

City of Alexandria Employees' Retirement System

Alexandria, Louisiana

December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/19/10

**City of Alexandria Employees'
Retirement System**

December 31, 2009

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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

We have audited the accompanying statement of plan net assets of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of December 31, 2009, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 purport to, and do not, present fairly the financial position of the City of Alexandria, Louisiana, as of December 31, 2009, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the plan net assets held in trust for pension benefits of the City of Alexandria Employees' Retirement System, as of December 31, 2009, and the change in its net assets held in trust for pension benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2010, 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, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees' Retirement System

The Management's Discussion and Analysis and other required supplementary information on pages 3 through 7 and 15 through 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 additional 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Payne, Moore & Herrington, LLP

Certified Public Accountants

May 12, 2010

**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, 2009**

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, 2009. 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

Management's Discussion and Analysis is intended to serve as an introduction to the System's financial statements, required supplemental information, and the supporting schedules as described below:

- The **Statement of Plan Net Assets** 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, 2009.
- The **Statement of Changes in Plan Net Assets** 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*, the *Schedule of Employer Contributions*, and the *Notes to Required Supplemental Information*, 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 **Additional Information** is presented for the purposes of additional analysis and is not a required part of the financial statements.

Financial Analysis

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

Condensed Statement of Plan Net Assets

	2009	2008	Change
Assets			
Cash	4,593,321	5,030,090	(436,769)
Receivables	576,194	682,135	(105,941)
Investments, at fair value	87,304,426	68,983,457	18,320,969
Capital assets, net	1,990	1,979	11
Total Assets	92,475,931	74,697,661	17,778,270
Liabilities	(510)	(570)	60
Plan Net Assets	92,475,421	74,697,091	17,778,330

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2009**

As the table above indicates, Plan Net Assets increased by \$17,778,330, primarily due to a recovery in asset fair value – a decline - which had occurred in the 2008 fiscal year. The year ended December 31, 2009 was one marked by recovery and a healing of the wounds inflicted as a result of the financial crisis which struck this nation in the fall of 2008. During the year 2009 there was a net change of \$17,778,270 in Plan Net Asset Value when measured in a year over year period at December 31st.

Cash – The system, for the past several years, has maintained a portion of its assets in cash. As the table indicates there was a net decline of \$436,769 in total cash amounts, but the amount is still slightly higher than normally would be the case. While the DROP program and investment activities require certain cash balances, it is anticipated that over time and a further easing of the volatility in investment markets, a further reduction would be permitted.

It is the position of the System that during unsettled periods and the potential demands of the system for certain cash needs, it is prudent to maintain a larger than normal cash position.

All of the cash balances of the System earn interest at the daily interest rate while being kept available for System purposes. The System has a "sweep account" for its bank account, which is fully secured separately from the collateral normally provided by the bank, with all funds being moved into a nightly repurchase agreement resulting in a compounding of interest of these funds.

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. At year-end the total liability to DROP participants was \$1,029,240. Further, the decisions of individuals completing the DROP to continue employment required the establishment of an interest bearing sub-account for their accumulated DROP funds. At the year-end, the total in the sub-accounts totaled \$562,713. Individuals have a call on these funds at a time of their choosing thereby increasing the need for a ready amount of funds.

Receivables – As cash is invested and the number of equities increasing or beginning to pay dividends together with the normal payment of interest on a variety of fixed income securities resulted in a continuing accrual of monies at year end.

Investments – *As the year 2008 was marked with the greatest distortion in market values since the Great Depression, the year 2009 was equally as volatile, but one marked by a recovery of the losses experienced the previous year. The System's assets had a net increase of \$17,778,330 at year-end, as compared to the loss of the preceding year.*

At year-end 2009, there was cumulative change in Plan Net Assets of \$33,326,482 following the loss incurred during the crisis of 2008.

A positive investment return of 23.93% was experienced by the System for the fiscal year. We are advised by our actuaries that the return was equal to or better than our peers in the Louisiana public retirement areas – the 2nd year in a row of achieving this result.

