

R E P O R T

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

JUNE 30, 2005 AND 2004

STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

INDEX TO REPORT

JUNE 30, 2005 AND 2004

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
MANAGEMENT DISCUSSION AND ANALYSIS	3 - 8
FINANCIAL STATEMENTS:	
Consolidated Statements of Plan Net Assets	9
Consolidated Statements of Changes in Plan Net Assets	10
Notes to Consolidated Financial Statements	11 – 29
SUPPLEMENTARY INFORMATION:	
Consolidated Statement of Plan Net Assets	30
Consolidated Statement of Changes in Plan Net Assets	31
Schedule of Operations – Olde Oaks.....	32
Schedule of Administrative Expenses – Olde Oaks.....	33
Statement of Cash Flows – Olde Oaks	34
Schedule of Operations – The Club at StoneBridge.....	35
Schedule of Administrative Expenses – The Club at StoneBridge	36
Statement of Cash Flows – The Club at StoneBridge	37
Schedule of Operations – Olde Oaks Development	38
Statement of Cash Flows – Olde Oaks Development.....	39

PAGE

Schedule of Operations – Boot Ranch Development	40
Statement of Cash Flows – Boot Ranch Development.....	41
Statements of Changes in Reserve Balances	42
Schedules of Per Diem Paid to Trustees	43
Schedules of Accounts Receivable – Merged Systems	44
Schedule of Investments	45
Schedule of Administrative Expenses – Actual and Budget	46

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Contributions - Employer and Other Sources	47
Schedule of Funding Progress	48
Notes to Schedule of Contributions and Schedule of Funding Progress.....	49

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	50 - 51
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INDEPENDENT AUDITOR'S REPORT

November 10, 2005

Board of Trustees of the Municipal Police
Employees' Retirement System and Subsidiaries
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809-7601

We have audited the accompanying statements of plan net assets of the Municipal Police Employees' Retirement System and Subsidiaries as of June 30, 2005 and 2004, and the related statements of changes in plan net assets for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Police Employees' Retirement System and Subsidiaries as of June 30, 2005 and 2004 and the results of operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We have audited the financial statements of the System and its subsidiaries for the years ending June 30, 2005 and 2004 and issued our unqualified opinions on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 47 – 49 and the supplemental schedules listed on pages 30 - 46 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending June 30, 2000 – 2005 and supplemental schedules for the years ending June 30, 2005 and 2004, have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2005 on our consideration of the Municipal Police Employees' Retirement System and Subsidiaries' internal control over financial reporting and on our tests of its compliance with laws and regulations. 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 should be read in conjunction with this report in considering the results of our audits.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

The Management's Discussion and Analysis of the Municipal Police Employees' Retirement System's financial performance presents a narrative overview and analysis of the Municipal Police Employees' Retirement System's financial activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Municipal Police Employees' Retirement System's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- * The Municipal Police Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2005 by \$1,328,792,481 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by \$102,409,531 or 8.3%. The increase was due primarily to capital appreciation in the equity and core real estate portfolios.
- * Contributions to the plan by members and employers totaled \$62,865,191, an increase of \$15,024,677 or 31.4% over the prior year.
- * Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$11,539,000, an increase of \$1,403,772, 13.9% over the prior year.
- * Net appreciation in the fair value of investments totaled a net appreciation of \$91,430,206. The current year increase is lower than the prior year increase by \$32,121,055 or 26%. The decrease was due primarily to lower equity market returns available in the market place.
- * The rate of return on the System's investments was a positive 9.34% based on the market value. This is lower than last year's positive 12.87% rate of return due, primarily, to the lower equity market returns available in the market place.
- * Pension benefits paid to retirees and beneficiaries increased by \$5,763,313 or 7.5%. This increase is due to an increase in retirees.
- * Administrative expenses totaled \$935,506, an increase of \$109,125 or 13.2%. The cost of administering the System per member during 2005 was \$88.41 per individual compared to \$77.86 per individual in 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- * Statement of plan net assets,
- * Statement of changes in plan net assets, and
- * Notes to the financial statements.

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

The statements of plan net assets report the system's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2005 and 2004.

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

FINANCIAL ANALYSIS OF THE RETIREMENT SYSTEM

Municipal Police Employees' Retirement System provides benefits to all eligible municipal police officers throughout the State of Louisiana. Employee contributions, employer contributions and earnings on investments fund these benefits.

	<u>Statements of Plan Net Assets</u> <u>June 30, 2005 and 2004</u>	
	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 1,398,963,678	\$ 1,453,659,095
Receivables	12,843,720	31,945,617
Property and equipment	<u>2,729,274</u>	<u>2,818,265</u>
Total assets	<u>1,414,536,672</u>	<u>1,488,422,977</u>
 Total liabilities	 <u>85,744,191</u>	 <u>262,040,027</u>
 Net Assets Held in Trust		
For Pension Benefits	<u>\$ 1,328,792,481</u>	<u>\$ 1,226,382,950</u>

Plan net assets increased by 8.35% (1,328,792,481 compared to \$1,226,382,950). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The increase in plan net assets was a result of the increase in the value of investments due to favorable market conditions.

**MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005**

FINANCIAL ANALYSIS OF THE FUND (Continued)

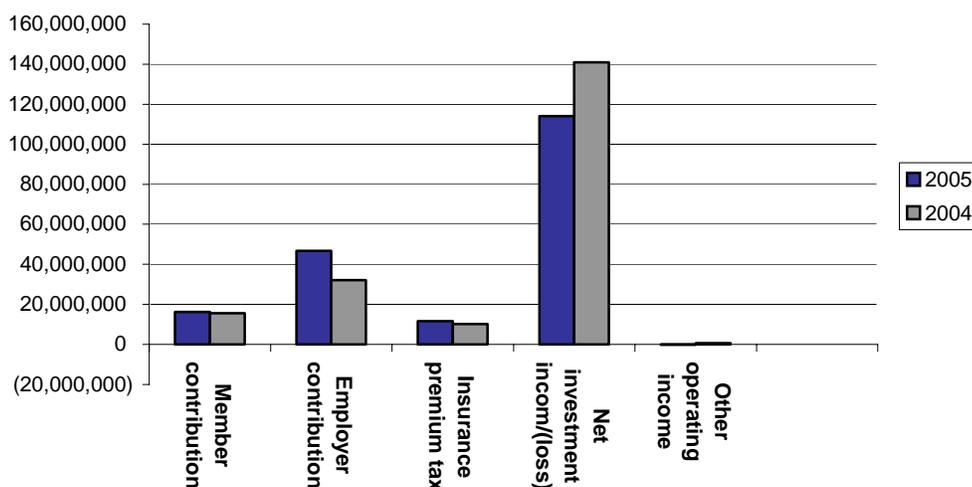
**Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Additions:		
Contributions	\$ 74,404,191	\$ 57,975,742
Investment income - net	114,037,277	140,901,463
Other	<u>85,907,888</u>	<u>722,569</u>
Total additions	188,314,419	199,599,774
Total Deductions	<u>85,904,888</u>	<u>79,624,293</u>
Increase (Decrease) in Plan Net Assets	<u>\$ 102,409,531</u>	<u>\$ 119,975,481</u>

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions. Member contributions increased \$532,846 or 3.4% while employer contributions increased \$14,491,831 or 45.0%. The System experienced net investment income of \$114,037,277 as compared to a net investment income of \$140,901,463 in the previous year. The decrease in investment income was mainly due to lower returns available in the equity market place.

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease) Percentage</u>
Member Contributions	\$ 16,184,669	\$ 15,651,823	5.7%
Employer Contributions	46,680,522	32,188,691	79.9%
Insurance Premium Taxes	11,539,000	10,135,228	16.6%
Net Investment Income	114,037,277	140,901,463	253.3%
Other Operating Revenues/(expenses)	<u>(127,049)</u>	<u>722,569</u>	(68.1)%
Total	<u>\$ 188,314,419</u>	<u>\$ 199,599,774</u>	



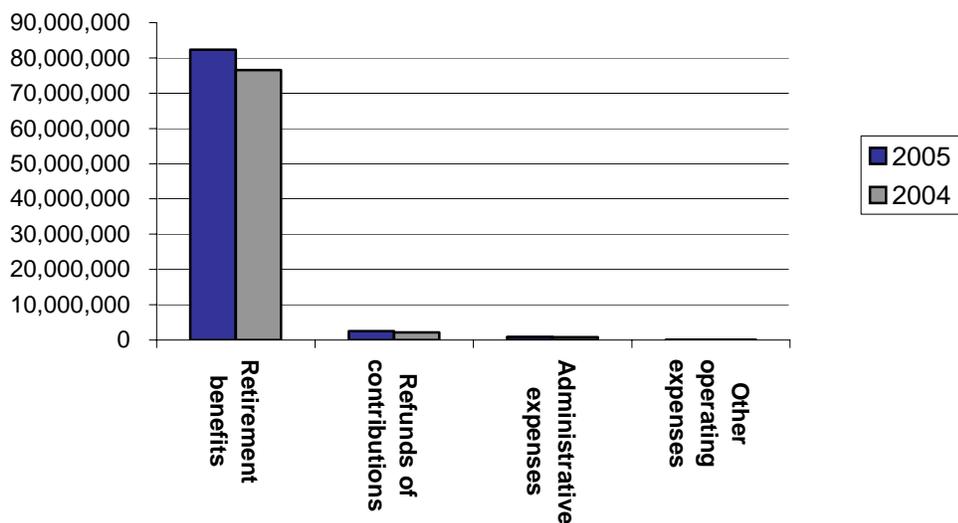
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefit and administrative expenses. Deductions from plan net assets totaled \$85,904,888 in fiscal year 2005. This increase of \$6,280,595 was primarily due to an increase in retirement benefit payments. The increase in retirement benefit payments is mainly the result of an increase in the number of retirees. The cost of administering the System's benefits per member during 2005 was \$88.41 per individual compared to \$77.86 per individual in 2004.

