,993,336
Benefit payments	(22,995,202)	(21,402,863)	(19,851,313)	(19,001,492)
Refunds of member contributions	(201,835)	(120,216)	(257,221)	(265,279)
Administrative expenses	(352,841)	(366,487)	(365,989)	(315,204)
Other	<u>97,191</u>	<u>(365,752)</u>	<u>362,959</u>	<u>593,142</u>
Net change in plan fiduciary net position	38,964,242	32,970,596	(3,782,569)	28,067,310
<b>Total fiduciary net position - beginning</b>	<u>343,233,124</u>	<u>310,262,528</u>	<u>314,045,097</u>	<u>285,977,787</u>
<b>Total fiduciary net position - ending (b)</b>	<u>\$ 382,197,366</u>	<u>\$ 343,233,124</u>	<u>\$310,262,528</u>	<u>\$314,045,097</u>
<b>Net pension liability - ending (a) - (b)</b>	\$ 17,547,120	\$ 35,286,939	\$ 52,332,284	\$ 34,959,644
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	95.61%	90.68%	85.57%	89.98%
<b>Covered-employee payroll</b>	\$ 44,173,020	\$ 43,797,696	\$ 42,268,963	\$ 41,195,281
<b>Net pension liability as a percentage of covered-employee payroll</b>	39.72%	80.57%	123.81%	84.86%

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Schedules of Employers' Net Pension Liability  
For the Four Years Ended September 30, 2017, 2016, 2015, and 2014**

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Total pension liability	\$ 399,744,486	\$ 378,520,063	\$ 362,594,812	\$ 349,004,741
Plan fiduciary net position	<u>382,197,366</u>	<u>343,233,124</u>	<u>310,262,528</u>	<u>314,045,097</u>
Net pension liability	<u>\$ 17,547,120</u>	<u>\$ 35,286,939</u>	<u>\$ 52,332,284</u>	<u>\$ 34,959,644</u>
Plan fiduciary net position as a percentage of the total pension liability	95.61%	90.68%	85.57%	89.98%
Covered-employee payroll	\$ 44,173,020	\$ 43,797,696	\$ 42,268,963	\$ 41,195,281
Net pension liability as a percentage of covered-employee payroll	39.72%	80.57%	123.81%	84.86%

**Schedules of Employer and Non-Employer Contributing Entities  
For the Four Years Ended September 30, 2017, 2016, 2015, and 2014**

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Actuarially determined contribution (determined as of the prior fiscal year) <sup>1</sup>	\$ 15,338,358	\$ 16,255,078	\$ 15,652,409	\$ 18,192,067
Contributions in relation to the actuarially determined contribution <sup>1</sup>	<u>17,649,983</u>	<u>24,185,507</u>	<u>18,387,061</u>	<u>17,770,758</u>
Contribution excess	<u>\$ (2,311,625)</u>	<u>\$ (7,930,429)</u>	<u>\$ (2,734,652)</u>	<u>\$ (421,309)</u>
Covered-employee payroll	44,173,020	\$ 43,797,696	\$ 42,268,963	\$ 41,195,281
Contributions as a percentage of covered employee payroll	39.96%	55.22%	43.50%	43.14%

**Schedules of Investment Returns  
For the Four Years Ended September 30, 2017, 2016, 2015, and 2014**

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Annual money-weighted rate of return, net of investment expense	12.42%	8.88%	-1.77%	9.08%

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

<sup>1</sup> Includes contributions from employers and nonemployer contributing entities as well as funds allocated to the Funding Deposit Account. Does not include funds withdrawn from the Funding Deposit Account.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2016**

A. Schedules of Changes in Net Pension Liability

The total pension liability contained in this schedule was provided by Fund's actuary, G.S. Curran & Company, Ltd. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Fund.

B. Schedules of Employers' Net Pension Liability

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

C. Schedules of Employer and Non-Employer Contributing Entities

The difference between actuarially determined employer contributions and employer contributions received, and the percentage of employer contributions received to covered employee payroll is presented in this schedule.

D. Schedules of Investment Returns

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

E. Actuarial Assumptions

Contributions presented in the Schedule of Employer Contributions were determined using the following actuarial assumptions and methods that were recommended by the Fund actuary, adopted by the Fund's Board.

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Valuation date	September 30, 2017	September 30, 2016
Actuarial cost method	Entry age normal.	Entry age normal.
Actuarial assumptions:		
1. Investment rate of return	6.75%.	7.00%.
2. Inflation rate	2.50%.	2.50%.