Further, the geometric average market return over a 10-year period was among the highest in the Louisiana public retirement system arena and was greater than the S&P 500 average over the same period.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2009**

Condensed Statements of Changes in Plan Net Assets

	2009	2008	Change
Additions			
Employer	4,794,266	5,518,590	(724,324)
Plan members	1,885,783	1,964,115	(78,332)
Purchased service	-	319,239	(319,239)
Net investment income (loss)	17,898,337	(16,675,784)	34,574,121
Total Additions	24,578,386	(8,873,840)	33,452,226
Deductions			
Plan benefits	6,263,584	6,032,791	230,793
DROP benefits	175,564	255,963	(80,399)
Employee refunds	154,473	253,049	(98,576)
Transfers to other systems	77,352	-	77,352
Administrative expenses	129,083	132,509	(3,426)
Total Deductions	6,800,056	6,674,312	125,744
Net Increase (Decrease) in Plan Net Assets	17,778,330	(15,548,152)	33,326,482

The table above indicates that the plan net assets increased by \$17,778,330 at the end of 2009 as compared to a loss of (\$15,548,152) for the previous year. The change in investment climates year-over-year primarily were responsible for the change in amounts.

- **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 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. Rates increased on May 1, 2010 reflective of the report of the actuary for the fiscal year ended December 31, 2008. Having just received the report for the fiscal year 2009, the Board of Trustees has set the actuarially required employer contribution rate, based on the actuary's study, at 27.45% to be effective May 1, 2011 [a decline of 1.49% of payroll] – due to the favorable activity of the System this past fiscal year.
- **Investment Income –** The retirement 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 retirement system either matched or exceeded the indices it measures itself against during the year ended December 31, 2009.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2009**

Other Information

The System had favorable actuarial experience during the year; with the report of the actuary indicating that it was not adding any new unfunded liability and would pay off the existing liability in 9 years at which time the employer contribution rate would decline by 30% to 35%. That report speaks for itself, and will not be further addressed in this writing.

When viewed on a multi-year basis the System continues in a positive growth mode, though not without some level of volatility resulting from external sources. The DROP program continues to place a greater degree of call on the cash of the system and will require a reserving of additional amounts for this item.

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 Assets
December 31, 2009

Exhibit A

Assets

Cash and cash equivalents		\$ 4,593,321
Accrued interest and dividends receivable		576,194
Investments, at fair value:		
Corporate bonds (amortized cost \$25,947,812)	23,775,185	
Zero coupon treasury receipts (amortized cost \$1,762,815)	2,338,805	
GNMA notes (amortized cost \$28,861)	40,425	
U.S. government agency notes (amortized cost \$2,498,254)	2,498,610	
Corporate stocks		
Preferred stocks (cost \$5,917,704)	4,897,637	
Common stocks (cost \$52,127,047)	53,753,764	
Total Investments (cost \$88,282,493)		87,304,426
Furniture, fixtures, and equipment, net of depreciation		1,990
Total Assets		<u>92,475,931</u>

Liabilities

Payroll taxes withheld	<u>510</u>
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Net Assets Held in Trust for Pension Benefits

(A schedule of funding progress is presented on page 16)	<u><u>\$ 92,475,421</u></u>
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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 Assets
Year Ended December 31, 2009**

Exhibit B

Additions

Contributions	
Employer	\$ 4,794,266
Plan members	1,885,783
Total Contributions	<u>6,680,049</u>
Investment income	
Interest	1,710,384
Dividends	1,402,543
Net appreciation in fair value of investments	14,785,410
Total Investment Income	<u>17,898,337</u>
Total Additions	<u>24,578,386</u>

Deductions

Plan benefits	6,263,584
DROP benefits	175,564
Employee refunds	154,473
Transfers to other systems	77,352
Administrative expenses	129,083
Total Deductions	<u>6,800,056</u>

Net Increase	17,778,330
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**Net Assets Held In Trust for Pension Benefits,
Beginning of Year**

74,697,091

**Net Assets Held in Trust for Pension Benefits,
End of Year**

\$ 92,475,421

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

City of Alexandria Employees' Retirement System
December 31, 2009

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, 2009, System membership consisted of:

Current employees	
Vested	275
Nonvested	257
DROP participants	16
Terminated members due future benefits	6
Terminated members not due future benefits	138
Retirees and survivors currently receiving benefits	<u>337</u>
Total	1,029

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, 2009

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.