	<u>2005</u>	<u>2004</u>	Increase (Decrease) <u>Percentage</u>
Retirement Benefits	\$82,297,800	\$ 76,534,487	6.5%
Refunds of Contributions	2,565,141	2,143,792	(13.9)%
Administrative Expenses	935,506	826,381	(1.2)%
Other Operating Expenses	<u>106,441</u>	<u>119,633</u>	(18.3)%
Total	<u>\$ 85,904,888</u>	<u>\$ 79,624,293</u>	



MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF THE FUND (Continued)

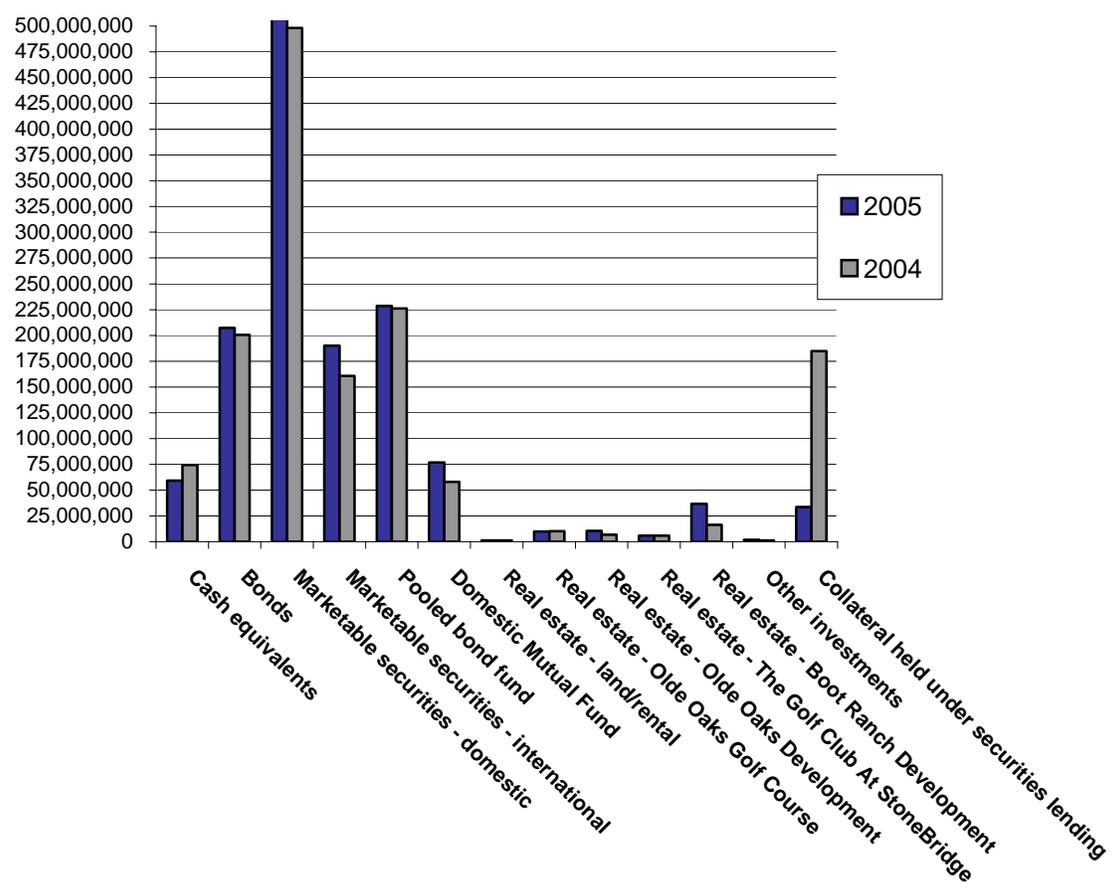
Investments

MPERS is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2005 amounted to \$1,384,087,442 as compared to \$1,444,072,317 at June 30, 2004, which is a decrease of \$59,984,875 or 4.2%. The major contributing factor to this decrease is the decrease in securities lending investment contracts. Long-term investments increased due to market performance. The System's investments in various markets at the end of the 2005 and 2004 fiscal years are indicated in the following table:

	<u>2005</u>	<u>2004</u>	Increase (Decrease) <u>Percentage</u>
Cash Equivalents	\$ 59,189,250	\$ 74,488,852	(20.53%)
Bonds	207,212,339	200,482,355	3.35%
Marketable securities - domestic	522,357,497	498,191,377	4.85%
Marketable securities – international	190,003,968	160,639,745	18.28%
Pooled Bond Fund	228,570,291	226,184,952	1.05%
Domestic Mutual Fund	76,769,789	57,867,030	32.67%
Real Estate – Land and Rental	1,276,857	1,276,857	-- %
Real Estate – Olde Oaks Golf Course	10,015,669	10,064,243	0.48%
Real Estate – Olde Oaks Development	10,449,494	6,762,842	54.51%
Real Estate – The Golf Club At StoneBridge	5,811,838	5,799,338	0.21%
Real Estate – Boot Ranch Development	36,573,396	16,434,546	122.54%
Other investments	2,168,006	1,093,388	98.28%
Collateral Held Under Securities Lending	<u>33,689,048</u>	<u>184,786,792</u>	(81.77%)
Total	<u>\$ 1,384,087,442</u>	<u>\$ 1,444,072,317</u>	

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF THE FUND (Continued)



Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Virginia Eckert, Director, Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, (225) 929-7411.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash:		
Cash in bank	\$ 14,793,019	\$ 9,484,634
Cash in escrow	83,217	102,144
Total cash	<u>14,876,236</u>	<u>9,586,778</u>
Receivables:		
Member contributions	1,406,554	1,434,645
Employer contributions	3,904,789	2,930,255
Due from merged systems	1,689,516	1,767,115
Other receivable	179,859	10,315,538
Investment receivable	1,855,509	11,855,747
Accrued interest and dividends	3,385,895	3,034,768
Other assets	-	221,442
Miscellaneous receivable	421,598	386,107
Total receivables	<u>12,843,720</u>	<u>31,945,617</u>
Investments:		
Cash in trust	1,053,238	5,932,000
Short-term cash equivalents - domestic	58,136,012	68,556,852
Bonds - domestic and foreign	207,212,339	200,482,355
Marketable securities - domestic	522,357,497	498,191,377
Marketable securities - international	190,003,968	160,639,745
Pooled Bond Fund	228,570,291	226,184,952
Domestic Mutual Fund	76,769,789	57,867,030
Collateral held under securities lending program - repurchase agreement	25,000,000	177,500,000
Collateral held under securities lending program - money market account	8,689,048	7,286,792
Other investments	2,168,006	1,093,388
Real estate - Land and rental	1,276,857	1,276,857
Real estate - Boot Ranch Development	36,573,396	16,434,546
Real estate - Olde Oaks Development	10,449,494	6,762,842
Real estate - Olde Oaks Golf Course	10,015,669	10,064,243
Real estate - The Golf Club at StoneBridge	5,811,838	5,799,338
Total investments	<u>1,384,087,442</u>	<u>1,444,072,317</u>
Property, plant and equipment:		
(Net of accumulated depreciation \$408,309 in 2005; \$428,406 in 2004)	<u>2,729,274</u>	<u>2,818,265</u>
TOTAL ASSETS	<u>1,414,536,672</u>	<u>1,488,422,977</u>
LIABILITIES:		
Accounts payable	4,139,056	1,665,634
Accrued payroll and taxes	82,869	93,175
Refunds payable - members	233,675	191,443
Deferred contributions	64,954	89,805
Other liabilities	314,222	152,740
Notes payable	496,703	443,992
Notes payable - Line of credit	44,930,825	24,121,691
Obligations under securities lending program	33,689,048	184,786,792
Investment payable	1,792,839	50,494,755
TOTAL LIABILITIES	<u>85,744,191</u>	<u>262,040,027</u>
NET ASSETS HELD IN TRUST FOR		
PENSION BENEFITS (A schedule of funding progress for the Plan is presented on page 48)	<u>\$ 1,328,792,481</u>	<u>\$ 1,226,382,950</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ADDITIONS:		
CONTRIBUTIONS:		
Members	\$ 16,136,038	\$ 15,646,734
Employer	46,680,522	32,188,691
Military purchase	48,631	5,089
Insurance premium tax	11,539,000	10,135,228
Total contributions	<u>74,404,191</u>	<u>57,975,742</u>
INVESTMENT INCOME:		
Net appreciation in investments	91,430,206	123,551,261
Interest - sweep account	116,088	23,060
Interest - cash equivalents	739,984	200,316
Interest - notes, bonds, etc.	13,039,857	11,516,187
Interest - securities lending	5,452,209	595,453
Dividends - stock	13,928,836	10,179,729
Dividends - mutual funds and pooled funds	-	27,168
Miscellaneous	166,226	164,422
	<u>124,873,406</u>	<u>146,257,596</u>
Less investment expenses:		
Securities lending expense	5,207,414	548,540
Custodial	222,590	195,929
Investment advisor	3,866,481	3,361,419
Foreign tax withheld	634,421	412,547
Miscellaneous investment expense	113,572	56,835
Real estate - Olde Oaks Development	138,772	59,033
Real estate - The Golf Club at StoneBridge	207,709	202,583
Real Estate - Boot Ranch Development	-	286,548
Real estate - Olde Oaks Golf Course	445,170	232,699
	<u>10,836,129</u>	<u>5,356,133</u>
Net investment income	<u>114,037,277</u>	<u>140,901,463</u>
OTHER ADDITIONS:		
Merger interest payment	116,779	164,365
Interest income - refunds	54,145	73,691
Transfers (to) from other systems - employees	2,188	52,491
Transfers (to) from other systems - employers/interest	(300,161)	432,022
Total other additions	<u>(127,049)</u>	<u>722,569</u>
Total additions	<u>188,314,419</u>	<u>199,599,774</u>
DEDUCTIONS:		
Benefits	82,297,800	76,534,487
Refund of contributions	2,565,141	2,143,792
Administrative expenses	935,506	826,381
Depreciation	96,373	107,982
Miscellaneous	10,068	11,651
Total deductions	<u>85,904,888</u>	<u>79,624,293</u>
NET INCREASE	102,409,531	119,975,481
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>1,226,382,950</u>	<u>1,106,407,469</u>
END OF YEAR	<u>\$ 1,328,792,481</u>	<u>\$ 1,226,382,950</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

The Municipal Police Employees' Retirement System (MPERS) was established as of July 1, 1973, by Act 189 of 1973. The System is a state retirement system, which was created for full-time municipal police officers in Louisiana. The System is administered by a Board of Trustees and includes a representative from the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

In addition, these financial statements include the implementation of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and related standards. This new standard provides for inclusion of a management's discussion and analysis as supplementary information and other changes.

Basis of Accounting:

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

Interest income is recognized when earned. Dividends are recognized when declared. Insurance premiums are recognized in the year appropriated by the legislature.

