

City of Alexandria Employees' Retirement System

Alexandria, Louisiana

December 31, 2013

**City of Alexandria Employees'
Retirement System**

December 31, 2013

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

Board of Trustees
City of Alexandria Employees' Retirement System

Report on the Financial Statements

We have audited the accompanying statement of plan net position of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of December 31, 2013, and the related statement of changes in plan net position for the year then ended and the related notes to the financial statements, which collectively comprise the City of Alexandria Employees' Retirement System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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





PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees' Retirement System

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Alexandria Employees' Retirement System, as of December 31, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Alexandria Employees' Retirement System, a pension trust fund of the City of Alexandria, Louisiana, and do not purport to, and do not present fairly the financial position of the City of Alexandria, Louisiana, as of December 31, 2013, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and other required supplemental information on pages 18 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees' Retirement System

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2014 on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alexandria Employees' Retirement System's internal control over financial reporting and compliance.

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

April 21, 2014

**Required Supplemental Information
Part I**

Management's Discussion and Analysis

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2013**

Our discussion and analysis of the City of Alexandria Employees' Retirement System's financial performance provides an overview of the System's financial activities for the year ended December 31, 2013. It encompasses year-long activities and is management's representation of the System's activities and should be read in conjunction with the accompanying financial statements.

Overview of the Financial Statements

The **Statement of Plan Net Position** includes all of the System's assets and liabilities, and provides information about the nature and amount of investments available to satisfy the pension benefits of the System. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2013.

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

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

The **Required Supplemental Information – Part II**, including the *Schedule of Funding Progress*, and the *Schedule of Employer Contributions*, provides historical trend information about the actuarially determined funded status of the System from a long-term, on-going plan perspective and the progress made in accumulating sufficient assets to pay benefits when due.

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

Financial Analysis

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

Condensed Statement of Plan Net Position

	2013	2012	Change
Assets			
Cash	\$ 5,906,784	\$ 6,557,987	\$ (651,203)
Receivables	677,879	632,560	45,319
Investments, at fair value	129,074,831	113,696,183	15,378,648
Capital assets, net	525	1,148	(623)
Total Assets	135,660,019	120,887,878	14,772,141
Liabilities	(600)	(600)	-
Plan Net Position	\$ 135,659,419	\$ 120,887,278	\$ 14,772,141

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2013**

As the table above indicates, Plan Net Position increased by \$14,772,141, primarily due to a continued increase in asset fair value. The year ended December 31, 2013, while marked with a level of volatility as in previous years, showed a significant increase at year-end. As a result, during the year 2013 there was a net change of \$14,772,141 in Plan Net Position when measured year over year at December 31st.

Cash – The System, for the past several years, has maintained a portion of its assets in cash. As the table above indicates, there was a net decrease of \$651,203 in total cash amounts – a level that is still somewhat higher than normally would be the case. A portion of the reason is due to investment settlements at year end and the DROP program which requires higher cash balances to be on hand. It is anticipated that over time a reduction of these cash amounts would be permitted.

It is the position of the System that during unsettled market periods and the potential demands of the System for certain cash needs, it is prudent to maintain a larger than normal cash position. Though, as stated in the above paragraph, it is anticipated that a reduction in the cash balance would occur in months ahead.

All of the cash balances of the System earn interest at the daily interest rate arranged with the System's banking company while being kept available for System purposes. The "sweep account" the System previously used has been discontinued for the time being due to the abnormally low interest rate climate which negated the purposes for which it was utilized.

The cash balances of the System are subject to a call by those persons participating in the DROP program. The termination of participation is a choice of timing by the individual, resulting in a need to disperse large amounts at the time of notice given by these persons. During the year 2013 a total of \$669,174 was paid out in cash to DROP participants terminating employment [an increase of \$162,626 over the amount paid the previous fiscal year]. At year-end the total liability to DROP participants was \$1,993,766. Further, the decisions of individuals completing the DROP to continue employment required the establishment of an interest bearing sub-account for the accumulated DROP funds. At the year-end, the total in the sub-accounts totaled \$424,474. Individuals have a call on these funds at a time of their choosing thereby increasing the need for a ready amount of funds.