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

Significant Accounting Policies

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

City of Alexandria Employees' Retirement System
December 31, 2009

Notes to Financial Statements

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 - 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 (GASB Category 1).

3. Investments

As of December 31, 2009, 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	\$ 23,775,185	\$ -	\$ 739,352	\$ 4,747,052	\$ 18,288,781
Zero coupon treasury receipts	2,338,805	-	1,613,313	725,492	-
GNMA notes	40,425	326	6,099	33,525	475
U. S. government agency notes	2,498,610	-	-	-	2,498,610
Total Interest-Bearing	28,653,025	\$ 326	\$ 2,358,764	\$ 5,506,069	\$ 20,787,866
Preferred stocks	4,897,637				
Common stocks	53,753,764				
Total Investments	\$ 87,304,426				

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.

**City of Alexandria Employees' Retirement System
December 31, 2009**

Notes to Financial Statements

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 limits 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 2008 and 2009, 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	\$ 15,512,495
Baa	3,986,117
Less than Baa	<u>4,276,573</u>
	\$ 23,775,185

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>5,816</u>	<u>954</u>	-	<u>6,770</u>
Total	11,754	954	-	12,708
Accumulated depreciation	<u>(9,775)</u>	<u>(943)</u>		<u>(10,718)</u>
Net	\$ 1,979	\$ 11	\$ -	\$ 1,990

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, 2009, amounted to \$943.

**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%

See independent auditor's report and notes to the required supplemental information on page 18.

**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%

See independent auditor's report and notes to the required supplemental information on page 18.

City of Alexandria Employees' Retirement System
Notes to Required Supplemental Information

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/09
Actuarial cost method	Frozen Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	10 years

Asset valuation method:

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	8.00%
Projected salary increase	5.50%
Includes inflation at	3.25%
Includes merit raises at	2.25%
Cost-of-living adjustments	None

See independent auditor's report.

Additional Information

**City of Alexandria Employees' Retirement System
Schedule of Cash Receipts and Cash Disbursements
Year Ended December 31, 2009**

Schedule 3

Cash Receipts

Employer contributions	\$ 4,794,266
Member contributions	1,885,783
Interest received	1,749,901
Dividends received	1,468,966
Proceeds from sale or redemption of investments	14,510,910
Total Cash Receipts	<u>24,409,826</u>

Cash Disbursements

Plan benefits	6,263,584
DROP benefits	175,564
Refunds of contributions	154,473
Transfers to other systems	77,352
Administrative expenses	128,200
Purchase of capital assets	954
Purchase of investments	18,046,468
Total Cash Disbursements	<u>24,846,595</u>

Net Increase (Decrease) in Cash	(436,769)
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Cash and Cash Equivalents, Beginning of Year	5,030,090
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Cash and Cash Equivalents, End of Year	<u>\$ 4,593,321</u>
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See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Corporate Bonds
December 31, 2009**