Method Used to Value Investments:

All investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. MPERS reports securities lent through the securities lending program as assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Liabilities resulting from securities lending transactions are reported as well. Shares in external investment pools and mutual funds are equivalent to the fair value of the external investment pool and mutual funds. The investment in real estate consists of golf courses, real estate developments and rental portion of the building. The investment is valued at fair market value, which is based upon an independent appraisal.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Land, Equipment and Fixtures:

Land, equipment and fixtures of the Municipal Police Employees' Retirement System are accounted for and capitalized in the Pension Fund. Depreciation of fixed assets is recorded as an expense in the Pension Fund. All fixed assets are valued on the basis of historical cost and the equipment and fixtures are depreciated using the straight-line method of depreciation over the asset's estimated useful life.

Consolidation:

The consolidated financial statements include the accounts of Municipal Police Employees' Retirement System and its 100% owned subsidiaries, Olde Oaks Golf Course, LLC, StoneBridge Enterprises, LLC and Olde Oaks Development, LLC. All significant intercompany balances have been eliminated in the consolidation. In addition, the financial statements include the accounts of Boot Ranch, LP. Municipal Police Employees' Retirement System owns 35% of the units in Boot Ranch, LP. and receives 60% of all income or loss throughout Phase I and 51% of all income or losses throughout Phase II.

2. PLAN DESCRIPTION:

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan.

The Municipal Police Employees' Retirement System provides retirement benefits for municipal police officers. For the years ended June 30, 2005 and 2004, there are 144 contributing municipalities. At June 30, 2005 and 2004 statewide retirement membership consists of:

	<u>2005</u>	<u>2004</u>
Active members	5,827	5,831
Regular retirees	2,437	2,312
Disability retirees	209	233
Survivors	1,006	1,023
Vested and reciprocals	88	80
Due refunds	602	687
DROP participants	239	265
DROP to active	<u>173</u>	<u>182</u>
 TOTAL PARTICIPANTS AS OF THE VALUATION DATE	 <u>10,581</u>	 <u>10,613</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

2. PLAN DESCRIPTION: (Continued)

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing he does not have to pay social security and providing he meets the statutory criteria.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

Any member is eligible for normal retirement after he has been a member of the System for one year, if he has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

A member is eligible to receive disability benefits if he was an active contributing member of the System or if he is no longer a member but has 20 years creditable service established in the System, and suffers disability, which has been certified by examination by a member of the Statewide Medical Disability Board. A service related disability requires no certain number of years of creditable service; however, a non-service connected disability requires five years of creditable service.

The disability benefits are calculated at three percent of average final compensation multiplied by years of creditable service, but shall not be less than forty percent nor more than sixty percent of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current retirement, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA to all retirees, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Additionally, no COLA shall be authorized unless the actuary for the System and the legislative actuary certify that the funded ratio of the System, as of the end of the previous fiscal year, equals or exceeds the target ratio as of that date.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

2. PLAN DESCRIPTION: (Continued)

A member is eligible upon receiving 25 years of credit regardless of age or 20 years of credit and attaining the age of 50, to elect to enter the deferred retirement option plan (DROP). Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is specified for a period of three years or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis.

Effective June 16, 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on an interest rate determined actuarially.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by state statute at 7.50% of earnable compensation. The contributions are deducted from the member's salary and remitted by the participating municipality.

Contributions for all employers are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. The actuarial required contribution for June 30, 2005 and 2004 was 20.75% and 21.75%. The actual contribution rate for the years then ended was 21.5% and 15.25%. The difference was due to the state statute that requires the rate to be calculated two years in advance. In addition, according to state statute, the System receives insurance premium tax monies as additional employer contributions. This tax is appropriated by the legislature each year based on an actuarial study. For the year ended June 30, 2005 and 2004, the state appropriated \$11,539,000 and \$10,135,228, respectively, in insurance premium tax.

Administrative costs of the retirement system are financed through employer contributions.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

Use of the term "reserve" by the retirement system indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2005 and 2004 is \$126,546,245 and \$120,457,023, respectively. The Annuity Savings is fully funded.

B) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation as of June 30, 2005 and 2004 is \$499,190,288 and \$515,893,458, respectively. The Pension Accumulation is 55% funded for the year ended June 30, 2005 and 34.99% funded for the year ended June 30, 2004.

C) Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of June 30, 2005 and 2004 is \$869,065,768 and \$870,349,854, respectively. The Annuity Reserve is fully funded.

D) Deferred Retirement Option Account:

The Deferred Retirement Option Account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option Account as of June 30, 2005 and 2004 is \$56,944,022 and \$54,522,222, respectively. The Deferred Retirement Option Account is fully funded.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

E) Initial Benefit Option Reserve:

The Initial Benefit Option Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The Initial Benefit Option Reserve as of June 30, 2005 and 2004 is \$585,960 and \$516,768, respectively. The Initial Benefit Option Reserve is fully funded.

4. ACTUARIAL COST METHOD:

The individual "Entry Age Normal" cost method was used to calculate the funding requirements of the System. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of future normal cost is called the actuarial accrued liability.

5. REQUIRED SUPPLEMENTAL SCHEDULE INFORMATION:

Information in the required supplemental schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 47 - 49.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Deposits (bank balance)	\$ 15,061,949	\$ 9,807,892
Cash equivalents – domestic	59,189,250	74,488,852
Investments	<u>1,324,687,532</u>	<u>1,369,583,465</u>
	<u>\$ 1,398,938,731</u>	<u>\$ 1,453,880,209</u>

Deposits:

The System's bank deposits were entirely covered by federal depository insurance and pledged collateral held jointly by the Retirement System and the bank.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

Cash Equivalents - Domestic:

For the years ending June 30, 2005 and 2004, cash equivalents in the amount of \$58,136,012 and \$68,556,852, respectively, consist of government pooled investments. The funds are held by a sub-custodian and managed by a separate money manager and are in the name of the System's custodian's trust department.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the System shall invest more than fifty-five percent of the total portfolio in equities, so long as not more than sixty five percent of the total portfolio is invested in equities and at least ten percent of total portfolio is invested in one or more index fund which seek to replicated the performance of the chosen index or indices.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

The System's investment policy states that no more than 5 percent of the total stock portfolio value at market may be invested in the common stock of any one organization. In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value and investments in one issuer shall not exceed 5% of any fixed income portfolio's market value unless otherwise authorized by the board. There are no investments in any one organization which represented 5% of total investments and there are no investments greater than 30% in one economic sector at June 30, 2005. However, at June 30, 2005 the investment in the pooled bond fund in the amount of \$228,570,291 represents 17% of the market value System's investments.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit risk ratings of the System's investments in long-term debt securities as of June 30, 2005 (U.S. Government and Agency obligations totaling \$53,808,548 are not rated).

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

Credit Risk: (continued)

Below is a schedule of other bonds with their applicable ratings.

	Corporate <u>Bonds</u>	Federal Home Loan Mortgage <u>Corporation</u>	Federal National Mortgage <u>Association</u>	Government National Mortgage <u>Association</u>	<u>Total</u>
AAA	\$ 4,389,420	\$ --	\$ --	\$ --	\$ 4,389,420
Aa2	3,315,990	--	--	--	3,315,990
Aa3	5,979,881	--	--	--	5,979,881
A1	20,267,945	--	--	--	20,267,945
A2	11,321,340	--	--	--	11,321,340
A3	24,579,041	--	--	--	24,579,041
BB+	215,000	--	--	--	215,000
BB	2,094,312	--	--	--	2,094,312
BB-	2,299,625	--	--	--	2,299,625
B	1,157,602	--	--	--	1,157,602
B-	773,750	--	--	--	773,750
B1	11,493,261	--	--	--	11,493,261
B2	7,486,484	--	--	--	7,486,484
B3	9,104,125	--	--	--	9,104,125
Baa1	3,667,510	--	--	--	3,667,510
Baa2	14,425,560	--	--	--	14,425,560
Baa3	6,208,130	--	--	--	6,208,130
Ba1	2,548,429	--	--	--	2,548,429
Ba2	9,465,075	--	--	--	9,465,075
BA3	12,611,311	--	--	--	12,611,311
Not Rated	<u>--</u>	<u>31,493,225</u>	<u>20,357,431</u>	<u>1,957,892</u>	<u>53,808,548</u>
	<u>\$ 153,403,791</u>	<u>\$ 31,493,225</u>	<u>\$ 20,357,431</u>	<u>\$ 1,957,892</u>	<u>\$ 207,212,339</u>

The System's investment policy limits its investments to corporate debt issues rated equivalent of B or better by Standard & Poor's and Moody's Investor Services. If securities fall to a CCC rating, they are to be eliminated in a timely manner. Obligations guaranteed or explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore are not rated. Those obligations include debt securities with Federal Home Loan Corp., Federal National Mortgage Association and Government National Mortgage Association.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

Credit Risk: (continued)

The System invested in a pooled bond fund. As of June 30, 2005, the market value of the fund is \$228,570,291. Investments within the fund have the following credit ratings.

<u>Rating</u>	<u>Percentage Ownership</u>
AA	8.58%
AAA	61.29
BBB	17.12
A	11.09
Below BBB	1.92

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System is not exposed to custodial risk at June 30, 2005 for investments in the amount of \$920,627,042 since the investments are held in the name of the System.

The System has \$58,136,012 as of June 30, 2005 in cash equivalents which is exposed to custodian credit risk since the investment is in the name of the System's custodian's trust department.

The System reported collateral held for investment purposes in the amount of \$33,689,048 as of June 30, 2005. The System is exposed to custodian credit risk since the collateral received is not in the name of the System.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. As of June 30, 2005 and 2004, the System had the following investments in long-term debt securities and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>Greater Than 10 Years</u>
Corporate Bonds	153,403,791	1,159,688	23,607,510	111,640,291	13,719,032
Federal Home Loan Mortgage Corporation	31,493,225	--	--	--	31,493,225
Federal National Mortgage Association	20,357,431	--	--	--	20,357,431
Government National Mortgage Association	<u>1,957,892</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,957,892</u>
	<u>207,212,339</u>	<u>1,159,688</u>	<u>23,607,510</u>	<u>111,640,291</u>	<u>67,527,580</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

Interest Rate Risk: (Continued)

The System has no formal policy regarding interest rate risk.