Additional demands for cash payments during the year were not only the payment to retired employees, which totaled \$7,869,240; but refunds to terminated employees as well. Persons terminating employment, who are not vested for future benefits, are refunded the amount of the employee contributions. During the year 2013 this amounted to \$383,634, a decrease of \$103,556 over the prior year. Cash payments for the DROP amounted to \$669,174 during the year 2013.

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

Investments – The year ended December 31, 2013 was investment wise much like previous years in terms of volatility; but the System's investments managed to end the year with a net increase of fair value of assets of \$15,378,648.

A positive rate of return was also achieved for the year of 14.0% at the fiscal year end of December 31, 2013. The System's return, according to our actuaries, was among the better rates of return experienced by Louisiana public retirement areas.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2013**

Condensed Statements of Changes in Plan Net Position

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Additions			
Employer	\$ 4,773,338	\$ 4,683,190	\$ 90,148
Plan members	1,679,195	1,674,470	4,725
Purchased service	554,010	-	554,010
Net investment income (loss)	<u>16,829,954</u>	<u>11,742,089</u>	<u>5,087,865</u>
Total Additions	23,836,497	18,099,749	5,736,748
Deductions			
Plan benefits	7,869,240	7,002,906	866,334
DROP benefits	669,174	506,548	162,626
Employee refunds	383,634	487,190	(103,556)
Transfers to other systems	-	-	-
Administrative expenses	<u>142,308</u>	<u>133,392</u>	<u>8,916</u>
Total Deductions	<u>9,064,356</u>	<u>8,130,036</u>	<u>934,320</u>
Net Increase (Decrease) in Plan Net Position	\$ 14,772,141	\$ 9,969,713	\$ 4,802,428

The table above indicates that the plan net position increased by \$14,772,141 at the end of 2013. This increase follows a similar increase in the prior fiscal year – a year over year continuation of growth.

Employer Contributions – Employer contribution rates are set through the report of the consulting actuary and are designed to change with the beginning of the City's fiscal year at May 1st. Rates run for a 12-month period until the following April 30th with the current actuarial valuation determining any change in rate structure. The current employer contribution rate of 27.04% will be increased to 28.78% on May 1, 2014. This rate will be in effect until the close of the City's fiscal year of April 30, 2015. The report of the actuary just received will provide the contribution rate for the City which will be effective May 1, 2015. That report has indicated that the rate effective May 1, 2015 will decline 4% of payroll to 24.70%.

Investment Income – The System invests in markets with a prudent amount of risk taken, but it cannot control the events that shape and govern the markets in which we place our funds. The System either matched or exceeded the indices it measures itself against during the year ended December 31, 2013.

Other Information

While the report of the actuary for the fiscal year just ended was just received at this writing, the System is not adding new unfunded liability and our System is still on track to be fully funded in five more years at which time there will be a dramatic reduction in the employer contribution rate. That report speaks for itself, and will not be further addressed in this writing.

When viewed on an on-going multi-year basis, the System continues to make progress in its efforts to both grow assets, and reduce unfunded liability. The DROP program continues to place a greater degree of call on the cash of the System and in doing so impedes, somewhat, the normal investment process of the System. Overall, the System is healthy and growing; a direction management continues to strive in attaining.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2013**

Request for Information

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

Financial Statements

City of Alexandria Employees' Retirement System
Statement of Plan Net Position
December 31, 2013

Exhibit A

Assets

Cash		\$ 5,906,784
Accrued interest and dividends receivable		677,879
Investments, at fair value:		
Corporate bonds (amortized cost \$36,625,878)	37,425,744	
Zero coupon treasury receipts (amortized cost \$2,399,877)	2,974,716	
GNMA notes (amortized cost \$9,356)	15,257	
U.S. government agency notes (amortized cost \$1,290,707)	1,230,574	
Corporate stocks		
Preferred stocks (cost \$2,538,164)	2,264,664	
Common stocks (cost \$65,863,451)	85,163,876	
Total Investments (cost \$108,727,433)	129,074,831	
Furniture, fixtures, and equipment, net of depreciation		525
Total Assets		135,660,019

Liabilities

Payroll taxes withheld		600
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Net Position - Restricted for Pension Benefits

(A schedule of funding progress is presented on page 19)		\$ 135,659,419
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The accompanying notes are an integral part of the financial statements.