**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>
Aetna, Inc.	8/15/2023	7.250%	\$ 200,000	\$ 198,550	\$ 189,685
Apache Corporation	1/15/2037	6.000%	300,000	294,288	317,243
AT&T, Inc.	2/1/2018	5.500%	500,000	506,089	525,459
Atlantic Richfield	2/1/2022	8.250%	200,000	200,000	254,519
Atlantic Richfield	3/1/2032	8.750%	100,000	100,000	133,670
Bell South Telecommunications	6/1/2028	6.375%	500,000	500,000	496,737
Bell South Telecommunications	11/15/2045	5.850%	800,000	744,052	671,928
Bell South Telecommunications	11/15/2045	5.850%	750,000	680,510	629,932
Caterpillar Financial Services Corporation	10/1/2018	7.050%	500,000	481,391	571,290
Cincinnati Gas & Electric	6/15/2033	5.375%	500,000	479,018	458,850
Citigroup Inc	10/31/2033	6.000%	500,000	500,000	422,823
Cleco Power LLC	12/1/2035	6.500%	210,000	210,000	197,618
Coca Cola Enterprises	9/15/2022	8.000%	300,000	300,000	373,384
Coca Cola Enterprises	9/15/2028	6.750%	500,000	497,930	566,975
Dow Chemical	4/1/2021	9.000%	135,000	134,936	154,459
Duke Energy	4/15/2038	6.050%	750,000	750,000	793,649
Eastman Kodak	6/1/2021	9.200%	115,000	114,229	62,871
Ford Motor Company	9/15/2011	9.500%	200,000	199,935	207,000
Ford Motor Company	11/15/2025	7.125%	500,000	500,000	386,250
Ford Motor Company	7/16/2031	7.450%	500,000	500,000	445,000
Ford Motor Company	7/16/2031	7.450%	600,000	597,442	534,000
Ford Motor Company	1/15/2022	8.875%	300,000	298,750	264,000
General Electric Capital Corporation	10/19/2012	5.250%	500,000	492,093	532,352
General Electric Capital Corporation	10/6/2017	5.500%	500,000	499,708	489,081
General Electric Capital Corporation	5/12/2018	6.350%	1,000,000	1,000,000	1,003,865
General Electric Capital Corporation	2/13/2019	5.000%	400,000	400,000	396,653
General Electric Capital Corporation	3/30/2019	5.000%	300,000	300,450	272,335
General Electric Capital Corporation	3/30/2024	4.750%	300,000	300,000	265,764
General Electric Capital Corporation	10/15/2026	6.150%	200,000	200,000	180,695
General Motors	4/15/2016	7.700%	500,000	500,000	127,500
General Motors	9/1/2025	7.400%	625,000	623,047	162,500
General Motors	7/15/2033	8.375%	500,000	498,083	135,000
Goldman Sachs Capital I	2/15/2034	6.345%	650,000	639,007	606,026
Goldman Sachs Group I	2/15/2033	6.125%	250,000	250,000	255,904
Goldman Sachs Group I	2/15/2033	6.125%	500,000	499,042	511,807
GTE Corp	4/15/2018	6.840%	500,000	497,145	537,715
GTE Corp-Verizon	4/15/2028	6.940%	500,000	503,571	518,621
GTE Corp-Verizon	4/15/2028	6.940%	500,000	481,668	518,621
Lehman Brothers	6/21/2037	6.500%	300,000	296,490	43,500
Lowe's Companies	10/15/2035	5.500%	600,000	543,640	584,998
McGraw-Hill	11/15/2037	6.550%	300,000	275,735	293,018
Mobil Oil	8/15/2021	8.625%	100,000	99,600	133,914

City of Alexandria Employees' Retirement System
Investments - Corporate Bonds
December 31, 2009

Schedule 4
(Concluded)

<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	\$ 481,275	\$ 523,340
Ohio Power Company	7/15/2033	6.375%	290,000	289,444	286,160
Oklahoma Gas & Electric	8/1/2034	6.500%	750,000	764,250	748,557
Pacific Bell	10/15/2034	6.625%	260,000	260,000	261,218
Pacific Bell	10/15/2034	6.625%	1,000,000	1,000,000	1,004,687
Regions Financial	6/26/2037	6.450%	500,000	498,794	369,932
Regions Financial	12/10/2037	7.375%	300,000	299,160	245,658
SLM Corporation	1/25/2025	5.625%	1,000,000	1,000,000	617,875
SLM Corporation	8/1/2033	5.625%	400,000	382,677	380,233
SLM Corporation	8/1/2033	5.625%	500,000	500,000	304,186
Southern California Edison	4/1/2035	5.750%	300,000	301,210	302,555
U. S. West Communications Company	6/15/2023	7.500%	200,000	198,792	188,000
U. S. West Communications Company	9/15/2033	6.875%	200,000	195,956	173,000
United Telephone Florida	1/25/2025	8.375%	500,000	484,331	521,318
Verizon California, Inc.	5/15/2027	6.750%	1,000,000	1,009,397	1,009,950
Wal-Mart Stores, Inc.	2/1/2019	4.125%	300,000	301,137	299,814
Wyeth Company	2/15/2036	6.000%	300,000	294,990	311,491
Totals			<u>\$26,285,000</u>	<u>\$25,947,812</u>	<u>\$23,775,185</u>