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

Foreign Currency Risk:

Foreign Currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The System's exposure for foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2005 as follows:

<u>Country/Currency</u>	<u>Fair Value</u>	<u>Country/Currency</u>	<u>Fair Value</u>
Austrian / Euro	\$ 1,637,645	Colombia / Dollar	\$ 204,672
Belgium / Euro	163,729	Mexico / Peso	2,481,459
Finland / Euro	268,017	Egypt / Egyptian £	934,229
France / Euro	17,970,601	Hungary / Forint	478,330
Greece / Euro	1,472,041	Russia / US	308,525
Germany / Euro	8,056,972	South Africa / Rand	730,665
Ireland / Euro	5,460,532	Turkey / Lira	412,898
Italy / Euro	864,709	Australian / Dollar	10,250,871
Netherlands / Golden	8,639,643	China / HK Dollar	876,797
Norway / Kroner	927,055	India / Rupiah	2,357,389
Portugal / Reis	679,626	Indonesia / Rupiah	497,609
Spain / Euro	12,165,035	Hong Kong / Dollar	7,633,960
Sweden / Kroner	1,098,515	Malasya / Ringitt	5,841,461
Switzerland / Swiss £	22,124,315	Singapore / Dollar	8,439,067
United Kingdom / Pounds	29,450,654	S. Korea / Won	1,147,170
Canada / Dollar	4,533,891	Taiwan / Dollar	3,995,508
Brazil / Real	1,394,773	Thailand / Bah	4,046,055
Chile / Dollar	<u>1,184,966</u>	Japan / Yent	<u>21,274,584</u>
Subtotal	<u>118,092,719</u>	Subtotal	<u>71,911,249</u>
		TOTAL	<u>\$ 190,003,968</u>

The System's investment policy has a target of 14% of total investments in foreign marketable securities. At June 30, 2005 the System's current position is 14% of the total investments.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

For the year ended June 30, 2004, the System's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investment that are insured or registered or for which the securities are held by the Retirement System or its agent in the Retirement System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent in the Retirement System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Retirement System's name.

<u>Category</u>	<u>Market Value</u>	<u>Value</u>
Real Estate – Land and Rental	\$ 1,276,857	N/A
Real Estate – Olde Oaks Golf Club	10,064,243	N/A
Real Estate – The Golf Club at StoneBridge	5,799,338	N/A
Real Estate – Olde Oaks Development	6,762,842	N/A
Real Estate – Boot Ranch Development	16,434,546	N/A
Other investments	1,093,388	N/A
Bonds, notes, and mortgages	121,658,156	1
Marketable securities– domestic	395,991,267	1
Marketable securities - international	160,639,745	1
Domestic Mutual Fund	57,867,030	N/A
Pooled Bond Fund	226,184,952	N/A
Investments held by brokers-dealers in which collateral may be reinvested:		
Bonds	78,824,199	N/A
Marketable Securities	102,200,110	N/A
Collateral held under securities		
Lending program- repurchased agreements	177,500,000	2
Collateral held under securities		
Lending program – money market account	<u>7,286,792</u>	2
	<u>\$ 1,369,583,465</u>	

For the year ended June 30, 2004, the investment in the pooled bond fund in the amount of \$226,184,952 represents 18 percent of the market value of the System's investments.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS:

During the year ending June 30, 2005, the System had investment in three limited liability corporations as follows:

- A) The System purchased as an investment a golf course located in northwest Louisiana. The initial cost of the golf course was \$6,797,156. Subsequent to the purchase the System has made improvements to the golf course in the amount of \$4,137,871. During the year ending June 30, 2005, Olde Oaks transferred a portion of the land with a cost of \$48,574 and a market value of \$50,000 to Olde Oaks Development, LLC, an affiliate organization. As a result, total cost and improvements as of June 30, 2005 is \$10,015,669. The golf course was appraised, net of \$440,000 of estimated selling cost, and land transfer at a value of \$10,015,669 at June 30, 2004. No appraisal was performed for the year ending June 30, 2005 since no significant improvements were made, therefore no unrealized gain or loss was recorded for the year. For the year ending June 30, 2004, an unrealized gain in the amount of \$413,777 is reported on these financial statements in the net appreciation in fair value of investments. Since initial purchase of the golf course, an unrealized loss in the amount of \$870,784 has been reflected in these financials. Olde Oaks Golf Course, LLC operates the Olde Oaks Golf Course. Municipal Police Employees' Retirement System is the sole owner of the Olde Oaks Golf Course, LLC. The net loss of the LLC has been reported as investment expense in the amount of \$445,170 as of June 30, 2005.
- B) On July 23, 2003, Municipal Police Employees' Retirement System paid \$2,901,000 to purchase, as an investment, at a Sheriff's sale a golf course in northwest Louisiana. Subsequent to the purchase the System made improvements to The Golf Club at StoneBridge in the amount of \$1,340,987. The golf course was appraised, net of \$250,600 of estimated selling cost at a value of \$5,977,338 for the year ending June 30, 2004. Since there were no significant improvements made during the year ending June 30, 2005 no appraisal was performed. Therefore no unrealized gain or loss was recorded. For the year ending June 30, 2004, an unrealized gain of in the amount of \$1,569,851 is reported on these financial statements. The unrealized gain is reported on these financial statements in the net appreciation in the fair value of investments. StoneBridge Enterprises, LLC operates The Golf Club at StoneBridge. Municipal Police Employees' Retirement System is the sole owner of the StoneBridge Enterprises, LLC. The net loss of the LLC has been reported as investment expense in the amount of \$207,209 as of June 30, 2005.
- C) On December 23, 2003, Municipal Police Employees' Retirement System paid a \$50,000 deposit to purchase, as an investment, undeveloped land surrounding one of the golf courses it owns in north Louisiana. On February 13, 2004, the System acquired the land for \$5,932,000. The land consists of 209.99 acres of undivided land and 75 lots. Subsequent to the acquisition, the System began making improvements to the infrastructure, subdivided some of the land it acquired and began efforts to sell lots. The cost of improvements to the land as of June 30, 2005 and 2004 are \$2,893,005 and \$564,550, respectively. Based on the sales and sales commitments obtained as of June 30, 2005 the market value of the land and improvements is \$8,656,452 which resulted in an unrealized gain of \$2,064. During the year ending June 30, 2005, 26 lots were sold which resulted in a realized gain of \$66,473. The gains are reported on these financial statements in the net appreciation in the fair market value of the investments.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

7. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

C) (continued)

The Development constructed a Sewer plant at a cost of \$1,780,770. During the year ending June 30, 2004, Olde Oaks Development obtained a line of credit in the amount of \$10,000,000 in which the Retirement System is the guarantor. The interest rate on the line of credit is 3.03% with a maturity of June 28, 2007. The balance on the line of credit at June 30 2005 is \$9,989,151.

The System has an agreement with a management company to oversee the operations of Olde Oaks Development, LLC. Municipal Police Employees' Retirement System is the sole owner of Olde Oaks Development, LLC. The net loss of the LLC has been reported as an investment expense in the amount of \$66,993 as of June 30, 2005.

8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP:

The Retirement System invested in a limited liability partnership. The purpose of the partnership is to own and develop as a first class golf and residential development a parcel of land in Gillespie County, Texas commonly known as Boot Ranch. The land was purchased during the year ended June 30, 2004 at a cost of \$15,675,588. The project is now in the development stage and has incurred \$20,897,808 in start up cost and in land development cost. The partnership has opened a line of credit in the amount of \$30,000,000 in which the Retirement System is the guarantor. The interest rate on the line of credit is 3% with a maturity of June 7, 2007. The balance in the line of credit as of June 30, 2005 is \$30,000,000. The collateral on the line of credit is a pooled bond fund owned by the Retirement System.

During the year ending June 30, 2005, the Partnership obtained an additional line of credit in the amount of \$34,000,000 to complete Phase I of the Development. The line of credit is guaranteed by the assets of the Partnership. The acquisition of the line of credit required amendments to the partnership agreement. The Retirement System has a 35% partnership interest in the limited liability partnership. However, the Retirement System will be allocated 60% of the profits or losses throughout Phase I and 51% of the profits or losses throughout Phase II.

The net assets of Boot Ranch have been consolidated with the net assets of the Retirement System and is reported as an investment on the statement of net assets. The cost and market value of the investment is \$36,573,396 as of June 30, 2005. The net income of the partnership has been reported as investment income in the amount of \$5,470 as of June 30, 2005.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

9. SECURITY LENDING AGREEMENTS:

State statutes and board of trustee policies authorize the System to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the System is allowed to lend its securities to broker - dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into a contract as of August 1996 with a company, which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends the available assets such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The lending agent has flexibility to use any of the preapproved borrowers. The System approves all borrowers. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

Collateralization of loans will be 100% of the market value of the loaned securities plus accrued interest for stocks and U.S. Treasury obligations. Collateralization of loans will be 100% of the market value of the loaned securities plus accrued interest for mortgage-backed securities. As a result of the required collateralization percentage, the System has no credit risk. The lending agent and the System enter into contracts with all approved borrowers. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of MPERS) in approved investments outlined in the contract between the agent and MPERS such as commercial paper, selected money market mutual funds, certificates of deposit, and repurchase agreements including tri-party. For tri-party repurchase agreements, party to such agreements must be an approved borrower. The collateralization percentage of tri-party agreements will vary depending upon the collateral received from the borrower. Acceptable collateral from approved borrowers for tri-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper, and other investments stipulated in lender agent contract.

MPERS has the following securities on loan:

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	Par/Cost (equities)	<u>Market</u>	Par/Cost (equities)	<u>Market</u>
U.S. Government securities (notes and bonds)	\$ --	\$ --	\$ 27,735,858	\$ 27,563,030
U.S. Corporate securities (bonds)	3,277,270	3,286,500	50,645,738	51,261,169
U.S. Corporate securities (stocks)	<u>28,502,733</u>	<u>29,936,270</u>	<u>91,997,045</u>	<u>102,200,110</u>
Total	<u>\$31,780,003</u>	<u>\$33,222,770</u>	<u>\$170,378,641</u>	<u>\$181,024,309</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

9. SECURITY LENDING AGREEMENTS: (Continued)

MPERS has the following collateral under securities lending program:

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Par/Cost</u> <u>(equities)</u>	<u>Market</u>	<u>Par/Cost</u> <u>(equities)</u>	<u>Market</u>
Money market	\$25,000,000	\$25,000,000	\$ 7,286,792	\$ 7,286,792
Tri-party repurchase agreements	<u>8,689,048</u>	<u>8,689,048</u>	<u>177,500,000</u>	<u>177,500,000</u>
Totals	<u>\$33,689,048</u>	<u>\$33,689,048</u>	<u>\$184,786,792</u>	<u>\$184,786,792</u>

Securities on loan at June 30, 2004 are presented as unclassified under footnote 6. The System cannot pledge or sell collateral securities received unless the borrower defaults.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at June 30, 2005 and 2004.