**City of Alexandria Employees' Retirement System
Statement of Changes in Plan Net Position
Year Ended December 31, 2013**

Exhibit B

Additions

Contributions

Employer	\$ 4,773,338
Plan members	1,679,195
Purchased service, transfers, and/or repayment of refunds	554,010
Total Contributions	7,006,543

Investment income

Interest	1,928,760
Dividends	1,908,897
Net appreciation in fair value of investments	12,992,297
Total Investment Income	16,829,954
Total Additions	23,836,497

Deductions

Plan benefits	7,869,240
DROP benefits	669,174
Employee refunds	383,634
Administrative expenses	142,308
Total Deductions	9,064,356

Net Increase

14,772,141

Net Position Restricted for Pensions

Beginning of Year	120,887,278
End of Year	\$ 135,659,419

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

Notes to Financial Statements

**City of Alexandria Employees' Retirement System
December 31, 2013**

Notes to Financial Statements

1. Plan Description and Significant Accounting Policies

The City of Alexandria Employees' Retirement System (the System) is the administrator of a single-employer defined benefit plan established by Act 459 of the Louisiana Legislature of 1948, as amended, and administered by the City of Alexandria. The System is considered part of the City of Alexandria financial reporting entity and is included in the City's financial reports as a pension trust fund.

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

Plan Description

Substantially all employees of the City, except firemen and policemen, become members of the System as a condition of employment. At December 31, 2013, System membership consisted of:

Current employees	
Vested	232
Nonvested	254
DROP participants	21
Terminated members due future benefits	12
Terminated members not due future benefits	142
Retirees and survivors currently receiving benefits	<u>352</u>
Total	1,013

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

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

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

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

City of Alexandria Employees' Retirement System
December 31, 2013

Notes to Financial Statements

Deferred Retirement Option Plan - In lieu of terminating employment and accepting a service retirement allowance, any member of the System who has at least ten years of creditable service and who is eligible to receive a service retirement allowance may elect to participate in the Deferred Retirement Option Plan for up to thirty-six months and defer the receipt of benefits. Creditable service shall not include service reciprocally recognized pursuant to R.S. 11:142. Upon commencement of participation in the DROP plan, active membership in the System terminates and the participant's contributions cease; however, employer contributions continue. Compensation and creditable service remain, as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan account. Upon termination of employment at the end of the specified period of participation, a participant in the program may receive, at his option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon his account balance (or any other method of payment subject to approval by the Board of Trustees); in addition, the member receives the monthly benefits that were paid into the fund during the period of participation. After a member has terminated his participation in the plan, the member's individual account balance in the plan will earn interest at the actual rate of return earned on such funds left on deposit with the System. Such funds will be invested in accordance with a policy adopted by the Board of Trustees. The accrued interest will be credited to the individual account on an annual basis. If employment is not terminated at the end of the participation period, payments into the account cease and the member resumes active contributing membership in the System. The monthly benefit payments that were being paid into the DROP fund are paid to the retiree and an additional benefit based on his additional service rendered since termination of DROP participation is calculated using the normal method of benefit computation. The average compensation used to calculate the additional benefit is that used to calculate the original benefit unless his period of additional service is at least thirty-six months. In no event can the entire monthly benefit amount paid to the retiree exceed 100% of the average compensation used to compute the additional benefit. If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance is paid to his named beneficiary or, if none, to his estate.

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

Contribution Rates - Covered employees are required by statute to contribute ten percent of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the System at an actuarially determined rate. Benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.

Cost of Living Increases - Provided certain actuarial conditions are met, the Board of Trustees is authorized to use earnings on investments of the System in excess of normal requirements to grant retired members and widows of members an annual cost of living increase of 2% of their original benefit (not less than ten dollars per month).