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Zero Coupon Treasury Receipts
December 31, 2009**

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	\$ 1,162,450	\$ 1,613,312
Zero Coupon Treasury Receipt	06/01/17	7.000%	1,000,000	600,365	725,493
Totals			<u>\$ 3,075,000</u>	<u>\$ 1,762,815</u>	<u>\$ 2,338,805</u>

Yield represents yield to maturity.

See independent auditor's report.

City of Alexandria Employees' Retirement System
Investments - GNMA Notes
December 31, 2009

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%	\$ 18,408	\$ 13,386	\$ 20,080
GNMA Notes	9.50%	2,445	1,346	2,656
GNMA Notes	10.00%	7,488	7,150	8,211
GNMA Notes	10.50%	2,788	1,764	3,054
GNMA Notes	11.00%	308	308	332
GNMA Notes	11.50%	820	605	898
GNMA Notes	12.00%	1,700	1,466	1,858
GNMA Notes	12.50%	2,275	2,124	2,497
GNMA Notes	13.00%	83	73	86
GNMA Notes	13.50%	92	15	94
GNMA Notes	14.00%	624	624	659
Totals		<u>\$ 37,031</u>	<u>\$ 28,861</u>	<u>\$ 40,425</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, 2009**

Schedule 7

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
FNMA Callable	05/28/24	5.000%	\$ 500,000	\$ 500,000	\$ 486,856
FHLMC Callable	06/07/27	6.000%	1,000,000	1,000,000	1,032,668
FNMA Callable	05/21/29	5.000%	500,000	500,000	478,757
FNMA Callable	10/10/36	6.250%	500,000	498,254	500,329
Totals			<u>\$ 2,500,000</u>	<u>\$ 2,498,254</u>	<u>\$ 2,498,610</u>

See independent auditor's report.

City of Alexandria Employees' Retirement System
Investments - Preferred Stocks
December 31, 2009

Schedule 8

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
AT&T, Inc.	15,000	\$ 375,000	\$ 398,850
BAC Capital Trust V	3,950	99,975	76,551
BAC Capital Trust VIII	10,000	250,000	192,500
Bank of America 6.375%	10,000	250,000	188,000
Capital One, 7.50%	12,000	300,000	283,560
Citigroup Capital Trust XI	3,930	99,979	72,194
Citigroup Capital XIV, 6.875%	12,000	300,000	243,600
Citigroup Capital XVI, 6.45%	6,000	150,000	115,020
Duke Realty Corp 6.6% Series L	3,940	99,997	73,599
Entergy Arkansas	5,000	139,250	135,000
FPL Group Capital Trust I	3,940	99,918	98,500
Gabelli DVD & Inc. Trust	3,880	100,104	93,849
General Electric Capital Corporation	2,500	68,500	63,550
General Motors (BGM)	15,000	375,000	75,000
General Motors (HGM)	2,500	65,000	12,500
Goldman Sacs Corporation	15,000	375,000	314,670
JP Morgan Chase Capital Trust Ivy	13,390	337,512	323,636
Metlife, Inc. 5.875%	3,920	99,999	94,707
Metlife, Inc. 6.50%	15,000	375,000	360,900
Morgan Stanley Capital Trust, 6.60%	12,000	300,000	267,480
Natural Rural Utility CFC	4,007	100,015	94,725
PLC Capital Trust V	3,930	99,979	77,618
Prologis Trust 6.75% Series F	3,870	99,885	77,594
RBS Capital Funding Trust VII 6.08%	3,920	99,921	38,455
USB Capital VII	20,000	490,000	430,400
USB Capital X	12,000	300,000	285,840
Vornado Realty Trust 6.625%	3,970	99,885	84,839
Wachovia Pfd Funding 7.25%	3,430	99,985	74,500
Wells Fargo Capital Trust	10,000	267,800	250,000
Totals		<u>\$ 5,917,704</u>	<u>\$ 4,897,637</u>