10. OPERATING LEASE COMMITMENTS:

The System also has operating leases for various equipment for the two golf courses. The lease terms are 48 months. For the year ending June 30, 2005, lease expense was \$161,042. The following is a schedule of future minimum lease commitments for the next five years:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2006	\$ 140,131
June 30, 2007	63,268
June 30, 2008	<u>11,350</u>
Total	<u>\$214,749</u>

11. CAPITAL LEASES:

In the prior years, the System purchased various equipment for Olde Oaks golf course through two capital leases. The equipment cost \$34,217. The monthly lease payments range between 48 months and 24 months in the amount of \$840 including interest. During the year ending June 30, 2004, Olde Oaks acquired a copy machine costing \$3,152 through a capital lease. The copy machine is payable in 24 monthly installments in the amount of \$152 including interest.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

11. CAPITAL LEASES: (Continued)

The following is a schedule of future minimum lease payments as of June 30, 2005:

<u>Year Ending</u>	<u>Olde Oaks</u>
June 30, 2006	\$ <u>8,584</u>
Total minimum lease payment for capital lease	\$ 8,584
Less: amount representing interest	<u>1,234</u>
Present value of minimum lease payments	\$ <u>7,350</u>

12. OPERATING BUDGET:

The budget is under the control of the Board of Trustees and is not an appropriated budget but is considered a budgetary execution for management purposes.

13. TAX QUALIFICATION:

The System is a tax qualified plan under IRS Code Section 401(a).

14. ACCOUNTS RECEIVABLE – MERGED SYSTEMS:

Six cities throughout Louisiana merged their pension system's actuarial liability with the Municipal Police Employees' Retirement System between June 1983 and April 2000. The balances owed were amortized at 7% over periods ranging from 20 to 30 years with payments made either quarterly, or semi-annually.

The total accounts receivable from all merged systems as of June 30, 2005 and 2004 is \$1,689,516 and \$1,767,115, respectively. The short term and long term portion of the accounts receivable as of June 30, 2005 was \$152,149 and \$1,537,367, respectively. The short term and long term portion of the accounts receivable as of June 30, 2004 was \$107,543 and \$1,659,572, respectively.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

15. EQUIPMENT AND FIXTURES:

The following is a summary of equipment and fixtures - at cost less accumulated depreciation:

	<u>2005</u>	<u>2004</u>
Office equipment	\$ 224,213	\$ 236,434
Computer equipment and software	73,163	104,587
Furniture	140,981	152,022
Automobile and truck Equipment	17,063	17,063
	--	--
Land	614,919	614,919
Office building	<u>2,067,244</u>	<u>2,121,646</u>
	3,137,583	3,246,671
Less accumulated depreciation	<u>(408,309)</u>	<u>(428,406)</u>
Total	<u>\$ 2,729,274</u>	<u>\$ 2,818,265</u>

Depreciation expense charged to pension operations was \$96,373 for 2005 and \$107,982 for 2004. Depreciation expense charged to investment expense – Olde Oaks Golf Course operations was \$119,454 for 2005 and \$108,664 for 2004. Depreciation expense charged to investment expense - The Golf Course at StoneBridge operations was \$ 52,604 for 2005 and \$20,034 for 2004.

16. USE OF ESTIMATES:

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

17. LINE OF CREDIT:

Olde Oak's Golf Club:

During the prior year, Olde Oaks obtained a line of credit for operating expenses. The line of credit carries a 6.30 % interest rate. The balance as of June 30, 2005 is \$206,600. The line of credit is due on December 31, 2005 and renewable for an additional year. The Retirement System is the guarantor of the line of credit.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

17. LINE OF CREDIT: (Continued)

The Club at Stonebridge:

During the prior year, The Club at StoneBridge obtained a line of credit for operating expenses. The line of credit carries a 6.00% interest rate. The balance as of June 30, 2005 is \$100,878. The balance is due on December 31, 2005 and is renewable for an additional year. The Retirement System is the guarantor of the line of credit.

Olde Oaks Development:

During the year ending June 30, 2004, Olde Oaks Development obtained a line of credit in the amount of \$10,000,000 for the acquisition and development of land in north Louisiana. The interest on the line of credit is 3.03% with a maturity date of June 28, 2007. The balance on the line of credit at June 30, 2005 is \$9,989,151. The System is the guarantor of the line of credit.

Boot Ranch:

During the year ending June 30, 2004, Boot Ranch obtained a line of credit in the amount of \$30,000,000 in which the Retirement System is the guarantor. The interest on the line of credit is 3% with a maturity date of June 7, 2007. The balance on the line of credit as of June 30, 2005 is \$30,000,000.

During the year ending June 30, 2005, Boot Ranch obtained an additional line of credit in the amount of \$34,000,000 which is guaranteed by the assets of the Partnership. The balance on the line of credit as of June 30, 2005 is \$4,634,196.

18. NOTE PAYABLE - EQUIPMENT:

Olde Oak's Golf Club:

During the prior year, Olde Oaks obtained a line of credit from Regions Bank in the amount of \$465,000 for the purchase of equipment. The line of credit converted to a note on November 21, 2003. The note is guaranteed by Municipal Police Employees' Retirement System. Equipment is additional collateral on the note. The note bears a 5.50% interest rate and is payable in thirty-six (36) monthly installments. The balance on the note at June 30, 2005 is \$189,595.

The System refinanced a note on telephone equipment costing \$12,525 for Olde Oaks Golf Club. Equipment purchased is collateral on the note. The note bears a 15.16% interest rate. The balance on the note as of June 30, 2005 is \$11,242.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

18. NOTE PAYABLE - EQUIPMENT: (Continued)

Olde Oak's Golf Club: (Continued)

The System purchased equipment for the Olde Oaks Golf Club costing \$16,558 through a note payable. Equipment purchased is collateral on the note. The note bears a 6.9% interest rate. The balance on the note at June 30, 2005 is \$8,454.

The Club at Stonebridge:

During the year ending June 30, 2005, the System purchased turf equipment and furniture for The Club at StoneBridge in the amount of \$98,408 through a note with Regions bank. The note bears a 6.82 % interest rate. The Retirement System is the guarantor of the note. The balance of the note at June 30, 2005 is \$88,439.

During the year ending June 30, 2005, the System purchased golf course equipment for The Club at StoneBridge in the amount \$98,824 through a note with Regions bank. The note bears a 9.46% interest rate. The Retirement System is the guarantor of the note. The balance on the note at June 30, 2005 is \$57,413.

An additional note payable in the amount of \$99,090 was obtained during the year ending June 30, 2005 for the purchase of turf equipment and furniture. The note is for 36 months and bears an interest rate of 7.22%. The Retirement System is the guarantor.

Following is a schedule of the future payments:

<u>Year Ending</u>	<u>Olde Oaks</u>	<u>StoneBridge</u>	<u>Boot Ranch</u>	<u>Total</u>
June 30, 2006	\$ 153,636	\$ 82,881	\$ 42,470	\$ 278,987
June 30, 2007	55,655	97,328	--	152,983
June 30, 2008	--	58,648	--	58,648
June 30, 2009	--	<u>6,085</u>	--	<u>6,085</u>
	<u>\$ 209,291</u>	<u>\$ 244,942</u>	<u>\$ 42,470</u>	<u>\$ 496,703</u>

Boot Ranch:

During the year ending June 30, 2005, the Partnership acquired two trucks through a note payable. The balance of the note at June 30, 2005 is \$42,470.

19. RECLASSIFICATION:

For the year ended June 30, 2004, certain amounts have been reclassified to conform to the June 30, 2005 financial statements.

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF PLAN NET ASSETS
JUNE 30, 2005

	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>	<u>Total Retirement System</u>
ASSETS				
Cash:				
Cash in bank	\$ 14,403,301	\$ 103,504	\$ 48,857	\$ 14,555,662
Cash in escrow	-	-	-	-
	<u>14,403,301</u>	<u>103,504</u>	<u>48,857</u>	<u>14,555,662</u>
Receivables:				
Member contributions	1,406,554	-	-	1,406,554
Employer contributions	3,904,789	-	-	3,904,789
Due from merger systems	1,689,516	-	-	1,689,516
Accounts receivable	-	-	-	-
Investment receivable	1,855,509	-	-	1,855,509
Accrued interest and dividends	3,385,895	-	-	3,385,895
Miscellaneous receivable	411,815	-	-	411,815
Total Receivables	<u>12,654,078</u>	<u>-</u>	<u>-</u>	<u>12,654,078</u>
Investments:				
Cash in trust	1,053,238	-	-	1,053,238
Cash equivalents	58,136,012	-	-	58,136,012
Bonds, notes, mortgages	207,212,339	-	-	207,212,339
Marketable securities - domestic	522,357,497	-	-	522,357,497
Marketable securities - international	190,003,968	-	-	190,003,968
Pooled bond fund	228,570,291	-	-	228,570,291
Real Estate Fund	76,769,789	-	-	76,769,789
Collateral held under securities lending program - repurchase agreements	25,000,000	-	-	25,000,000
Collateral held under securities lending program - Money Market	8,689,048	-	-	8,689,048
Other investments	930,670	-	-	930,670
Real Estate - Boot Ranch Development	-	-	-	-
Real Estate - land and rental	604,695	-	672,162	1,276,857
Real Estate - Olde Oaks Development	-	-	-	-
Real Estate - Olde Oaks	10,015,669	-	-	10,015,669
Real Estate - Stonebridge	5,811,838	-	-	5,811,838
Total Investments	<u>1,334,101,816</u>	<u>-</u>	<u>672,162</u>	<u>1,335,827,216</u>
Property, Plant and Equipment:				
Net of accumulated depreciation	659,885	-	2,069,389	2,729,274
TOTAL ASSETS	<u>1,361,819,080</u>	<u>103,504</u>	<u>2,790,408</u>	<u>1,364,712,992</u>
LIABILITIES				
Accounts payable	1,111,477	76,223	7,802	1,195,502
Accrued payroll and taxes	-	9,757	-	9,757
Refunds payable	233,675	-	-	233,675
Deferred contribution	64,954	-	-	64,954
Other liabilities	-	-	-	-
Notes payable	-	-	-	-
Notes payable Line of credit	-	-	-	-
Obligations under securities lending	33,689,048	-	-	33,689,048
Investment payable	1,792,839	-	-	1,792,839
Due to/ due (from) other funds	(3,500,923)	-	-	(3,500,923)
TOTAL LIABILITIES	<u>33,391,070</u>	<u>85,980</u>	<u>7,802</u>	<u>33,484,852</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,328,428,010</u>	<u>\$ 17,524</u>	<u>\$ 2,782,606</u>	<u>\$ 1,331,228,140</u>