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

Significant Accounting Policies

Basis of Accounting - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due.

**City of Alexandria Employees' Retirement System
December 31, 2013**

Notes to Financial Statements

Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

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

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

2. Cash

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

3. Investments

As of December 31, 2013, the System had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Corporate bonds	\$ 37,425,744	\$ -	\$ 2,053,269	\$ 5,421,545	\$ 29,950,930
Zero coupon treasury receipts	2,974,716	-	-	2,974,716	-
GNMA notes	15,257	-	12,764	2,493	-
U.S. government agency notes	1,230,574	-	-	-	1,230,574
Total Interest-Bearing	41,646,291	\$ -	\$ 2,066,033	\$ 8,398,754	\$ 31,181,504
Preferred stocks	2,264,664				
Common stocks	85,163,876				
Total Investments	\$129,074,831				

**City of Alexandria Employees' Retirement System
December 31, 2013**

Notes to Financial Statements

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

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

<u>Moody's Investor Services Credit Rating</u>	<u>Fair Value</u>
A or better	\$ 35,270,238
Baa	5,055,835
Less than Baa	<u>1,320,218</u>
	<u>\$ 41,646,291</u>

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

4. Furniture, Fixtures, and Equipment

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

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Furniture and fixtures	\$ 5,938	\$ -	\$ -	\$ 5,938
Equipment	<u>6,895</u>	-	-	<u>6,895</u>
Total	12,833	-	-	12,833
Accumulated depreciation	<u>(11,685)</u>	<u>(623)</u>	-	<u>(12,308)</u>
Net	\$ 1,148	\$ (623)	\$ -	\$ 525

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

Furniture and fixtures	7-10 years
Computer equipment	5 years

Depreciation expense recorded in the financial statements for the year ended December 31, 2013, amounted to \$623.

**City of Alexandria Employees' Retirement System
December 31, 2013**

Notes to Financial Statements

5. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2013, the most recent actuarial valuation date, is as follows:

(a) Actuarial value of assets	\$ 127,275,158
(b) Actuarial accrued liability (AAL) – entry age	138,332,570
(c) Unfunded AAL (UAAL) (b-a)	11,057,412
(d) Funded ratio (a/b)	92.01%
(e) Covered payroll (includes DROP participants)	18,017,017
(f) UAAL as a percentage of covered payroll (c/e)	61.37%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/13
Actuarial cost method	Frozen Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	5 years

Actuarial asset values:

The actuarial value of assets is based on a 5-year smoothing of all investment earnings above or below the actuarial assumed rate of return. If the smoothed value of assets is more than 115% of the market value of assets, the actuarial value of assets will be equal to the smoothed value reduced by 1/2 of the excess of the smoothed value over 115% of the market value of assets. If the smoothed value is less than 85% of the market value of assets, the actuarial value will be equal to the smoothed value increased by 1/2 of the excess of 85% of the market value of assets over the smoothed value.

Actuarial assumptions:

Investment rate of return	7.75%
Projected salary increase	5.50%
Includes inflation at	3.00%
Includes merit raises at	2.50%
Cost-of-living adjustments	None

**Required Supplemental Information
Part II**

City of Alexandria Employees' Retirement System
Required Supplemental Information
Schedule of Funding Progress
(in thousands of dollars)