See independent auditor's report.

City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2009

Schedule 9
(Continued)

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Alcatel Lucent	1,952	\$ 60,859	\$ 6,481
Alcon, Inc	229	29,992	37,636
Amazon.Com, Inc.	8,000	561,199	1,076,160
American Electric Power Company	5,000	155,241	173,950
Amgen, Inc.	25,000	1,574,993	1,414,250
AOL, Inc.	605	37,714	14,084
Apache Corporation	10,000	800,152	1,031,700
AT&T, Inc.	36,262	1,257,867	1,016,424
Baxter International	5,000	301,519	293,400
BB & T Corporation	20,000	870,019	507,400
Bovril Corporation	2,309	30,624	32,224
Bristol Myers Squibb	30,000	840,251	757,500
Burlington Northern Santa Fe	2,000	209,639	197,240
Cameron International Corporation	702	30,015	29,344
CenturyTel, Inc.	20,000	673,396	724,200
Cerner Corporation	411	19,782	33,883
Chevron Texaco	3,000	232,374	230,970
Cisco Systems, Inc.	65,000	1,792,646	1,556,100
Citadel Broadcasting	3,455	15,287	55
CLECO	34,000	570,479	929,220
Coca Cola Company	41,149	2,169,820	2,345,493
Cognizant Technology	1,176	30,261	53,308
Comcast Corporation	1,819	77,582	30,486
ConocoPhillips	23,000	1,077,363	1,174,610
Corning, Inc.	35,000	1,117,613	675,850
Cummins Engine	6,183	335,810	283,552
Deere & Company	15,000	721,902	811,350
Dell Computer Corporation	40,000	1,087,519	574,400
Dental Supply International, Inc.	907	30,115	31,899
Dick's Sporting Goods	1,220	30,469	30,341
Direct TV Group, Inc.	1,183	30,050	39,453
Dow Chemical	27,000	1,133,380	746,010
Dresser Rand Group, Inc.	1,966	60,606	62,145
Duke Energy Holding	10,000	158,684	172,100
Eli Lilly and Company	10,000	559,899	357,100

City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2009

Schedule 9
(Continued)

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
EMC Corporation	48,782	\$ 1,148,393	\$ 852,222
Emerson Electric Company	50,000	1,255,535	2,130,000
Express Scripts, Inc.	20,000	1,187,595	1,728,400
Exxon Mobil	25,000	819,947	1,704,750
Factset Research Systems, Inc.	561	30,655	36,953
Fairpoint Communications, Inc.	377	3,309	12
Flowserve Corporation	333	30,587	31,478
FPL Group	12,000	381,835	633,840
Franklin Resources, Inc.	577	60,736	60,787
General Cable Corporation	406	31,077	11,945
General Electric Company	40,000	306,198	605,200
Halliburton	20,000	656,503	601,800
Helmerich & Payne, Inc.	5,000	144,435	199,400
Henry Schein Company	579	30,159	30,455
Hewlett-Packard Company	35,000	1,536,302	1,802,850
Home Depot, Inc.	25,000	1,014,157	723,250
Honeywell International	22,000	1,029,675	862,400
ING Groep	7,000	285,258	68,670
Intel Corporation	50,000	1,166,934	1,020,000
International Business Machines	12,000	248,918	1,570,800
Intuitive Surgical Inc.	107	30,924	32,467
J.P. Morgan Chase & Company	10,000	369,951	416,200
Jabil Circuit, Inc.	500	20,259	8,685
Janus Capital Group.	2,099	60,937	28,232
JDS Uniphase Corporation	2,937	791,116	24,230
Jefferies Group, Inc.	1,121	30,321	26,601
Johnson & Johnson	25,000	1,533,935	1,610,250
Lam Research Corporation	593	30,692	23,262
Loews Corporation	5,000	227,616	181,750
Lowes Companies, Inc.	10,000	244,003	233,900
Marathon Oil Corporation	24,000	1,010,525	749,280
McDonalds Corporation	10,000	562,351	624,400
McKesson Corporation	657	30,401	41,063
Medtronic, Inc.	28,000	827,641	1,231,440
Merck & Company	18,481	290,789	675,296

City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2009

Schedule 9
(Concluded)

Description	Number of Shares	Cost	Fair Value
Microsoft Corporation	70,985	\$ 1,881,251	\$ 2,163,623
Nike, Inc. Class B	444	30,622	29,335
Nokia Corporation	10,000	397,156	128,500
OGE Energy	4,000	83,732	147,560
PepsiCo, Inc.	20,500	734,201	1,246,400
Pfizer	53,746	1,077,715	977,640
Procter & Gamble Company	35,625	1,706,728	2,159,944
Qualcomm, Inc.	11,000	493,210	508,860
Qwest Communications International, Inc.	10,000	268,562	42,100
Research In Motion	5,000	396,586	337,700
Schlumberger, Ltd.	30,000	1,995,711	1,952,700
Southern Company	5,000	157,299	166,600
Sprint Nextel Corporation	1,868	38,377	6,837
Starbucks Corporation	15,000	440,390	345,900
Symantec Corporation	12,500	256,284	223,625
Tenet Healthcare Corporation	12,000	511,622	64,680
Terex Corporation	756	59,959	14,976
Thermo Fisher Scientific	654	30,899	31,189
Time Warner	6,666	537,466	194,247
Time Warner Cable	1,673	189,514	69,246
Union Pacific Corporation	15,000	811,114	958,500
United Parcel Service, Inc.	7,000	550,881	401,590
US Bancorp	10,000	326,727	225,100
Verizon Communications	20,000	711,273	662,600
Wal-Mart Stores	17,000	868,215	908,650
Walt Disney Company	45,887	1,127,208	1,479,856
Wells Fargo & Company	10,123	329,555	273,220
Totals		\$ 52,127,047	\$ 53,753,764

See independent auditor's report.

**Other Report Required by
Government Auditing Standards and the
*Louisiana Governmental Audit Guide***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1946

**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 the financial statements of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana), as of and for the year ended December 31, 2009, and have issued our report thereon dated May 12, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Alexandria Employees' Retirement System's internal control over financial reporting as a basis for designing our auditing procedures 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 City of Alexandria Employees' Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Alexandria Employees' Retirement System's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Alexandria Employees' Retirement System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Alexandria Employees' Retirement System's financial statements that is more than inconsequential will not be prevented or detected by the City of Alexandria Employees' Retirement System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Alexandria Employees' Retirement System's internal control.

MARVIN A. JOHNSON, C.P.A.
ERNEST F. SASSER, C.P.A.
ROBERT W. BYRNAR, C.P.A.
REBECCA R. MORRIS, C.P.A.

MICHAEL A. JOHNSON, C.P.A.
JAMES W. BALLARD, C.P.A.
CINDY L. HUMPHRIES, C.P.A.
DEBORAH R. BURN, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees' Retirement System

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alexandria Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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*.

This report is intended solely for the information and use of the Board of Trustees, management of the City of Alexandria Employees' Retirement System, and the Legislative Auditor's Office of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP
Certified Public Accountants

May 12, 2010

Schedule of Findings and Responses

**City of Alexandria Employees' Retirement System
Schedule of Findings and Responses
Year Ended December 31, 2009**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

____ Yes X No

Control 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