Olde Oaks Golf Course	Stonebridge Golf Course	Olde Oaks Development	Boot Ranch Development	Total
\$ 65,178	\$ 31,104	\$ 10,577	\$ 130,498	\$ 14,793,019
49,644	-	-	33,573	83,217
<u>114,822</u>	<u>31,104</u>	<u>10,577</u>	<u>164,071</u>	<u>14,876,236</u>
-	-	-	-	1,406,554
-	-	-	-	3,904,789
-	-	-	-	1,689,516
52,898	71,238	55,723	-	179,859
-	-	-	-	1,855,509
-	-	-	-	3,385,895
3,230	4,081	2,472	-	421,598
<u>56,128</u>	<u>75,319</u>	<u>58,195</u>	<u>-</u>	<u>12,843,720</u>
-	-	-	-	1,053,238
-	-	-	-	58,136,012
-	-	-	-	207,212,339
-	-	-	-	522,357,497
-	-	-	-	190,003,968
-	-	-	-	228,570,291
-	-	-	-	76,769,789
-	-	-	-	25,000,000
-	-	-	-	8,689,048
597,694	428,982	-	210,660	2,168,006
-	-	-	36,573,396	36,573,396
-	-	-	-	1,276,857
-	-	10,449,494	-	10,449,494
-	-	-	-	10,015,669
-	-	-	-	5,811,838
<u>597,694</u>	<u>428,982</u>	<u>10,449,494</u>	<u>36,784,056</u>	<u>1,384,087,442</u>
-	-	-	-	2,729,274
<u>768,644</u>	<u>535,405</u>	<u>10,518,266</u>	<u>36,948,127</u>	<u>1,414,536,672</u>
252,265	121,565	278,150	2,291,574	4,139,056
45,964	27,148	-	-	82,869
-	-	-	-	233,675
-	-	-	-	64,954
7,350	-	273,422	33,450	314,222
209,291	244,942	-	42,470	496,703
206,600	100,878	9,989,151	34,634,196	44,930,825
-	-	-	-	33,689,048
-	-	-	-	1,792,839
3,019,643	481,280	-	-	-
<u>3,741,113</u>	<u>975,813</u>	<u>10,540,723</u>	<u>37,001,690</u>	<u>85,744,191</u>
\$ <u>(2,972,469)</u>	\$ <u>(440,408)</u>	\$ <u>(22,457)</u>	\$ <u>(53,563)</u>	\$ <u>1,328,792,481</u>

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

ADDITIONS:	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>	<u>Total Retirement System</u>
Contributions:				
Member contributions	\$ 16,136,038	\$ -	\$ -	\$ 16,136,038
Employer contributions	46,680,522	-	-	46,680,522
Military purchase	48,631	-	-	48,631
Insurance premium tax	11,539,000	-	-	11,539,000
	<u>74,404,191</u>	<u>-</u>	<u>-</u>	<u>74,404,191</u>
INVESTMENT INCOME				
Net appreciation in fair value of investments	91,361,669	-	-	91,361,669
Interest - Sweep Account	116,088	-	-	116,088
Interest - cash equivalents	739,984	-	-	739,984
Interest - mortgage backed bonds	13,039,857	-	-	13,039,857
Interest - securities lending	5,452,209	-	-	5,452,209
Dividends - stocks	13,928,836	-	-	13,928,836
Miscellaneous investment income	149,114	-	8,400	157,514
	<u>124,787,757</u>	<u>-</u>	<u>8,400</u>	<u>124,796,157</u>
Less investment expenses:				
Securities lending expenses	5,207,414	-	-	5,207,414
Custodial fees	222,590	-	-	222,590
Investment advisor fee	3,866,481	-	-	3,866,481
Foreign tax withheld	634,421	-	-	634,421
Miscellaneous investment expense	113,572	-	-	113,572
Olde Oaks Development	-	-	-	-
Stonebridge operations	-	-	-	-
Olde Oaks Operations	-	-	-	-
	<u>10,044,478</u>	<u>-</u>	<u>-</u>	<u>10,044,478</u>
Net investment income (loss)	<u>114,743,279</u>	<u>-</u>	<u>8,400</u>	<u>114,751,679</u>
OTHER ADDITIONS				
Merger interest payment	116,779	-	-	116,779
Interest income - refunds	54,145	-	-	54,145
Transfers (to) from other systems - employees	2,188	-	-	2,188
Transfers (to) from other systems - employers/interest	(300,161)	-	-	(300,161)
Total other additions	<u>(127,049)</u>	<u>-</u>	<u>-</u>	<u>(127,049)</u>
Total additions	<u>189,020,421</u>	<u>-</u>	<u>8,400</u>	<u>189,028,821</u>
DEDUCTIONS				
Benefits	82,297,800	-	-	82,297,800
Refund of contributions	2,565,141	-	-	2,565,141
Administrative expenses	-	854,814	80,692	935,506
Depreciation	18,710	-	77,663	96,373
Miscellaneous	10,068	-	-	10,068
Total deductions	<u>84,891,719</u>	<u>854,814</u>	<u>158,355</u>	<u>85,904,888</u>
Increase (decrease) in net assets prior to transfers	104,128,702	(854,814)	(149,955)	103,123,933
Transfers to/from	<u>(1,019,232)</u>	<u>959,232</u>	<u>110,000</u>	<u>50,000</u>
NET INCREASE (DECREASE)	103,109,470	104,418	(39,955)	103,173,933
NET ASSETS HELD IN TRUST FOR				
PENSION BENEFITS:				
BEGINNING OF THE YEAR	<u>1,226,371,778</u>	<u>(86,894)</u>	<u>2,822,561</u>	<u>1,229,107,445</u>
END OF THE YEAR	<u>\$ 1,329,481,248</u>	<u>\$ 17,524</u>	<u>\$ 2,782,606</u>	<u>\$ 1,332,281,378</u>

Olde Oaks Golf Course	Stonebridge Golf Course	Olde Oaks Development	Boot Ranch Development	Total
\$ -	\$ -	\$ -	\$ -	\$ 16,136,038
-	-	-	-	46,680,522
-	-	-	-	48,631
-	-	-	-	11,539,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,404,191</u>
-	-	68,537	-	91,430,206
-	-	-	-	116,088
-	-	-	-	739,984
-	-	-	-	13,039,857
-	-	-	-	5,452,209
-	-	-	-	13,928,836
-	-	3,242	5,470	166,226
<u>-</u>	<u>-</u>	<u>71,779</u>	<u>5,470</u>	<u>124,873,406</u>
-	-	-	-	5,207,414
-	-	-	-	222,590
-	-	-	-	3,866,481
-	-	-	-	634,421
-	-	-	-	113,572
-	-	138,772	-	138,772
-	207,709	-	-	207,709
445,170	-	-	-	445,170
<u>445,170</u>	<u>207,709</u>	<u>138,772</u>	<u>-</u>	<u>10,836,129</u>
<u>(445,170)</u>	<u>(207,709)</u>	<u>(66,993)</u>	<u>5,470</u>	<u>114,037,277</u>
-	-	-	-	116,779
-	-	-	-	54,145
-	-	-	-	2,188
-	-	-	-	(300,161)
-	-	-	-	(127,049)
<u>(445,170)</u>	<u>(207,709)</u>	<u>(66,993)</u>	<u>5,470</u>	<u>188,314,419</u>
-	-	-	-	82,297,800
-	-	-	-	2,565,141
-	-	-	-	935,506
-	-	-	-	96,373
-	-	-	-	10,068
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,904,888</u>
(445,170)	(207,709)	(66,993)	5,470	102,409,531
-	-	(50,000)	-	-
(445,170)	(207,709)	(116,993)	5,470	102,409,531
<u>(2,527,299)</u>	<u>(232,699)</u>	<u>94,536</u>	<u>(59,033)</u>	<u>1,226,382,950</u>
\$ <u>(2,972,469)</u>	\$ <u>(440,408)</u>	\$ <u>(22,457)</u>	\$ <u>(53,563)</u>	\$ <u>1,328,792,481</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS GOLF COURSE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2005

REVENUE:	
Green fees	\$ 619,671
Golf cart rental	322,431
Range fees	16,709
Other golf revenue	13,826
Golf shop	232,221
Membership dues	324,300
Food and beverage revenue from operations	314,956
Other income	6,249
Total revenue	<u>1,850,363</u>
OPERATING EXPENSES:	
Advertising	33,373
Bad debt expense	17,793
Cleaning supplies	6,061
Contract labor	12,868
Cost of goods sold - golf shop	164,559
Cost of goods sold - food and beverage	156,020
Depreciation	119,454
Equipment purchases	12,097
Equipment leasing/rental	117,391
Fuel	52,261
Ground maintenance	83,416
Insurance - health	23,899
Insurance - workman's compensation	20,998
Interest and late charge	43,247
License and permits	944
Management fees	137,000
Miscellaneous expenses	919
Other employee expenses	5,418
Printing and stationary	790
Promotional expenses	83
Repair, maintenance and supplies	134,453
Salaries and wages	779,771
Taxes - payroll	75,834
Telephone	9,657
Tournament expenses	6,129
Utilities	50,559
Total operating expenses	<u>2,064,994</u>
OTHER EXPENSES:	
General and administrative expenses (Page 33)	64,740
Property taxes, insurance	165,799
Total other expenses	<u>2,295,533</u>
LOSS	<u>\$ (445,170)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS GOLF COURSE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2005

Bank charges	\$ 1,308
Credit card service charge	23,295
Dues and subscriptions	8,415
Education	1,254
Office supplies	2,747
Postage and delivery	2,637
Professional fees	1,106
Miscellaneous expense	19,443
Travel and entertainment	<u>4,535</u>
Total administrative expenses	\$ <u><u>64,740</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS GOLF COURSE
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (445,170)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	119,454
Bad debt expense	12,195
Expenses paid by Retirement System	217,871
(Increase) decrease in operating assets:	
Accounts receivable	(6,248)
Inventories	38,336
Increase (decrease) in operating liabilities:	
Accounts payable	125,626
Accrued payroll and taxes	(345)
Sales tax payable	<u>5,457</u>
Net cash provided by operating activities	<u>67,176</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	<u>(13,807)</u>
Net cash used by investing activities	<u>(13,807)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from the line of credit - operating	188,369
Payment for obligation under line of credit	(48,000)
Payment for obligation under capital leases	(156,559)
Payment to the Retirement System	<u>(37,000)</u>
Net cash provided by financing activities	<u>(53,190)</u>
 NET INCREASE IN CASH	 179
 CASH, BEGINNING OF YEAR	 <u>114,643</u>
 CASH, END OF YEAR	 \$ <u><u>114,822</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 THE CLUB AT STONEBRIDGE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2005