Schedule 1

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Frozen Entry Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
12/31/98	\$ 55,151	\$ 75,371	73.2%	\$ 20,220	\$ 13,393	151.0%
12/31/99	62,301	82,642	75.4%	20,341	14,231	142.9%
12/31/00	67,268	87,647	76.7%	20,379	13,690	148.9%
12/31/01	68,892	89,248	77.2%	20,356	14,500	140.4%
12/31/02	66,448	86,593	76.7%	20,145	15,196	132.6%
12/31/03	66,317	86,179	77.0%	19,862	14,639	135.7%
12/31/04	68,816	88,315	77.9%	19,499	14,522	134.3%
12/31/05	75,252	94,301	79.8%	19,049	15,961	119.3%
12/31/06	81,480	99,983	81.5%	18,503	16,725	110.6%
12/31/07	90,346	108,197	83.5%	17,851	18,400	97.0%
12/31/08	90,577	107,659	84.1%	17,082	20,287	84.2%
12/31/09	97,814	114,000	85.8%	16,186	19,750	82.0%
12/31/10	103,324	118,475	87.2%	15,151	18,581	81.5%
12/31/11	108,774	122,736	88.6%	13,962	17,271	80.8%
12/31/12	114,776	127,383	90.1%	12,607	17,500	72.0%
12/31/13	127,275	138,333	92.0%	11,057	18,017	61.4%

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

**City of Alexandria Employees' Retirement System
Required Supplemental Information
Schedule of Employer Contributions**

Schedule 2

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/1998	\$ 2,450,850	100%
12/31/1999	2,527,803	100%
12/31/2000	2,479,254	100%
12/31/2001	2,414,828	100%
12/31/2002	2,490,139	100%
12/31/2003	2,734,983	100%
12/31/2004	3,371,285	100%
12/31/2005	4,445,154	100%
12/31/2006	5,026,930	100%
12/31/2007	5,217,854	100%
12/31/2008	5,518,590	100%
12/31/2009	4,794,266	100%
12/31/2010	5,134,545	100%
12/31/2011	5,033,392	100%
12/31/2012	4,683,190	100%
12/31/2013	4,773,338	100%

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

Supplementary Information

**City of Alexandria Employees' Retirement System
Schedule of Cash Receipts and Cash Disbursements
Year Ended December 31, 2013**

Schedule 3

Cash Receipts

Employer contributions	\$ 4,773,338
Member contributions	1,679,195
Purchased service, transfers, and/or repayment of refunds	554,010
Interest received	1,858,709
Dividends received	1,933,629
Proceeds from sale or redemption of investments	40,195,175
Total Cash Receipts	50,994,056

Cash Disbursements

Plan benefits	7,869,240
DROP benefits	669,174
Refunds of contributions	383,634
Administrative expenses	141,685
Purchase of investments	42,581,526
Total Cash Disbursements	51,645,259

Net Increase (Decrease) in Cash (651,203)

Cash, Beginning of Year 6,557,987

Cash, End of Year \$ 5,906,784

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Corporate Bonds
December 31, 2013**

**Schedule 4
(Continued)**

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
National Rural Utility Corporation	4/10/2017	5.450%	\$ 500,000	\$ 491,975	\$ 558,273
AT&T, Inc.	2/1/2018	5.500%	500,000	503,044	565,419
Caterpillar Financial Services Corporation	10/1/2018	7.050%	500,000	490,696	603,319
Wal-Mart Stores, Inc.	2/1/2019	4.125%	300,000	300,632	326,258
Philip Morris	3/26/2020	4.500%	300,000	297,725	323,840
Metlife, Inc	2/8/2021	4.750%	300,000	305,555	324,219
Mobil Oil	8/15/2021	8.625%	100,000	99,733	135,922
Atlantic Richfield	2/1/2022	8.250%	200,000	200,000	249,415
Coca Cola Enterprises	9/15/2022	8.000%	300,000	300,000	384,650
General Electric Capital Corporation	1/9/2023	3.100%	500,000	466,880	475,136
E. I. DuPont de Nemours and Company	2/15/2023	2.800%	500,000	474,058	459,766
Occidental Petroleum	2/15/2023	2.700%	500,000	459,513	458,494
Apple, Inc	5/3/2023	2.400%	500,000	456,094	447,805
EMC Corporation	6/1/2023	3.375%	500,000	497,935	481,179
Aetna, Inc.	8/15/2023	7.250%	200,000	198,950	240,675
Bristol-Myers Squipp Company	11/1/2023	3.250%	750,000	749,750	719,658
The Coca-Cola company	11/1/2023	3.200%	750,000	751,593	720,786
United Telephone Fla	1/15/2025	8.375%	500,000	488,653	580,874
Verizon California, Inc.	5/15/2027	6.750%	1,000,000	1,007,186	1,055,351
GTE Corp-Verizon	4/15/2028	6.940%	500,000	485,742	567,010
GTE Corp-Verizon	4/15/2028	6.940%	500,000	502,755	567,010
Bell South Telecommunications	6/1/2028	6.375%	500,000	500,000	540,209
Coca Cola Enterprises	9/15/2028	6.750%	500,000	498,390	599,200
Atlantic Richfield	3/1/2032	8.750%	100,000	100,000	131,684
Intel Corporation	12/15/2032	4.000%	500,000	479,575	460,253
Goldman Sachs Group I	2/15/2033	6.125%	250,000	250,000	281,203
Goldman Sachs Group I	2/15/2033	6.125%	500,000	499,208	562,405
Allstate	6/1/2033	5.350%	1,300,000	1,320,404	1,381,933
Cincinnati Gas & Electric	6/15/2033	5.375%	500,000	482,667	491,703
Citigroup Inc	10/31/2033	6.000%	500,000	500,000	527,109
Goldman Sachs Capital I	2/15/2034	6.345%	650,000	640,839	657,341
Loews Corporation	2/1/2035	6.000%	500,000	496,741	551,168
Wal-Mart Stores, Inc.	9/1/2035	5.250%	1,000,000	997,598	1,083,443
Verizon Communications	9/15/2035	5.850%	540,000	552,088	572,578
Lowe's Companies	10/15/2035	5.500%	600,000	552,658	639,903
Cleco Power LLC	12/1/2035	6.500%	210,000	210,000	239,598
Wyeth Company	2/15/2036	6.000%	300,000	295,408	353,026
Apache Corporation	1/15/2037	6.000%	300,000	294,745	337,874
Honeywell International	3/15/2037	5.700%	500,000	516,739	560,632
Lehman Brothers	6/21/2037	6.500%	237,489	234,369	53,226
McGraw-Hill	11/15/2037	6.550%	300,000	279,330	286,254
Regions Financial	12/10/2037	7.375%	300,000	299,280	323,397
Duke Energy	4/15/2038	6.050%	750,000	750,000	897,466
Consolidated Edison Co. of NY	12/1/2039	5.500%	500,000	502,496	554,335

**City of Alexandria Employees' Retirement System
Investments - Corporate Bonds
December 31, 2013**

**Schedule 4
(Concluded)**

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
Cisco Systems	1/15/2040	5.500%	\$ 500,000	\$ 499,328	\$ 529,762
Cisco Systems	1/15/2040	5.500%	1,000,000	1,086,233	1,059,524
Pepsico, Inc	1/15/2040	5.500%	300,000	309,854	327,482
Southern California Edison	3/15/2040	5.500%	500,000	508,298	553,830
Abbot Labs	5/27/2040	5.300%	500,000	498,655	550,314
Western Union	6/21/2040	6.200%	500,000	512,451	454,602
Wal-Mart Stores, Inc.	7/8/2040	4.875%	500,000	488,726	507,481
Apache Corporation	9/1/2040	5.100%	300,000	300,258	303,270
Microsoft	2/8/2041	5.300%	500,000	506,732	538,057
Honeywell International	3/1/2041	5.375%	300,000	305,057	329,156
Amgen, Inc.	10/1/2041	4.950%	300,000	288,509	285,440
Halliburton Company	11/15/2041	4.500%	300,000	305,333	284,695
Halliburton Company	11/15/2041	4.500%	750,000	727,400	711,739
Philip Morris International, Inc.	11/15/2041	4.375%	300,000	298,880	272,591
Unitedhealth Group, Inc	11/15/2041	4.625%	300,000	298,461	281,672
Florida Power and Light	2/1/2042	4.125%	500,000	500,341	460,919
McDonalds Corporation	2/15/2042	3.700%	1,000,000	978,393	849,712
Pepsico, Inc	3/5/2042	4.000%	1,000,000	998,768	870,849
Duke Energy Indiana, Inc	3/15/2042	4.200%	500,000	499,599	462,248
Mississippi Power Company	3/15/2042	4.250%	1,000,000	976,788	874,258
Southern California Edison	3/15/2042	4.050%	500,000	494,395	450,579
UnitedHealth Group, Inc	3/15/2042	4.375%	500,000	490,149	461,167
Philip Morris International, Inc.	3/20/2042	4.500%	505,000	514,763	471,716
Target Corporation	7/1/2042	4.000%	500,000	508,854	433,712
Astrazeneca	9/18/2042	4.000%	500,000	508,243	431,377
Intel Corporation	12/15/2042	4.250%	1,000,000	1,001,508	881,051
Bell South Telecommunications	11/15/2045	5.850%	750,000	688,452	705,262
Bell South Telecommunications	11/15/2045	5.850%	800,000	750,446	752,280
Totals			<u>\$36,942,489</u>	<u>\$ 36,625,878</u>	<u>\$ 37,425,744</u>