(Continued)

**Louisiana Assessors' Retirement Fund  
and Subsidiary**  
**Notes to Required Supplementary Information (Continued)**  
**For the Year Ended September 30, 2017**

E. Actuarial Assumptions (Continued)

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
(Continued)		
3. Mortality		
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Table set forward one year and projected to 2030 for males and females.	RP-2000 Healthy Annuitant Table set forward one year and projected to 2030 for males and females.
Active member mortality	RP-2000 Employee Table set back four years for males and three years for females.	RP-2000 Employee Table set back four years for males and three years for females.
Disabled Lives Mortality	RP-2000 Disabled Lives Mortality Table set back five years for males and three years for females.	RP-2000 Disabled Lives Mortality Tables set back five years for males and three years for females.
Salary increases including inflation and merit increases	5.75%.	5.75%.

## **Supporting Schedules**

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Schedule of Trustees' Per Diem  
Years Ended September 30, 2017 and 2016**

	<u>September 30, 2017</u>		<u>September 30, 2016</u>	
	<u>Days</u>	<u>Amount</u>	<u>Days</u>	<u>Amount</u>
Barney Altazan	–	\$ –	8	\$ 600
Rhyn Duplechain	8	600	8	600
Richard Earl	7	525	7	525
Bobby Edmiston	–	–	4	300
Irby Gamble	8	600	9	675
Glenda Gaspard	8	600	9	675
Louis Hebert	9	675	9	675
Charles Hennington, Jr.	5	375	7	525
James Johnson	–	–	5	375
James Laurent, Jr.	–	–	2	150
Jeffrey Taylor	6	450	–	–
Phyllis Mendoza	4	300	7	525
Stephanie Smith	8	600	9	675
James Stevenson, Jr.	3	225	11	825
Glenn Waguespack	10	750	8	600
Erroll Williams	–	–	2	150
Tab Troxler	9	675	9	675
Wayne Blanchard	3	<u>225</u>	–	<u>–</u>
Total per diem		<u>\$6,600</u>		<u>\$8,550</u>

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Schedule of Administrative Expenses  
Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Shared expenses including salaries, benefits, and other office expenses	\$134,625	\$131,767
Other professional fees	133,825	134,475
Legal fees	20,608	32,146
Audit and accounting	39,258	38,338
Board per diem	6,600	8,550
Computer supplies and expenses	539	409
Dues	425	300
Office expense	682	962
Postage	198	170
Publications and subscriptions	430	511
Seminars	4,302	7,136
Travel	9,793	7,981
Bank charges	72	-
Miscellaneous	<u>1,484</u>	<u>3,742</u>
 Total administrative expenses	 <u>\$352,841</u>	 <u>\$366,487</u>

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Schedule of Compensation, Benefits and Other  
Payments to Agency Head or Chief Executive Officer  
Year Ended September 30, 2017**

**Agency Head Name: Glenn Waguespack, President (April 2017 – September 2017)**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Car allowance	0
Vehicle provided by agency	0
Per diem	300
Reimbursements	0
Travel	527
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

**Agency Head Name: Bobby Edmiston, President (January 2017 – March 2017)**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Car allowance	0
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Schedule of Compensation, Benefits and Other  
Payments to Agency Head or Chief Executive Officer  
Year Ended September 30, 2017**

**Agency Head Name: Barney Altazan, President (October 2017 –December 2017)**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Car allowance	0
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0



**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

Louis C. McKnight, III, CPA  
Charles R. Pevey, Jr., CPA  
David J. Broussard, CPA  
Neal D. King, CPA  
Brittany B. Thames, CPA

**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***

Members of the Board of Trustees  
Louisiana Assessors' Retirement Fund and Subsidiary  
Baton Rouge, Louisiana

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Assessors' Retirement Fund and Subsidiary, which comprise the consolidated statements of fiduciary net position as of September 30, 2017 and 2016, and the related consolidated statements of changes in fiduciary net position for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 31, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the consolidated financial statements, we considered Louisiana Assessors' Retirement Fund and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Assessors' Retirement Fund and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Louisiana Assessors' Retirement Fund and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 Louisiana Assessors' Retirement Fund and Subsidiary'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 Louisiana Assessors' Retirement Fund and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Hawthorn, Waymouth & Correll, LLP".

January 31, 2018

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Schedule of Current Year Audit Findings  
Year Ended September 30, 2017**

Part I. Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of Louisiana Assessors' Retirement Fund as of and for the year ended September 30, 2017, and the related notes to the financial statements.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

Part II. Findings Related to an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

No findings were noted.

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2017**

Part I. Findings Related to an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

No findings were noted.

Part II. Management Letter

Not Applicable

**Louisiana Assessors' Retirement Fund  
and Subsidiary  
Agreed-Upon Procedures Report  
September 30, 2017**



**Independent Accountant's Report  
on Applying Agreed-upon Procedures**

To the Members of the Board of Trustees and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Louisiana Assessors' Retirement Fund and Subsidiary and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. The Entity's management is responsible for those control and compliance 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 performed and the associated findings are listed below. The procedure is stated first, followed by the result of the procedure presented in italics.