REVENUE:

Green fees	\$ 265,439
Golf cart rental	152,879
Range fees	33,435
Other golf revenue	25,297
Golf shop	109,484
Membership dues	440,440
Food and beverage revenue from operations	<u>285,452</u>
Total revenue	<u>1,312,426</u>

OPERATING EXPENSES:

Advertising	14,735
Bad debt expense	11,206
Cleaning supplies	7,599
Contract labor	2,420
Cost of goods sold - golf shop	61,876
Cost of goods sold - food and beverage	118,092
Depreciation	52,605
Equipment purchases	3,982
Equipment leasing/rental	70,541
Fuel	14,170
Ground maintenance	102,723
Insurance - health	23,786
Insurance - workman's compensation	16,696
Interest and late charge	11,933
License and permits	2,774
Management fees	74,500
Miscellaneous expenses	23,109
Other employee expenses	8,206
Printing and stationary	2,195
Promotional expenses	1,269
Repair, maintenance and supplies	74,640
Salaries, wages and related taxes	606,984
Telephone	6,041
Utilities	<u>48,125</u>
Total operating expenses	<u>1,360,207</u>

OTHER EXPENSES:

General and administrative expenses (Page36)	36,532
Property taxes, insurance	<u>123,396</u>
Total expenses	<u>1,520,135</u>
LOSS	<u>\$ (207,709)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
THE CLUB AT STONEBRIDGE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2005

Bank charges	\$ 1,126
Credit card Service charge	10,815
Dues and subscriptions	6,540
Education	780
Office supplies	3,877
Postage and delivery	2,716
Professional fees	7,490
Travel and entertainment	<u>3,188</u>
Total administrative expenses	\$ <u><u>36,532</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 THE CLUB AT STONEBRIDGE
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (207,709)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	52,605
Bad debt expense	10,220
Expenses paid by Retirement System	121,202
(Increase) decrease in operating assets:	
Accounts receivable	19,860
Inventories	(15,262)
Increase (decrease) in operating liabilities:	
Accounts payable	25,355
Accrued payroll and taxes	(4,275)
Net cash provided by operating activities	<u>1,996</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment	<u>(7,959)</u>
Net cash used by investing activities	<u>(7,959)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from the line of credit	101,016
Payment on notes payable	(54,495)
Payment for obligation under line of credit	(4,121)
Payment for obligation under capital leases	(6,170)
Payments to Retirement System	<u>(24,000)</u>
Net cash provided by financing activities	<u>12,230</u>
 NET INCREASE IN CASH	 6,267
CASH, BEGINNING OF YEAR	<u>24,837</u>
CASH, END OF YEAR	<u>\$ 31,104</u>
 NONCASH INVESTING ACTIVITIES:	
Purchase of equipment through line of credit	<u>\$ 171,482</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS DEVELOPMENT
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2005

REVENUE:	
Gain on the sale of lot	\$ 66,473
Net appreciation in fair value of investment	2,064
Other miscellaneous income	<u>3,242</u>
Total revenue	<u>71,779</u>
OPERATING EXPENSES:	
Advertising	93,837
Maintenance	11,868
Miscellaneous expenses	<u>17,711</u>
Total operating expenses	<u>123,416</u>
ADMINISTRATIVE EXPENSES:	
Professional fees	<u>15,356</u>
Total administrative expenses	<u>15,356</u>
Total expenses	<u>138,772</u>
LOSS	\$ <u><u>(66,993)</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS DEVELOPMENT
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (66,993)
Adjustments to reconcile change in net assets to net cash used by operations:	
Net appreciation in fair value of investments	(2,064)
Income on forfeited deposit	(3,242)
Gain on sale of land	(66,472)
(Increase) decrease in operating assets:	
Accounts receivable	(15,844)
Prepaid expenses	11,943
Increase (decrease) in operating liabilities:	
Accounts payable	(1,410)
Other liabilities	42,325
Net cash used by operating activities	<u>(101,757)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	
Construction of Sewer Plant	(1,610,968)
Improvements	(2,587,660)
Proceeds from the sale of land	864,479
Net cash used by investing activities	<u>(3,334,149)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Receipt of funds on note	
Loan from the Retirement System	10,189
Distribution to Retirement System	(100,000)
Payment of loans from the Retirement System	(10,189)
Proceeds from line of credit	2,865,000
Net cash provided by financing activities	<u>2,765,000</u>

NET DECREASE IN CASH (670,906)

CASH, BEGINNING OF YEAR 681,483

CASH, END OF YEAR \$ 10,577

NONCASH INVESTING ACTIVITIES:

Transfer of Land from Retirement System \$ 50,000

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
BOOT RANCH DEVELOPMENT, LP
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2005

REVENUE	\$ <u>5,470</u>
OPERATING EXPENSES:	-
Contract labor	-
Printing and stationary	-
Repair, maintenance and supplies	-
Salaries and wages	-
Taxes - payroll	-
Telephone	-
Utilities	-
Total operating expenses	<u>-</u>
ADMINISTRATIVE EXPENSES	
Bank charges	\$ -
Office supplies	-
Postage and delivery	-
Professional fees	-
Travel and entertainment	-
Total administrative expenses	<u>-</u>
Total expenses	<u>-</u>
INCOME	\$ <u><u>5,470</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 BOOT RANCE DEVELOPMENT
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 5,470
Adjustments to reconcile change in net assets to net cash provided by operations:	
Increase (decrease) in liabilities:	
Accounts payable	2,011,227
Deposits on lots	<u>33,450</u>
Net cash provided by operating activities	<u>2,050,147</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(1,037,498)
Construction in progress	(16,109,466)
Startup cost	<u>(2,928,548)</u>
Net cash used by investing activities	<u>(20,075,512)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Loans from the Retirement System	
Payment of loan from the Retirement System	
Proceeds from the line of credit - Regions	13,111,826
Note payable	42,470
Proceeds from the line of credit - Bank One	<u>4,634,196</u>
Net cash provided by financing activities	<u>17,788,492</u>

NET DECREASE IN CASH (236,873)

CASH, BEGINNING OF YEAR 400,944

CASH, END OF YEAR \$ 164,071

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES
YEARS ENDED JUNE 30, 2005 AND 2004

	JUNE 30, 2005					
	<u>Annuity Savings</u>	<u>Annuity Reserve</u>	<u>Deferred Retirement Option Plan</u>	<u>Initial Benefit Option Plan</u>	<u>Pension Accumulation</u>	<u>Unfunded Actuarial Accrued Liability</u>
BALANCE - BEGINNING	\$ 120,457,023	\$ 870,349,868	\$ 54,522,208	\$ 516,768	\$ 515,893,458	\$ (335,356,375)
REVENUES AND TRANSFERS:						
Employee contributions	16,136,038	-	-	-	-	-
Employer contributions	-	-	-	-	46,680,522	-
Insurance premium tax	-	-	-	-	11,539,000	-
Net investment income (loss)	-	-	-	-	114,037,277	-
Merger interest and penalty payment	-	-	-	-	116,779	-
Income from purchase of prior service	48,631	-	-	-	-	-
Interest income - refunds	-	-	-	-	54,145	-
Transfers (to) from other systems	2,188	-	-	-	(300,161)	-
Transfer from Annuity Savings	-	7,532,494	-	-	-	-
Pensions transferred from Annuity Reserve	-	-	12,332,076	678,992	-	-
Actuarial transfer	-	76,124,652	-	-	-	111,664,133
	<u>16,186,857</u>	<u>83,657,146</u>	<u>12,332,076</u>	<u>678,992</u>	<u>172,127,562</u>	<u>111,664,133</u>
EXPENDITURES AND TRANSFERS:						
Pensions paid	-	71,930,178	9,910,277	457,345	-	-
Refunds to members	2,565,141	-	-	-	-	-
Administrative expenses	-	-	-	-	935,506	-
Depreciation	-	-	-	-	96,373	-
Miscellaneous	-	-	-	-	10,068	-
Transfer to Annuity Reserve	7,532,494	-	-	-	-	-
Pensions transferred to Initial Benefit Option Plan	-	678,992	-	-	-	-
Pensions transferred to DROP	-	12,332,076	-	-	-	-
Actuarial transfer	-	-	-	-	187,788,785	-
	<u>10,097,635</u>	<u>84,941,246</u>	<u>9,910,277</u>	<u>457,345</u>	<u>188,830,732</u>	<u>-</u>
NET INCREASE (DECREASE)	<u>6,089,222</u>	<u>(1,284,100)</u>	<u>2,421,799</u>	<u>221,647</u>	<u>(16,703,170)</u>	<u>111,664,133</u>
BALANCE - ENDING	<u>\$ 126,546,245</u>	<u>\$ 869,065,768</u>	<u>\$ 56,944,007</u>	<u>\$ 738,415</u>	<u>\$ 499,190,288</u>	<u>\$ (223,692,242)</u>