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Zero Coupon Treasury Receipts
December 31, 2013**

Schedule 5

<u>Description</u>	<u>Maturity Date</u>	<u>Yield</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Zero Coupon Treasury Receipt	02/15/17	8.300%	\$ 2,075,000	\$ 1,609,341	\$ 2,016,154
FNMA Discount Note	06/01/17	7.000%	1,000,000	790,536	958,562
Totals			<u>\$ 3,075,000</u>	<u>\$ 2,399,877</u>	<u>\$ 2,974,716</u>

Yield represents yield to maturity.

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - GNMA Notes
December 31, 2013**

Schedule 6

<u>Description</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
GNMA Notes	9.00%	\$ 7,953	\$ 6,637	\$ 10,374
GNMA Notes	9.50%	849	357	1,226
GNMA Notes	10.00%	2,045	2,045	3,176
GNMA Notes	10.50%	199	199	250
GNMA Notes	11.50%	99	99	198
GNMA Notes	12.00%	19	19	33
Totals		<u>\$ 11,164</u>	<u>\$ 9,356</u>	<u>\$ 15,257</u>

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

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - U.S. Government Agency Notes
December 31, 2013**

Schedule 7

<u>Description</u>	<u>Maturity Date</u>	<u>Yield</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Federal Home Loan Banks Debenture	08/23/27	1.700%	\$ 400,000	\$ 370,286	\$ 356,014
Federal Home Loan Mortgage Corporaton	09/07/27	3.100%	500,000	464,807	442,068
Federal Home Loan Banks Debenture	10/04/27	3.100%	500,000	455,614	432,492
Totals			<u>\$ 1,400,000</u>	<u>\$ 1,290,707</u>	<u>\$ 1,230,574</u>

Yield represents yield to maturity.

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Preferred Stocks
December 31, 2013**

Schedule 8

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
BAC Capital Trust VIII	10,000	\$ 250,000	\$ 248,500
Bank of America 6.375%	10,000	250,000	232,500
Duke Realty Corp 6.6% Series L	3,940	99,997	89,241
Entergy Mississippi, Inc	15,000	375,000	355,650
FPL Group Capital Trust I	3,940	99,918	95,742
Gabelli DVD & Inc. Trust	3,880	100,104	94,866
General Electric Capital Corporation	25,000	625,000	502,500
Goldman Sacs Corporation	13,535	338,375	294,522
PLC Capital Trust V	3,930	99,979	91,962
RBS Capital Funding Trust VII 6.08%	3,920	99,921	81,928
Vornado Realty Trust 6.625%	3,970	99,885	91,469
Wachovia Pfd Funding 7.25%	3,430	99,985	85,784
Totals		<u>\$ 2,538,164</u>	<u>\$ 2,264,664</u>

See independent auditor's report.

City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2013

Schedule 9
(Continued)

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Alexion Pharmaceuticals, Inc.	6,000	\$ 734,306	\$ 797,280
Amgen, Inc.	30,000	1,868,144	3,422,400
AOL, Inc.	605	34,599	28,205
Apache Corporation	20,000	1,575,955	1,718,800
Apple, Inc.	3,000	1,511,268	1,683,060
AT&T, Inc.	56,262	1,799,993	1,978,172
BB & T Corporation	55,000	1,834,897	2,052,600
Caterpillar, Inc	35,000	3,084,328	3,178,350
Cisco Systems, Inc.	35,000	840,456	779,100
Coco Cola Company	85,000	2,944,012	3,511,350
Corning, Inc.	56,000	1,509,119	997,920
CSX Corporation	20,000	498,076	575,400
DaVita HealthCare Partners, Inc.	25,000	1,550,174	1,584,250
Deer & Company	29,000	2,484,874	2,648,570
Devon Energy	25,000	1,720,343	1,546,750
Dow Chemical	47,000	1,788,309	2,086,800
Emerson Electric Company	46,000	1,227,338	3,228,280
Express Scripts, Inc.	66,000	2,779,635	4,635,840
Exxon Mobil Corporation	40,000	2,001,772	4,048,000
Frank's International N.V.	20,000	625,220	540,000
Freeport-McMoran Copper and Gold, Inc.	45,000	1,963,975	1,698,300
Frontier Communications Company	4,800	41,904	22,320
General Electric Company	100,000	1,647,171	2,803,000
General Motors Company	18,310	1,322,200	748,330
General Motors Company Warrants A	7,553	623,029	235,352
General Motors Company Warrants B	7,553	474,121	174,701
Halliburton Company	20,000	614,123	1,015,000
Honeywell International, Inc.	28,000	1,683,597	2,558,360
ING Group, N.V.	7,000	285,258	98,070
Intel Corporation	75,000	1,812,786	1,946,250
International Business Machines	25,000	2,759,995	4,689,250
JDS Uniphase Corporation	2,937	791,116	38,122
Johnson & Johnson	45,000	2,833,569	4,121,550
McDonalds Corp.	10,000	562,351	970,300

**City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2013**

**Schedule 9
(Concluded)**

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Microsoft Corporation	12,500	\$ 416,375	\$ 467,625
Nuance Communications, Inc.	90,000	1,932,196	1,368,000
Procter & Gamble Co.	40,625	2,104,828	3,307,281
Qualcomm Incorporated	20,000	1,198,877	1,485,000
Schlumberger, Ltd.	35,000	2,640,127	3,153,850
Union Pacific Corporation	13,000	688,981	2,184,000
US Bancorp	44,000	1,346,497	1,777,600
Visa, Inc.	16,600	2,865,424	3,696,488
Walt Disney Company	55,000	1,735,472	4,202,000
Wells Fargo & Company	30,000	1,106,661	1,362,000
Totals		<u>\$ 65,863,451</u>	<u>\$ 85,163,876</u>

See independent auditor's report.

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**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**

Board of Trustees
City of Alexandria Employees' Retirement System

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statements of plan net position and changes in plan net position of the City of Alexandria Employees' Retirement System (the System) as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon date April 21, 2014.

Internal Control Over Financial Reporting

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

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

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

ROBERT W. DVORAK, C.P.A. CINDY L. HOMPRIES, C.P.A.
REBECCA B. MORRIS, C.P.A. DEBORAH R. DUNN, C.P.A.
MICHAEL A. JONEAU, C.P.A. REBECCA G. NATION, C.P.A.
EVELYN RENFROW, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees' Retirement System

Compliance and Other Matters

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

Purpose of this Report

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

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

Certified Public Accountants
Alexandria, Louisiana

April 21, 2014

Schedule of Findings and Responses

**City of Alexandria Employees' Retirement System
 Schedule of Findings and Responses
 Year Ended December 31, 2013**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

____ Yes X No

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

____ Yes X None reported

Noncompliance material to the financial statements noted?

____ Yes X No

Federal Awards

Not Applicable

Prior Year Audit Findings

None

Management's Corrective Action Plan

Not Applicable

Other Comments and Recommendations

Not Applicable

Part II - Findings Related to the Financial Statements

None

Part III - Findings and Questioned Costs for Federal Awards

Not Applicable