***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

*These policies and procedures addressed all areas listed above with the exception of 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.

*These policies and procedures addressed all areas listed above with the exception of how vendors are added to the vendor list.*

- c) **Disbursements**, including processing, reviewing, and approving.

*No exceptions noted.*

- d) **Receipts**, including receiving, recording, and preparing deposits.

*No exceptions noted.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*The Entity has no employees and, therefore, does not have written payroll/personnel policies and procedures.*

- 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.

*No exceptions noted.*

- 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.

*The Entity has no credit cards and, therefore, does not have written credit card policies and procedures.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*No exceptions noted.*

- 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.

*No exceptions noted.*

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

*The Entity has no debt and, therefore does not have written debt service policies and procedures.*

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

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2. 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.

*No exceptions noted.*

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

*No exceptions noted.*

- 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.

*No exceptions noted.*

### ***Bank Reconciliations***

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

*No exceptions noted.*

4. Using the listing provided by management, select a minimum of five of the entity's bank accounts or one-third of the bank accounts on a three year rotating basis if more than 15 accounts. 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;

*No exceptions noted.*

- 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;

*The bank reconciliations were reviewed by the Executive Director on a monthly basis. However, the Executive Director has involvement in the transactions associated with the bank account through the signing of checks.*

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

*Not applicable.*

### ***Collections***

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5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*No exceptions noted.*

6. Using the listing provided by management, select a minimum of five of the entity's cash collection locations or one-third of the collection locations on a three year rotating basis if more than 15 locations. 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.

a) (1) – *Individuals responsible for collecting cash are not bonded.*

a) (2) – *No exceptions noted.*

a) (3) – *No exceptions noted.*

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.

*No exceptions noted.*

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

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

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

*No exceptions noted.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

*Selected 25 disbursements and performed the procedures below.*

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*The Entity does not use 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.

*The Entity does not use a requisition/purchase order system.*

- 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.

*No exceptions noted.*

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

*The person responsible for processing payments and also has the ability to add vendors to the purchasing system.*

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

*No exceptions noted.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any

exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*No exceptions noted.*

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

*Not applicable.*

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

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

*Management asserted that the Entity does not have credit cards, bank debit cards, fuel cards, or P-cards.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period. 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:

*Management asserted that the Entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this procedure was not performed.*

- 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.

*Management asserted that the Entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this procedure was not performed.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*Management asserted that the Entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this procedure was not performed.*

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

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

*Management asserted that the Entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this procedure was not performed.*

- 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.

*Management asserted that the Entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this procedure was not performed.*

- 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.

*Management asserted that the Entity does not have credit cards, bank debit cards, fuel cards, or P-cards; therefore, this procedure was not performed.*

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

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

*No exceptions noted.*

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

*The Entity's maximum authorized lodging rate was \$150 per night which exceeded GSA rates by \$22 per night for the months of May 2017 through September 2017. The per diem rates for meals and mileage did not exceed GSA rates.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense

documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

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

*For each of the travel expenses selected, we found the reimbursement for lodging per night exceeded the maximum reimbursable amount of \$150 per night which is stated in the Entity's policy. This resulted in an additional \$1,024 being reimbursed for lodging. We also found two instances where the meal reimbursements exceeded the per diem. This resulted in an additional \$30 being reimbursed for meals.*

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

## *Contracts*

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

*No exceptions noted.*

21. 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.

*No exceptions noted.*

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

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*Of the five service arrangements tested, we found that the Entity did not solicit quotes for one of the service arrangements pertaining to the following:*

- *Custodian investment management services*

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

*No exceptions noted.*

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

*No exceptions noted.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

*No exceptions noted.*

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

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

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

- 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.

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

- 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.

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

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

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

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

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

- 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.

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

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

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

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

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

### ***Ethics***

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

*Management asserted that the Entity has no employees; therefore, this procedure was not performed.*

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

*Management asserted that no alleged ethics violations were reported to the Entity during the fiscal period.*

### ***Debt Service***

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

*No debt was issued during the fiscal period; therefore, this procedure was not performed.*

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

*No debt was issued during the fiscal period; therefore, this procedure was not performed.*

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

*Not applicable.*

*Other*

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

*Management asserted that the Entity is not aware of any misappropriations of public funds or assets.*

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

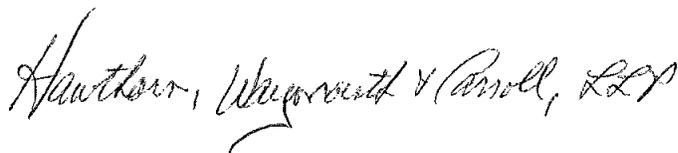
*No exceptions noted.*

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

*No exceptions noted.*

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 control and compliance 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 control and compliance 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.



February 10, 2018