JUNE 30, 2004

<u>Total</u>	<u>Annuity Savings</u>	<u>Annuity Reserve</u>	<u>Deferred Retirement Option Plan</u>	<u>Initial Benefit Option Plan</u>	<u>Pension Accumulation</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Total</u>
\$ 1,226,382,950	\$ 115,363,026	\$ 786,076,909	\$ 51,495,888	\$ 315,338	\$ 502,539,858	\$ (349,383,550)	\$ 1,106,407,469
16,136,038	15,646,734	-	-	-	-	-	15,646,734
46,680,522	-	-	-	-	32,188,691	-	32,188,691
11,539,000	-	-	-	-	10,135,228	-	10,135,228
114,037,277	-	-	-	-	140,901,463	-	140,901,463
116,779	-	-	-	-	164,365	-	164,365
48,631	5,089	-	-	-	-	-	5,089
54,145	-	-	-	-	73,691	-	73,691
(297,973)	52,491	-	-	-	432,022	-	484,513
7,532,494	-	8,466,525	-	-	-	-	8,466,525
13,011,068	-	-	11,574,068	602,984	-	-	12,177,052
187,788,785	-	155,568,671	-	-	-	14,027,175	169,595,846
<u>396,646,766</u>	<u>15,704,314</u>	<u>164,035,196</u>	<u>11,574,068</u>	<u>602,984</u>	<u>183,895,460</u>	<u>14,027,175</u>	<u>389,839,197</u>
82,297,800	-	67,585,185	8,547,748	401,554	-	-	76,534,487
2,565,141	2,143,792	-	-	-	-	-	2,143,792
935,506	-	-	-	-	838,032	-	838,032
96,373	-	-	-	-	107,982	-	107,982
10,068	-	-	-	-	-	-	-
7,532,494	8,466,525	-	-	-	-	-	8,466,525
678,992	-	602,984	-	-	-	-	602,984
12,332,076	-	11,574,068	-	-	-	-	11,574,068
187,788,785	-	-	-	-	169,595,846	-	169,595,846
<u>294,237,235</u>	<u>10,610,317</u>	<u>79,762,237</u>	<u>8,547,748</u>	<u>401,554</u>	<u>170,541,860</u>	<u>-</u>	<u>269,863,716</u>
102,409,531	5,093,997	84,272,959	3,026,320	201,430	13,353,600	14,027,175	119,975,481
<u>\$ 1,328,792,481</u>	<u>\$ 120,457,023</u>	<u>\$ 870,349,868</u>	<u>\$ 54,522,208</u>	<u>\$ 516,768</u>	<u>\$ 515,893,458</u>	<u>\$ (335,356,375)</u>	<u>\$ 1,226,382,950</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF PER DIEM PAID TO TRUSTEES
YEARS ENDED JUNE 30, 2005 AND 2004

The per diem paid to the trustees is an expenditure of the Expense Fund. For 2005 and 2004 the trustees receive per diem at the rate of \$75.00 for each day of a regularly scheduled meeting of the Board of Trustees that they attend. Particulars of the per diem paid to the trustees for the years ended June 30, 2005 and 2004 are as follows:

	NUMBER OF DAYS		AMOUNTS	
	<u>ATTENDING</u>			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Henry Dean	13	14	\$ 975	\$ 1,050
Bill Fields	6	15	450	1,125
Jeffrey Wesley	11	14	825	1,050
Larry Reech	11	12	825	900
Thomas Buell	11	14	825	1,050
Willie Joe Greene	12	15	900	1,125
Joe Bourgeois	13	15	975	1,125
Jim Roberts	0	7	-	525
Mike Halphen	12	14	900	1,050
Christopher Nassif	6	0	450	-
Francis Campbell	12	3	900	225
			<u>\$ 8,025</u>	<u>\$ 9,225</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF ACCOUNTS RECEIVABLE - MERGED SYSTEMS
YEARS ENDED JUNE 30, 2005 AND 2004

<u>City</u>	<u>Term</u>		<u>Interest Rate</u>	<u>Payment Term</u>	<u>Payment Amount</u>	<u>Balance 6-30-05</u>	<u>Balance 6-30-04</u>
Crowley	01-84	12-13	7%	Quarterly	21,644	\$ 564,380	\$ 590,434
Opelousas	01-84	10-13	7%	Quarterly	37,773	984,954	1,030,077
Tallulah	01-84	10-13	7%	Quarterly	5,376	<u>140,182</u>	<u>146,604</u>
TOTAL						\$ <u><u>1,689,516</u></u>	\$ <u><u>1,767,115</u></u>

MUNICIPAL POLICE EMPLOYEES
RETIREMENT SYSTEM AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
YEAR ENDED JUNE 30, 2005

	<u>Par Value</u>	<u>Original Cost</u>	<u>Market Value</u>
BONDS:			
Federal Home Loan Mortgage Corporation	\$ 30,800,356	\$ 31,793,814	\$ 31,493,225
Federal National Mortgage Association	19,818,382	20,308,893	20,357,431
Government National Mortgage Association	144,653,543	1,954,742	1,957,892
Corporate Bonds	<u>144,671,242</u>	<u>150,331,562</u>	<u>153,403,791</u>
TOTAL BONDS	\$ <u>339,943,523</u>	\$ <u>204,389,011</u>	\$ <u>207,212,339</u>
MUTUAL FUNDS AND POOLED FUNDS:			
Pooled Bond Fund		\$ 189,716,180	\$ 228,570,291
Domestic Mutual Fund		<u>62,412,000</u>	<u>76,769,789</u>
TOTAL MUTUAL FUNDS		\$ <u>252,128,180</u>	\$ <u>305,340,080</u>
DOMESTIC STOCKS		\$ <u>451,448,995</u>	\$ <u>522,357,497</u>
INTERNATIONAL STOCKS		\$ <u>155,811,057</u>	\$ <u>190,003,968</u>
REAL ESTATE - LAND AND RENTAL		\$ <u>1,276,857</u>	\$ <u>1,276,857</u>
REAL ESTATE - OLDE OAKS GOLF COURSE		\$ <u>10,886,453</u>	\$ <u>10,015,669</u>
REAL ESTATE - THE CLUB AT STONEBRIDGE		\$ <u>4,241,987</u>	\$ <u>5,811,838</u>
REAL ESTATE - OLDE OAKS DEVELOPMENT		\$ <u>10,162,804</u>	\$ <u>10,437,223</u>
REAL ESTATE - BOOT RANCH DEVELOPMENT		\$ <u>36,573,396</u>	\$ <u>36,573,396</u>
OTHER INVESTMENT		\$ <u>2,168,006</u>	\$ <u>2,168,006</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2005

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENSE FUND			
Personal Services:			
Staff salaries	\$ 267,200	\$ 297,000	\$ 29,800
Group insurance	65,981	65,000	(981)
Retirement	37,426	63,900	26,474
Board member - Per diem	8,025	10,125	2,100
Professional Services:			
Accountant	55,984	64,000	8,016
Actuarial	65,520	50,000	-
Computer services	23,013	42,000	18,987
Risk management	4,855	5,000	145
Legal	214,968	100,000	(114,968)
Medical Board	7,070	12,000	4,930
Retirement Association fees	975	1,280	305
Communications:			
Postage, printing and supplies	30,960	53,000	22,040
Telephone	9,366	15,000	5,634
Travel	4,153	29,000	24,847
Other:			
Advertising	26	500	474
Computer software	-	5,000	5,000
Equipment rental and repair	23,988	20,000	(3,988)
Election expenses	13,480	10,000	(3,480)
Board expenses	17,233	27,000	9,767
Microfilm	-	5,500	5,500
Miscellaneous	1,043	3,000	1,957
Uniforms	2,256	4,000	1,744
Medicare expense	1,292	3,000	1,708
Vehicle maintenance	-	500	500
Total expenses budgeted	<u>\$ 854,814</u>	<u>\$ 885,805</u>	<u>\$ 46,511</u>
BUILDING FUND			
Association dues	2,160	2,200	40
Contract services	-	20,000	20,000
Maintenance	38,253	42,160	3,907
Office supplies	1,312	-	(1,312)
Property taxes	3,417	-	(3,417)
Security	4,078	5,120	1,042
Utilities	31,472	43,000	11,528
	<u>\$ 80,692</u>	<u>\$ 112,480</u>	<u>\$ 31,788</u>
CAPITAL OUTLAYS	<u>\$ 7,383</u>	<u>\$ 18,000</u>	<u>\$ 10,617</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2000 THROUGH 2005

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Actuarial Required Contribution Other Sources</u>	<u>Percent Contributed Employer</u>	<u>Percent Contributed Other Sources</u>
2000	\$ 7,196,355	\$ --	206.17 %	-- %
2001	9,738,895	--	170.63	--
2002	16,568,497	4,806,272	97.90	115.17
2003	29,220,618	8,689,205	61.23	100.00
2004	43,501,552	10,135,228	73.99	100.00
2005	44,267,740	11,539,650	105.45	100.00

Beginning June 30, 1999 through June 30, 2001, the actuarially required contribution differs significantly from actual contributions made due to the employer contribution rate of 9% set by State statute being greater than the actuarially required contribution rate.

For the years ending June 30, 2003 and 2004, the actuarially required contribution differs from actual contributions made due to state statute that requires the contribution rate be calculated and set two years prior to the year effective.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2000 THROUGH 2005

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Of of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(Surplus) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage of Covered Payroll</u>
June 30, 2000	\$ 1,277,548,391	\$ 1,167,247,144	\$ (110,301,247)	\$ 109.45 %	163,773,101	-- %
June 30, 2001	1,275,127,921	1,261,056,748	(14,071,173)	101.12	181,737,834	--
June 30, 2002	1,189,425,521	1,384,605,589	195,180,068	85.90	187,567,901	96.1
June 30, 2003	1,076,306,000	1,455,791,000	379,485,000	73.90	197,254,000	192.4
June 30, 2004	1,138,387,070	1,561,739,325	423,352,255	72.90	208,756,800	202.7
June 30, 2005	1,233,572,172	1,552,332,283	318,760,111	79.47	215,638,892	147.8

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND
 SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2000 THROUGH 2005

The information presented in the Schedule of Employer Contributions and Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2005
Actuarial cost method	Entry age normal
Amortization method	Level dollar - The amortization period is for a specific number of years. (Closed Basis).
Remaining amortization period	30 years. Act 1079 of 2003 changed amortization period effective June 30, 2002.
Asset valuation method	The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	Technical paper No. 16 "Present Value of Estimated Lifetime Earnings". These rates are increased by 2% during the first ten years of employment.
Cost of Living Adjustment	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Unfunded actuarial	The System incurred a decrease in the unfunded actuarial liability in the amount of \$104,592,144. \$81,021,314 of the \$104,592,144 decrease was due to a change in actuarial discount rate assumption.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
A FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE WITH
WITH GOVERNMENT AUDITING STANDARDS

November 10, 2005

Board of Trustees of the Municipal Police
Employees' Retirement System and Subsidiaries
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809-7601

We have audited the financial statements of Municipal Police Employees' Retirement System and Subsidiaries as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. 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 Municipal Police Employees Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal over financial reporting and its operation that we consider to be material weaknesses. However we noted other matters that we have reported to management of Municipal Police Employees' Retirement System in a separate letter dated November 10, 2005.

Compliance and Other matters

As part of obtaining reasonable assurance about whether the Municipal Police Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the use of the Board of Trustees, Office of the Legislative Auditor for the State of Louisiana, and management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP