

REPORT

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

JUNE 30, 2009 AND 2008

STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

INDEX TO REPORT

JUNE 30, 2009 AND 2008

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S 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 – 35
SUPPLEMENTARY INFORMATION:	
Consolidated Statement of Plan Net Assets	36
Consolidated Statement of Changes in Plan Net Assets	37
Schedule of Operations – Olde Oaks Golf Course.....	38
Schedule of Administrative Expenses – Olde Oaks Golf Course.....	39
Statement of Cash Flows – Olde Oaks Golf Course	40
Schedule of Operations –Stonebridge Enterprises, LLC	41
Schedule of Administrative Expenses –Stonebridge Enterprises, LLC	42
Statement of Cash Flows –Stonebridge Enterprises, LLC	43
Schedule of Operations – Olde Oaks Development, LLC.....	44
Statement of Cash Flows – Olde Oaks Development, LLC	45

PAGE

Statements of Changes in Reserve Balances 46

Schedules of Per Diem Paid to Trustees 47

Schedules of Accounts Receivable – Merged Systems 48

Schedule of Investments 49

Schedule of Administrative Expenses – Actual and Budget 50

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Contributions - Employer and Other Sources 51

Schedule of Funding Progress 52

Schedule of Funding Progress for Municipal Police Employees’
Retirement System Other Post Employment Benefits Plan 53

**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 54 - 55**

SUMMARY SCHEDULE OF FINDINGS 56 - 62



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN H. HEBERT, C.P.A.
GRADY C. LLOYD, III, C.P.A.
HENRY L. SILVIA, C.P.A.

A.J. DUPLANTIER JR, C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR, C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR. C.P.A.
(1920-1996)
JAMES MAHER, JR, C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

INDEPENDENT AUDITOR'S REPORT

January 11, 2010

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, 2009 and 2008, 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, 2009 and 2008 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, 2009 and 2008 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 51 – 53 and the supplemental schedules listed on pages 36 - 50 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, 2004 – 2009 and supplemental schedules for the years ending June 30, 2009 and 2008, 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 January 11, 2010 on our consideration of 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 considered in assessing the results of our audits.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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, 2009. 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 2009 by \$1,084,169,309 which represents a decrease from last fiscal year. The net assets held in trust for pension benefits decreased by \$392,483,152 or 26.58%. The decrease was due primarily to depreciation in the various investment portfolios as a result of the current economic climate.
- * Contributions to the plan by members and employers totaled \$45,428,340, a decrease of \$8,383,709 or 15.58% over the prior year.
- * Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$15,071,968, an increase of \$616,680, or 4.27% over the prior year.
- * The System experienced a net investment loss in the amount of \$352,370,843 during the year ended June 30, 2009. This is a 186.71% decrease from net investment loss of \$122,903,195 during the year ended June 30, 2008. The decrease was due primarily to lower equity market returns available in the market place due to the current economic climate.
- * The rate of return on the System's investments was a negative 24.24 % based on the market value. This is lower than last year's negative 7.63% 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 \$3,285,649 or 3.54%. This increase is due to an increase in retirees.
- * Administrative expenses totaled \$1,223,868, an increase of \$129,357 or 11.82%. The cost of administering the System per member during 2009 was \$105.97 per individual compared to \$97.50 per individual in 2008.

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 SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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, 2009 and 2008.

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 FUND

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.

Statements of Plan Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash and investments	\$ 1,195,565,297	\$ 1,664,110,918
Receivables	24,683,197	40,628,756
Other assets	76,000	76,000
Property and equipment	<u>2,473,997</u>	<u>2,517,916</u>
Total assets	<u>1,222,798,491</u>	<u>1,707,333,590</u>
Total liabilities	<u>138,629,182</u>	<u>230,681,129</u>
Net Assets Held in Trust		
For Pension Benefits	<u>\$ 1,084,169,309</u>	<u>\$ 1,476,652,461</u>

Plan net assets decreased by 26.58% (\$1,084,169,309 compared to \$1,476,652,461). 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 decrease in plan net assets was a result of the decrease in the value of investments due to market conditions.

**MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL ANALYSIS OF THE FUND (Continued)

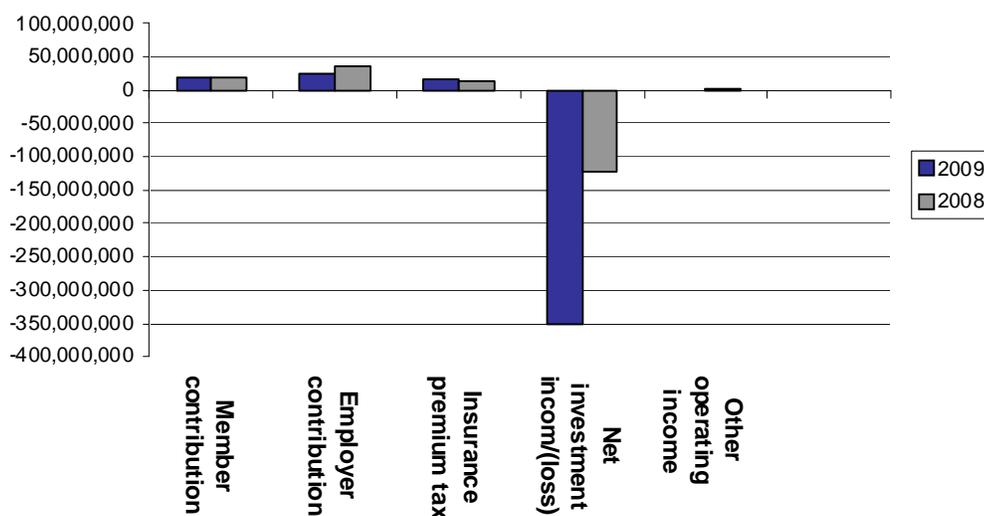
**Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Additions:		
Contributions	\$ 60,500,308	\$ 68,267,337
Investment income (loss) - net	(352,370,843)	(122,903,195)
Other	<u>105,417</u>	<u>1,040,407</u>
Total additions/(deductions)	(291,765,118)	(53,595,451)
Total deductions	<u>100,718,034</u>	<u>96,872,700</u>
Increase (decrease) in Plan net assets	<u>\$ (392,483,152)</u>	<u>\$ (150,468,151)</u>

Additions to Plan Net Assets

Additions to the System's plan net assets are derived from member contributions, employer contributions and investment income. Member contributions increased \$1,069,399 or 5.74% while employer contributions decreased by \$9,453,108 or 26.87%. The System experienced net investment loss of \$352,370,843 as compared to a net investment loss of \$122,903,195 in the previous year. This is a 186.71% decrease in investment income.

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease) Percentage</u>
Member Contributions	\$ 19,706,503	\$ 18,637,104	5.74%
Employer Contributions	25,721,837	35,174,945	(26.87)%
Insurance Premium Taxes	15,071,968	14,455,288	4.27%
Net Investment Income (loss)	(352,370,843)	(122,903,195)	(186.71)%
Other Operating Revenues	<u>105,417</u>	<u>1,040,407</u>	(89.87)%
Total	<u>\$ (291,765,118)</u>	<u>\$ (53,595,451)</u>	



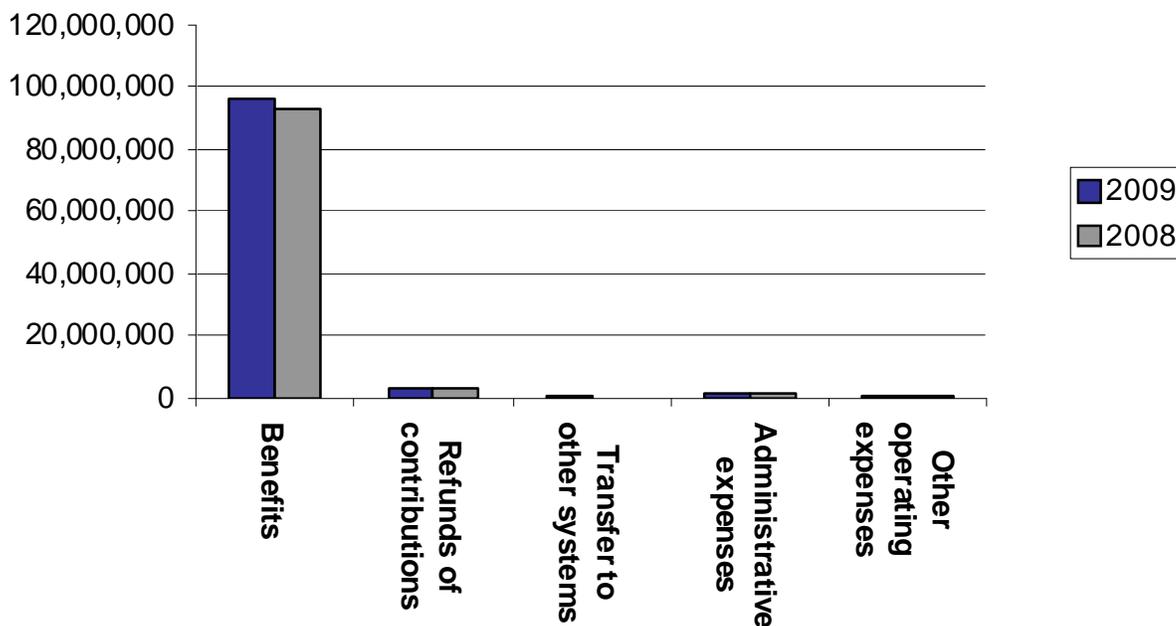
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits, refund of contributions and administrative expenses. Deductions from plan net assets totaled \$100,718,034 in fiscal year 2009. This increase of \$3,845,334 was primarily due to an increase in pension benefits. The cost of administering the System's benefits per member during 2009 was \$105.97 per individual compared to \$97.50 per individual in 2008.

	<u>2009</u>	<u>2008</u>	Increase (Decrease) <u>Percentage</u>
Benefits	\$ 96,126,722	\$ 92,841,073	3.54%
Refunds of Contributions	2,560,257	2,842,220	(9.92)%
Transfer to other systems	715,460	--	100.00%
Administrative Expenses	1,223,868	1,094,511	11.82%
Other Operating Expenses	<u>91,727</u>	<u>94,896</u>	(3.34)%
Total	<u>\$ 100,718,034</u>	<u>\$ 96,872,700</u>	



MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL ANALYSIS OF THE FUND (Continued)

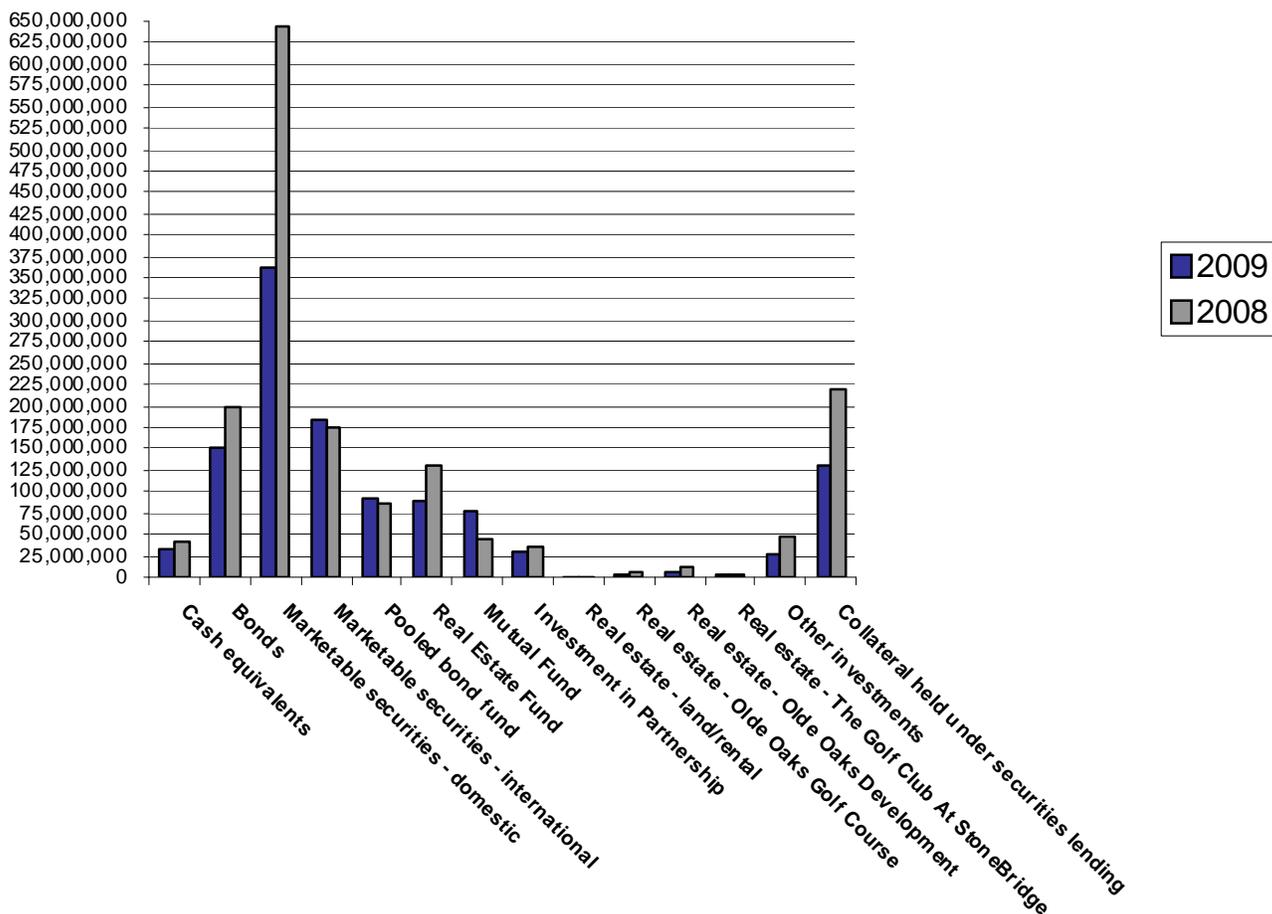
Investments

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 less collateral held under securities lending at June 30, 2009 amounted to \$1,056,355,448 as compared to \$1,429,353,535 at June 30, 2008, which is a decrease of \$372,998,087 or 26.10%. The System's investments in various markets at the end of the 2009 and 2008 fiscal years are indicated in the following table:

	<u>2009</u>	<u>2008</u>	Increase (Decrease) <u>Percentage</u>
Cash and cash equivalents	\$ 31,940,207	\$ 41,887,151	(23.75)%
Bonds	152,597,174	199,014,122	(23.32)%
Marketable securities - domestic	361,332,647	644,791,428	(43.96)%
Marketable securities – international	183,934,457	176,653,335	4.12%
Pooled Bond Fund	92,783,249	87,264,987	6.32%
Real Estate Fund	88,669,410	130,495,197	(32.05)%
Mutual Funds	76,150,585	44,693,248	70.38%
Real Estate – Land and Rental	796,876	914,635	(12.87)%
Real Estate – Olde Oaks Golf Course	2,954,120	4,496,478	(34.30)%
Real Estate – Olde Oaks Development	7,190,050	12,440,004	(42.20)%
Real Estate – The Golf Club at StoneBridge	2,673,031	3,198,764	(16.44)%
Investment in partnership	29,518,146	34,568,861	(14.61)%
Other investments	25,795,496	48,935,325	(47.29)%
Collateral Held Under Securities			
Lending	<u>129,444,867</u>	<u>220,999,669</u>	(41.43)%
Total	<u>\$ 1,185,780,315</u>	<u>\$ 1,650,353,204</u>	

MUNICIPAL POLICE EMPLOYEES’
 RETIREMENT SYSTEM AND SUBSIDIARIES
 MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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 Kathy Bourque, 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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Cash:		
Cash in bank	\$ 9,735,338	\$ 13,708,070
Cash in escrow	49,644	49,644
Total cash	<u>9,784,982</u>	<u>13,757,714</u>
Receivables:		
Member contributions	1,591,282	1,440,223
Employer contributions	2,062,467	2,715,369
Due from merged systems	969,422	1,200,379
Other receivable	1,087,204	319,225
Investment receivable	15,598,338	4,537,221
Accrued interest and dividends	3,374,484	6,079,162
Real estate investment receivable	-	24,337,177
Total receivables	<u>24,683,197</u>	<u>40,628,756</u>
Investments:		
Cash in trust	-	1,616,871
Short-term cash equivalents - domestic	31,940,207	40,270,280
Bonds - domestic and foreign	152,597,174	199,014,122
Marketable securities - domestic	361,332,647	644,791,428
Marketable securities - international	183,934,457	176,653,335
Pooled Bond Fund	92,783,249	87,264,987
Real Estate Fund	88,669,410	130,495,197
Mutual Fund	76,150,585	44,693,248
Investment in partnership	29,518,146	34,568,861
Other investments	25,795,496	48,935,325
Collateral held under securities lending program - money market account	129,444,867	220,999,669
Real estate - Land and rental	796,876	914,635
Real estate - Olde Oaks Development	7,190,050	12,440,004
Real estate - Olde Oaks Golf Course	2,954,120	4,496,478
Real estate - The Golf Club at StoneBridge	2,673,031	3,198,764
Total investments	<u>1,185,780,315</u>	<u>1,650,353,204</u>
Other assets	76,000	76,000
Property, plant and equipment:		
(Net of accumulated depreciation \$844,273 in 2009; \$752,545 in 2008)	<u>2,473,997</u>	<u>2,517,916</u>
TOTAL ASSETS	<u>1,222,798,491</u>	<u>1,707,333,590</u>
LIABILITIES:		
Cash in trust- overdraft	729,488	-
Accounts payable	912,024	1,410,194
Accrued payroll and taxes	58,919	24,731
Refunds payable - members	220,565	192,587
Deferred contributions	115,016	134,200
Other liabilities	31,070	56,505
Capital lease payable	75,226	74,262
Notes payable	-	6,085
Notes payable - Line of credit	-	1,093,380
Obligations under securities lending program	129,444,867	220,999,669
Other post employment benefits obligation	234,192	72,044
Investment payable	6,807,815	6,617,472
TOTAL LIABILITIES	<u>138,629,182</u>	<u>230,681,129</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,084,169,309</u>	<u>\$ 1,476,652,461</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ADDITIONS:		
CONTRIBUTIONS:		
Members	\$ 19,706,503	\$ 18,637,104
Employer	25,721,837	35,174,945
Insurance premium tax	<u>15,071,968</u>	<u>14,455,288</u>
Total contributions	<u>60,500,308</u>	<u>68,267,337</u>
INVESTMENT INCOME:		
Net appreciation (depreciation) in investments	(376,214,617)	(158,112,154)
Interest - sweep account	71,354	198,427
Interest - cash equivalents	748,619	1,888,509
Interest - notes, bonds, etc.	13,064,391	13,221,812
Interest - securities lending	2,383,306	9,557,698
Dividends - stock	13,684,482	23,982,644
Miscellaneous	487,805	208,819
	<u>(345,774,660)</u>	<u>(109,054,245)</u>
Less investment expenses:		
Securities lending expense	1,367,462	8,299,309
Custodial	99,705	100,441
Investment advisor	4,198,804	4,493,097
Miscellaneous investment expense	205,813	5,898
Real estate - Olde Oaks Development	327,641	387,566
Real estate - Olde Oaks Golf Course	213,245	448,991
Real estate - The Golf Club at StoneBridge	183,513	113,648
	<u>6,596,183</u>	<u>13,848,950</u>
Net investment income (loss)	<u>(352,370,843)</u>	<u>(122,903,195)</u>
OTHER ADDITIONS:		
Merger interest payment	87,632	84,889
Interest income - refunds	-	360
Transfers (to) from other systems - employees	17,785	178,897
Transfers from other systems - employees	-	776,261
Total other additions	<u>105,417</u>	<u>1,040,407</u>
Total additions (deductions)	<u>(291,765,118)</u>	<u>(53,595,451)</u>
DEDUCTIONS:		
Benefits	96,126,722	92,841,073
Refund of contributions	2,560,257	2,842,220
Transfers to other systems - employers/interest	715,460	-
Administrative expenses	1,223,868	1,094,511
Depreciation	91,727	94,896
Total deductions	<u>100,718,034</u>	<u>96,872,700</u>
NET INCREASE (DECREASE)	(392,483,152)	(150,468,151)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>1,476,652,461</u>	<u>1,627,120,612</u>
END OF YEAR	<u>\$ 1,084,169,309</u>	<u>\$ 1,476,652,461</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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 investments are valued at fair market value, which is based upon an independent appraisal or comparable sales.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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.

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, 2009 and 2008, there are 143 contributing municipalities. At June 30, 2009 and 2008 statewide retirement membership consists of:

	<u>2009</u>	<u>2008</u>
Active members	5,872	5,705
Regular retirees	2,749	2,671
Disability retirees	197	200
Survivors	1,038	1,025
Vested and reciprocals	112	114
Due refunds	1,197	1,095
DROP participants	185	213
DROP to active	<u>199</u>	<u>203</u>
 TOTAL PARTICIPANTS AS OF THE VALUATION DATE	 <u>11,549</u>	 <u>11,226</u>

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.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

2. PLAN DESCRIPTION: (Continued)

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 ten years of creditable service for new members having an employment date after July 1, 2008. Members employed prior to July 1, 2008 require 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, 2009 AND 2008

2. PLAN DESCRIPTION: (Continued)

Act 232 of the 2007 Regular Session authorizes the Board of Trustees to pay a one time lump sum supplemental benefit not to exceed three percent of the retiree's (or survivor's) annual benefit but not less than \$300. This one time payment is based on the valuation for the year ending June 30, 2007, and shall be granted only to those who began receiving a monthly benefit prior to July 1, 2006.

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 thirty six months 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. For those eligible to enter DROP prior to January 1, 2004, 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. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election can be made to earn interest based on the System's investment portfolio return rather than a money market investment return. This could result in a negative earnings rate being applied to the account.

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, 2009 and 2008 was 11% and

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

9.5%, respectively. The actual contribution rate for the years then ended was 9.5% and 13.75%. 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, 2009 and 2008, the state appropriated \$15,071,968 and \$14,455,288, respectively, in insurance premium tax.

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

Reserves:

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, 2009 and 2008 is \$153,264,118 and \$142,786,057, 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, 2009 and 2008 is \$727,687,318 and \$619,006,327, respectively. The Pension Accumulation is unfunded for the year ended June 30, 2009 and 41% funded for the year ended June 30, 2008.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

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, 2009 and 2008 is \$1,026,315,175 and \$998,894,929, respectively. The Annuity Reserve is 83% funded and 100% funded for the year ended June 30, 2009 and 2008, respectively.

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, 2009 and 2008 is \$80,279,581 and \$79,601,213, respectively. The Deferred Retirement Option Account is fully funded.

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, 2009 and 2008 is \$848,166 and \$946,469, 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 51 – 53.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Deposits (bank balance)	\$ 9,973,731	\$ 14,084,942
Cash and cash equivalents	31,940,207	41,887,151
Investments	<u>1,153,840,108</u>	<u>1,608,466,053</u>
	<u>\$ 1,195,754,046</u>	<u>\$ 1,664,438,146</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. At June 30, 2009 and 2008, Olde Oaks Development had funds on deposit which exceeded FDIC insurance coverage in the amount of \$0 and \$76,948, respectively.

Cash Equivalents:

For the years ending June 30, 2009 and 2008, cash equivalents in the amount of \$28,568,382 and \$37,763,598, respectively, consist of government pooled investments. The funds are held and managed by the System's custodian bank. For the years ending June 30, 2009 and 2008, cash equivalents in the amount of \$3,371,825 and \$2,506,682, respectively, consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP) held by a custodial bank in the name of the Retirement System.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-RS 33:2955. LAMP is rated AAAM by Standard & Poor's.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool share.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

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 and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the System may not invest more than sixty-five percent of the book value of the System's assets in equities and at least ten percent of the total portfolio must be invested in one or more index funds which seek to replicate 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 7 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 or two times that of the underlying index for any given portfolio; 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, 2009 and 2008. However, at June 30, 2009 and 2008, the investment in the real estate fund in the amount of \$88,669,410 and \$130,495,197 represented 8.4% and 9.1% respectively, of the market value of the System's investments. At June 30, 2009 and 2008, the investment in the pooled bond fund in the amount of \$92,783,249 and \$87,264,987 represented 8.8% and 6.1%, respectively, of the market value of the 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, 2009 and 2008 (U.S. Government and Agency obligations totaling \$-0- and \$7,406,193, respectively, are not rated).

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2009:

	Corporate	Municipal	Foreign Government	Other	Total
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>		
AAA	\$ --	\$ 248,387	\$ 8,232,800	\$ 7,094,832	\$ 15,576,019
AA+	28,064	49,256	--	--	77,320
AA	--	42,515	--	--	42,515
AA-	184,068	174,734	--	--	358,802
A+	969,074	31,207	--	--	1,000,281
A	3,291,935	1,047,385	--	1,370,172	5,709,492
A-	4,037,024	--	--	523,526	4,560,550
BBB+	11,966,988	--	--	189,094	12,156,082
BBB	20,206,946	--	--	82,151	20,289,097
BBB-	20,265,933	--	1,764,637	261,666	22,292,236
BB+	7,744,559	--	--	--	7,744,559
BB	12,576,492	--	--	582,197	13,158,689
BB-	13,564,846	--	--	323,263	13,888,109
B+	11,931,625	--	--	510,250	12,441,875
B	12,975,793	--	--	--	12,975,793
B-	3,784,079	--	--	--	3,784,079
CCC+	1,405,749	--	--	--	1,405,749
CCC	1,534,838	--	--	--	1,534,838
CCC-	491,380	--	--	--	491,380
CC	427,000	--	--	--	427,000
D	673,750	--	--	--	673,750
Not Rated	<u>1,509,862</u>	<u>41,667</u>	<u>--</u>	<u>457,430</u>	<u>2,008,959</u>
	<u>\$ 129,570,005</u>	<u>\$ 1,635,151</u>	<u>\$ 9,997,437</u>	<u>\$ 11,394,581</u>	<u>\$ 152,597,174</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2008:

	Corporate Bonds	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association	United States Treasury Bonds	Municipal Bonds	Foreign Government Bonds	Other	Total
AAA	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 252,994	\$ 8,059,371	\$ 103,006	\$ 8,415,371
AA+	1,335,205	--	--	--	--	48,819	--	--	1,384,024
AA	--	--	--	--	--	1,219,463	--	--	1,219,463
AA-	7,728,218	--	--	--	--	81,390	--	--	7,809,608
A+	8,096,532	--	--	--	--	216,727	3,875,004	--	12,188,263
A	6,108,297	--	--	--	--	--	--	--	6,108,297
A-	11,395,337	--	--	--	--	--	--	571,324	11,966,661
BBB+	14,330,443	--	--	--	--	--	--	--	14,330,443
BBB	21,712,449	--	--	--	--	--	--	480,157	22,192,606
BBB-	21,727,548	--	--	--	--	--	2,007,169	--	23,734,717
BB+	6,845,740	--	--	--	--	--	651,515	--	7,497,255
BB	12,236,954	--	--	--	--	--	--	--	12,236,954
BB-	12,830,512	--	--	--	--	--	--	352,154	13,182,666
B+	16,584,593	--	--	--	--	--	--	--	16,584,593
B	16,899,670	--	--	--	--	--	--	--	16,899,670
B-	8,505,364	--	--	--	--	--	--	--	8,505,364
CCC+	3,521,475	--	--	--	--	--	--	--	3,521,475
Not Rated	<u>2,274,926</u>	<u>2,177,638</u>	<u>2,078,713</u>	<u>677,546</u>	<u>2,472,296</u>	<u>41,074</u>	<u>1,514,499</u>	--	<u>11,236,692</u>
	<u>\$172,133,263</u>	<u>\$2,177,638</u>	<u>\$2,078,713</u>	<u>\$677,546</u>	<u>\$2,472,296</u>	<u>\$1,860,467</u>	<u>\$16,107,558</u>	<u>\$1,506,641</u>	<u>\$199,014,122</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.

The System invested in a pooled bond fund. As of June 30, 2009 and 2008, the market value of the fund is \$92,783,249 and \$87,264,987, respectively. The rating of the bonds in the fund range between Aaa and Baa with 79% rated Aaa.

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. At June 30, 2009 and 2008, the System is not exposed to custodial risk for investments in the amount of \$701,004,245 and \$1,025,225,929, respectively, since the investments are held in the name of the System.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Custodial Credit Risk: (Continued)

At June 30, 2009 and 2008, the System has \$340,987,638 and \$383,077,725, respectively, in cash equivalents, pooled bond fund, real estate fund, mutual fund, investment in partnership and other investments which are exposed to custodial credit risk since the investments are not in the name of the System.

The System reported collateral held for investment purposes in the amount of \$129,444,867 as of June 30, 2009 and \$220,999,669 as of June 30, 2008. The System is exposed to custodial credit risk since the collateral 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, 2009 and 2008, the System had the following investments in long-term debt securities and maturities:

<u>2009</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>
<u>Investment Type</u>					
Corporate Bonds	\$ 129,570,005	\$ 3,059,224	\$ 32,643,004	\$ 54,740,642	\$ 39,127,135
Municipal Bonds	1,635,151	--	653,583	--	981,568
Foreign Government Bonds	9,997,437	332,618	1,082,933	6,817,249	1,764,637
Other	<u>11,394,581</u>	<u>--</u>	<u>3,649,142</u>	<u>849,323</u>	<u>6,896,116</u>
	<u>\$ 152,597,174</u>	<u>\$ 3,391,842</u>	<u>\$ 38,028,662</u>	<u>\$ 62,407,214</u>	<u>\$ 48,769,456</u>

<u>2008</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>
<u>Investment Type</u>					
Corporate Bonds	\$ 172,133,263	\$ 1,648,838	\$ 55,391,271	\$ 67,477,154	\$ 47,616,000
Federal Home Loan Mortgage Corporation	2,177,638	--	--	--	2,177,638
United States Treasury Bonds	2,472,296	--	--	--	2,472,296
Municipal Bonds	1,860,467	--	803,408	--	1,057,059
Foreign Government Bonds	16,107,558	2,802,208	7,604,882	651,515	5,048,953
Federal National Mortgage Association	2,078,713	--	--	--	2,078,713
Government National Mortgage Association	677,546	--	--	--	677,546
Other	<u>1,506,641</u>	<u>--</u>	<u>278,594</u>	<u>352,154</u>	<u>875,893</u>
	<u>\$ 199,014,122</u>	<u>\$ 4,451,046</u>	<u>\$ 64,078,155</u>	<u>\$ 68,480,823</u>	<u>\$ 62,004,098</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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 obligations. 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, 2009 and 2008 as follows:

<u>Country/Currency</u>	<u>2009</u> Fair Value	<u>2008</u> Fair Value
Austria / Euro	\$ --	\$ 2,807,490
Australian / Dollar	10,844,077	9,660,612
Belgium / Euro	3,165,133	--
Hong Kong / Dollar	3,634,089	4,631,381
Finland / Euro	1,829,090	1,729,954
France / Euro	21,186,935	6,370,048
Luxembourg / Euro	1,036,601	--
Greece / Euro	332,516	2,625,983
Singapore / Dollar	4,292,471	8,861,323
Germany / Euro	13,966,571	12,487,892
Taiwan / Dollar	429,261	--
Ireland / Euro	1,171,007	511,675
Thailand / Baht	326,240	--
Italy / Euro	5,192,647	7,771,172
Switzerland / Swiss £	10,262,346	16,260,747
United Kingdom / Euro	2,877,591	--
Canada / Dollar	5,789,518	10,972,863
United Kingdom / Pounds	44,060,887	40,303,035
Netherlands / Euro / Golden	3,396,222	4,594,994
Czech / Koruna	400,003	--
South Korea / Won	1,296,142	--
New Zealand / Dollar	194,550	--
South Africa / Rand	595,056	--
Norway / Kroner	1,345,240	79,952
Spain / Euro	6,669,640	6,309,936
Portugal / Euro	417,268	--

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Foreign Currency Risk: (Continued)

<u>Country/Currency</u>	<u>2009</u> <u>Fair Value</u>	<u>2008</u> <u>Fair Value</u>
Sweden / Kroner	\$ 8,111,302	\$ --
Japan / Yen	27,440,203	33,423,330
Denmark / Kroner	<u>3,671,851</u>	<u>7,250,948</u>
TOTAL	<u>\$ 183,934,457</u>	<u>\$ 176,653,335</u>

The System's investment policy has a target not to exceed 20% of total investments in foreign marketable securities. At June 30, 2009 and 2008, the System's position was 17.42% and 12.38%, respectively, of the total investments.

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS:

During the year ending June 30, 2009, 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 \$4,176,751. 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. During the year ending June 30, 2007, Olde Oaks transferred a portion of the land with a cost and market value of \$6,600 to Olde Oaks Development, LLC, an affiliate organization. As a result, total cost and improvements as of June 30, 2009 are \$10,918,733. An appraisal was performed for the year ending June 30, 2009. At June 30, 2009, the golf course was appraised at a value of \$3,205,000 less fixed assets reported by the System and selling cost results in the fair market value of \$2,954,120. 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 \$213,245 as of June 30, 2009.
- 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 \$1,430,647. During the year ended June 30, 2009 an appraisal was performed. At June 30, 2009, the golf course was appraised at a value of \$2,890,000 less fixed assets reported by the System and selling cost results in the fair market value of \$2,673,031. 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 \$183,513 as of June 30, 2009.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS: (Continued)

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 consisted 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 to sell lots. The cost of improvements to the land as of June 30, 2009 and 2008 is \$5,835,725 and \$5,341,841, respectively. During the year ended June 30, 2009, an appraisal was performed. Based on the appraisal and the sales and sales commitments obtained as of June 30, 2009 and 2008 the market value of the land and improvements is \$5,640,433 and \$10,824,272 which resulted in an unrealized loss of \$5,298,248 in 2009 and an unrealized gain of \$433,662 in 2008. During the year ending June 30, 2009, 2 lots were sold which resulted in a realized loss of \$134,167. During the year ending June 30, 2008, 20 lots were sold which resulted in a realized gain of \$15,901. The unrealized gains or losses and realized gains are reported on these financial statements in the net appreciation in the fair market value of the investments.

The Development constructed a sewer plant at a cost of \$1,843,525. The Development has an agreement with a management company to maintain the plant. Beginning July 1, 2005, the Development began to bill residents for sewer services. The operations of the plant generated \$27,292 in revenue and incurred \$16,095 in maintenance cost. Accumulated depreciation on the sewer plant as of June 30, 2009 and 2008 is \$293,908 and \$220,431, respectively.

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 loss in the amount of \$5,723,279 as of June 30, 2009.

8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP:

During the year ending June 30, 2004, the System invested in a limited liability partnership. The purpose of the partnership was 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 at a cost of \$15,675,588. The partnership opened a line of credit in the amount of \$30,000,000 in which the System was the guarantor. The collateral on the line of credit was a pooled bond fund owned by the System. The interest rate on the line of credit was 5.84% with a maturity date of June 8, 2007.

During the year ending June 30, 2007, the System paid off the \$30,000,000 balance on the line of credit and retired its interest in the partnership. The Partnership agreed to repay Municipal Police Employees' Retirement System the \$30,000,000. The initial payment on the loan would include a reimbursement of all interest paid by the System. Additional payments will be made from property proceeds after real estate tax, escrow payments, operating expenses,

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP: (Continued)

capital improvements, interest on loan, principal amortization, \$4,500,000 to the System and 100% of the current partners' return of equity on their investment balance is paid. The System has recorded a receivable in the amount of \$18,324,512 which represents the discounted value of the \$30,000,000 using a 4% discount rate based on estimated future cash flow.

During the year ending June 30, 2007, Boot Ranch Development sold 11 lots from which \$346,000 is due to the System. The lot sales are recorded as net appreciation in fair market value of investments. The System collected the revenue from lot sales during the fiscal year ended June 30, 2008.

In October 2009, the project's primary lender, Lehman Brothers, began to prepare foreclosure proceedings on the Boot Ranch property. Lehman went into bankruptcy in September 2008 and has been evaluating loans and assets that could be liquidated to satisfy creditors. When the foreclosure proceedings are finalized, Boot Ranch Development will no longer be the owners or operators. Lehman will select an interim operator to run the project until a buyer can be found. Business will continue as usual, including operations of the golf course, clubhouse, and sales efforts. As a result, an allowance has been set up for the receivable from Boot Ranch in the amount of \$18,324,512 as of June 30, 2009. The net balance in the receivable from Boot Ranch is -0- as of June 30, 2009.

The net assets of Boot Ranch are not consolidated since the System terminated their interest in the partnership.

9. INVESTMENT IN PARTNERSHIP:

The System has committed to invest \$36,000,000 in La Salle Property Capital and Growth Fund IV and \$20,000,000 in La Salle Property Capital and Growth Fund V (the Partnership). The Partnership was formed to acquire office, industrial, retail and multifamily real estate properties that can be renovated, redeveloped or repositioned as core properties. Net income or loss is allocated to capital accounts of the partners in proportion to their respective capital accounts. The System's share of partnership income for the years ending June 30, 2009 and 2008 was \$1,618,846 and \$-0-, respectively, and are included in investment income. The System did not receive any return of capital during the current year. As of June 30, 2009 and 2008, the System has invested \$39,364,255 and \$33,154,046 with a market value of \$29,518,146 and \$34,568,861, respectively.

10. OTHER INVESTMENTS:

As of June 30, 2009, the System is entered into subscription agreements with ten limited partnerships and offshore funds to enhance diversification and provide reductions in overall portfolio volatility. At June 30, 2009 and 2008, the market value of the hedge funds were \$7,391,153 and \$48,291,834, respectively. These funds are subject to the market factors depending on the fund strategy.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

10. OTHER INVESTMENTS: (Continued)

During the year ending June 30, 2009, the System invested in a commingled fund consisting of the Batterymarch Global Emerging Market Fund, which is managed by Batterymarch Financial Management, Inc. This fund consists of foreign stocks in emerging global markets. This investment was made to further diversify the portfolio. At June 30, 2009, the market value of the commingled fund was \$17,906,712. This fund is subject to the market factors depending on the fund strategy.

11. FUTURES CONTRACTS:

At June 30, 2009, the System invested in forward foreign currency exchange contracts which mature July 3, 2009. The notional value and market value of the contracts as of June 30, 2009 is \$761,239 and \$753,587, respectively. At June 30, 2009, the System also invested in forward foreign currency exchange contracts which mature July 15, 2009. The notional value and market value of the contracts as of June 30, 2009 is \$52,875,782 and \$52,526,902, respectively. At June 30, 2008, the System invested in forward foreign currency exchange contracts which mature September 16, 2008. The notional value and market value of the contracts as of June 30, 2008 is \$84,297,202 and \$84,784,438, respectively. When entering into a forward foreign currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contract and the forward rates at the reporting date. Realized and unrealized gains and losses are included in the statement of changes in plan net assets. These instruments involve market and/or credit risk in excess of the amount recognized in the statement of plan net assets. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rate.

12. 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 September, 2005 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 pre-approved 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.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

12. SECURITY LENDING AGREEMENTS: (Continued)

Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest for stocks and U.S. Treasury obligations. Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest in case of fixed income 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. Acceptable collateral from approved borrowers for tri-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AAA or higher, commercial paper and other investments stipulated in lender agent contract.

MPERS has the following securities on loan:

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
U.S. Corporate securities (bonds)	\$ 15,282,249	\$ 15,000,101	\$ 13,985,404	\$ 13,226,167
U.S. Corporate securities (stocks)	112,427,525	91,533,325	197,861,786	168,235,566
U.S. Treasury bills (bonds)	--	--	1,088,166	1,163,320
Foreign corporate securities (stocks)	<u>25,499,746</u>	<u>18,527,199</u>	<u>32,631,522</u>	<u>29,663,374</u>
Total	<u>\$ 153,209,520</u>	<u>\$ 125,060,625</u>	<u>\$ 245,566,878</u>	<u>\$ 212,288,427</u>

MPERS has the following collateral under securities lending program:

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash / Money market	<u>\$ 129,444,867</u>	<u>\$ 129,444,867</u>	<u>\$ 220,999,669</u>	<u>\$ 220,999,669</u>

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, 2009 and 2008.

13. OPERATING LEASE COMMITMENTS:

The System also has operating leases for various equipment at the two golf courses. The lease terms range between 42 months and 60 months. For the year ending June 30, 2009, lease expense was \$213,028. The following is a schedule of future minimum lease commitments for the next five years:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2010	\$ 341,117
June 30, 2011	325,480
June 30, 2012	239,009
June 20, 2013	<u>120,494</u>
Total	<u>\$ 1,026,100</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

14. CAPITAL LEASES:

During the year ending June 30, 2009, the System purchased a tractor for Olde Oaks Golf Course through a capital lease. The tractor cost \$22,673. The monthly lease payment is for 54 months in the amount of \$553 including interest. During the prior year, the System purchased various equipment for Olde Oaks Golf Course through three capital leases. The equipment cost \$46,914. The monthly lease payments range between 36 and 48 months in the amount of \$1,558 including interest. In the prior year the System also purchased equipment for Stonebridge through two capital leases. The equipment cost \$29,069. The monthly lease payments are for 48 months in the amount of \$816 including interest. The balance in the capital lease payable at June 30, 2009 and 2008 is \$75,226 and \$74,262, respectively.

The following is a schedule of future minimum lease commitments for the next five years:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2010	\$ 34,679
June 30, 2011	29,739
June 30, 2012	18,190
June 30, 2013	6,637
June 30, 2014	<u>1,659</u>
	90,904
Interest	<u>(15,678)</u>
Total	<u>\$ 75,226</u>

15. 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.

16. TAX QUALIFICATION:

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

17. ACCOUNTS RECEIVABLE – MERGED SYSTEMS:

Three cities throughout Louisiana merged their pension system's actuarial liability with the Municipal Police Employees' Retirement System on January 1, 1984. The balances owed were amortized at 7% over a 30 year period with payments made quarterly.

The total accounts receivable from all merged systems as of June 30, 2009 and 2008 is \$969,422 and \$1,200,379, respectively. The short-term and long-term portion of the accounts receivable as of June 30, 2009 was \$154,867 and \$814,555, respectively. The short-term and long-term portion of the accounts receivable as of June 30, 2008 was \$186,382 and \$1,013,997, respectively.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

18. EQUIPMENT AND FIXTURES:

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

	<u>2009</u>	<u>2008</u>
Office equipment	\$ 252,330	\$ 243,113
Computer equipment and software	239,916	201,325
Furniture	89,458	89,458
Land	614,920	614,920
Office building	<u>2,121,646</u>	<u>2,121,646</u>
	3,318,270	3,270,462
Less accumulated depreciation	<u>(844,273)</u>	<u>(752,546)</u>
Total	<u>\$ 2,473,997</u>	<u>\$ 2,517,916</u>

Depreciation expense charged to pension operations was \$91,727 for 2009 and \$94,896 for 2008. Depreciation expense charged to investment expense – Olde Oaks Golf Course operations was \$76,575 for 2009 and \$107,847 for 2008. Depreciation expense charged to investment expense - The Golf Course at StoneBridge operations was \$51,825 for 2009 and \$58,539 for 2008. Depreciation expense charged to investment expense – Olde Oaks Development was \$75,931 for 2009 and \$75,931 for 2008.

19. LINE OF CREDIT:

Olde Oak's Golf Club:

During the year ended June 30, 2004, Olde Oaks obtained a line of credit for operating expenses. The line of credit carries a 6.75 % interest rate. The balance as of June 30, 2009 and 2008 is \$-0- and \$261,873, respectively. This line of credit was paid off during the year ended June 30, 2009.

The Club at Stonebridge:

During the year ended June 30, 2004, The Club at Stonebridge obtained a line of credit for operating expenses. The line of credit carries a 5.00% interest rate. The balance as of June 30, 2009 and 2008 is \$-0- and \$281,507, respectively. This line of credit was paid off during the year ended June 30, 2009.

Olde Oaks Development:

During the year ending June 30, 2007, Olde Oaks Development obtained a line of credit in the amount of \$3,000,000 in which the System is the guarantor. The interest on the line of credit is 6.17% with a maturity date of June 28, 2009. The balance on the line of credit at June 30, 2009 and 2008 is \$-0- and \$550,000, respectively. The line of credit was paid off during the year ended June 30, 2009.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

20. NOTE PAYABLE - EQUIPMENT:

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 is for thirty-six months with a 6.82 % interest rate. The System is the guarantor of the note. The note was paid off during the year ending June 30, 2008.

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 thirty-six months and bears an interest rate of 7.22%. The System is the guarantor. The balance on the note at June 30, 2009 and 2008 is \$-0- and \$6,085, respectively. The note was paid off during the year ending June 30, 2009.

21. POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

During the year ended June 30, 2008, the System implemented GASB 45, *Postemployment benefits other than pension benefits*. Since the year ended June 30, 2008 was the year of implementation, the System elected to implement prospectively.

Substantially all System employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the System. At June 30, 2009, five retirees were receiving post-employment benefits.

Plan Description

The System's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan (for fiscal years 2009 and 2008) that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

21. POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funding Policy

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to two OGB Medicare Advantage plans which includes one HMO plan and one private fee-for-service (PFFS) plan. Depending upon the plan selected, during the years ended June 30, 2009 and 2008, employee premiums for a single member receiving benefits range from \$36 to \$95 and \$34 to \$92, respectively per month for retiree-only coverage with Medicare or from \$130 to \$176 and \$125 to \$170, respectively per month for retiree-only coverage without Medicare. The premiums for a retiree and spouse for the years ended June 30, 2009 and 2008 range from \$71 to \$171 and \$69 to \$165, respectively, per month for those with Medicare or from \$423 to \$512 and \$408 to \$493, respectively, per month for those without Medicare.

The plan is currently financed on a pay as you go basis, with the System contributing anywhere from \$107 to \$246 and \$103 to \$237, respectively, per month for retiree-only coverage with Medicare or from \$838 to \$873 and \$809 to \$842, respectively, per month for retiree-only coverage without Medicare during the years ended June 30, 2009 and 2008. Also, the System's contributions range from \$213 to \$442 and \$207 to \$427, respectively, per month for retiree and spouse with Medicare or \$1,288 to \$1,341 and \$1,242 to \$1,293, respectively, for retiree and spouse without Medicare for the years ended June 30, 2009 and 2008.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

21. POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Annual OPEB Cost

The System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2008 is \$195,900 as set forth below:

Normal Cost	\$ 51,300
30-year UAL amortization amount	137,065
Interest on the above	<u>7,535</u>
Annual required contribution (ARC)	<u>\$ 195,900</u>

The following table presents the System's OPEB obligation for the year ended June 30, 2009:

Beginning Net OPEB Obligation July 1, 2008	\$ 72,044
Annual required contribution	<u>195,900</u>
OPEB cost	195,900
Contributions made	--
Claim costs	<u>33,752</u>
Change in Net OPEB Obligation	<u>162,148</u>
Ending Net OPEB Obligation June 30, 2009	<u>\$ 234,192</u>

Utilizing the pay-as-you-go method, the System contributed 17.23% and 31.12%, respectively, of the annual post employment benefits cost during the years ended June 30, 2009 and 2008.

Funded Status and Funding Progress

In the year ended June 30, 2008, the System made no contributions to its post employment benefits plan trust. A trust was established during the year ended June 30, 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the entire actuarial accrued liability of \$1,380,200 was unfunded.

The funded status of the plan as of July 1, 2008, was as follows:

Actuarial accrued liability (AAL)	\$ 1,380,200
Actuarial value of plan assets	<u> --</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,380,200</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 254,799
UAAL as a percentage of covered payroll	542%

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

21. POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 9% and 10.1% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2009, was twenty eight years.

22. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the System as of June 30, 2009, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	(Surplus) Underfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>(b-a/c)</u>
\$ <u>1,297,128,398</u>	\$ <u>1,988,394,358</u>	\$ <u>691,265,960</u>	<u>65.2%</u>	\$ <u>270,236,561</u>	<u>255.8%</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

22. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: (Continued)

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

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2009
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level dollar – The amortization period is for a specific number of years. (Closed Basis)
Remaining amortization period	28 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 adjustments	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 an increase in the unfunded actuarial liability in the amount of \$448,280,462; \$33,663,036 was due to an experience loss, \$382,028,504 was due to an investment loss and \$32,588,922 was due to an experience study assumption.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

23. 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.

24. RECLASSIFICATION:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF PLAN NET ASSETS
JUNE 30, 2009

	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>
ASSETS			
Cash:			
Cash in bank	\$ 9,484,265	\$ 20,633	\$ 71,024
Cash in escrow	-	-	-
	<u>9,484,265</u>	<u>20,633</u>	<u>71,024</u>
Receivables:			
Member contributions	1,591,282	-	-
Employer contributions	2,062,467	-	-
Due from merger systems	969,422	-	-
Accounts receivable	-	-	-
Investment receivable	15,598,338	-	-
Accrued interest and dividends	3,374,484	-	-
Real estate investment receivable	-	-	-
Total Receivables	<u>23,595,993</u>	<u>-</u>	<u>-</u>
Investments:			
Cash equivalents	31,940,207	-	-
Bonds, notes, mortgages	152,597,174	-	-
Marketable securities - domestic	361,332,647	-	-
Marketable securities - international	183,934,457	-	-
Pooled bond fund	92,783,249	-	-
Real estate fund	88,669,410	-	-
Mutual funds	76,150,585	-	-
Investment in partnership	29,518,146	-	-
Other investments	25,297,866	-	-
Collateral held under securities lending program - Money Market	129,444,867	-	-
Real estate - land and rental	193,082	-	603,794
Real estate - Olde Oaks Development	-	-	-
Real estate - Olde Oaks	2,954,120	-	-
Real estate - Stonebridge	2,673,031	-	-
Total Investments	<u>1,177,488,841</u>	<u>-</u>	<u>603,794</u>
Other Assets	-	-	-
Property, Plant and Equipment			
Net of accumulated depreciation	675,588	-	1,798,409
TOTAL ASSETS	<u>1,211,244,687</u>	<u>20,633</u>	<u>2,473,227</u>
LIABILITIES			
Cash in trust - overdraft	729,488	-	-
Accounts payable	329,686	64,057	-
Accrued payroll and taxes	-	15,456	-
Refunds payable	220,565	-	-
Deferred contribution	115,016	-	-
Other liabilities	-	-	-
Capital lease payable	-	-	-
Obligations under securities lending	129,444,867	-	-
Investment payable	6,807,815	-	-
Other post employment benefits obligation	-	234,192	-
Due to/ due (from) other funds	(19,795,520)	-	-
TOTAL LIABILITIES	<u>117,851,917</u>	<u>313,705</u>	<u>-</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,093,392,770</u>	<u>\$ (293,072)</u>	<u>\$ 2,473,227</u>

<u>Total Retirement System</u>	<u>Olde Oaks Golf Course</u>	<u>Stonebridge Enterprises, LLC</u>	<u>Olde Oaks Development</u>	<u>Total</u>
\$ 9,575,922	\$ 104,377	\$ 22,465	\$ 32,574	\$ 9,735,338
-	49,644	-	-	49,644
<u>9,575,922</u>	<u>154,021</u>	<u>22,465</u>	<u>32,574</u>	<u>9,784,982</u>
1,591,282	-	-	-	1,591,282
2,062,467	-	-	-	2,062,467
969,422	-	-	-	969,422
-	37,572	46,858	1,002,774	1,087,204
15,598,338	-	-	-	15,598,338
3,374,484	-	-	-	3,374,484
-	-	-	-	-
<u>23,595,993</u>	<u>37,572</u>	<u>46,858</u>	<u>1,002,774</u>	<u>24,683,197</u>
31,940,207	-	-	-	31,940,207
152,597,174	-	-	-	152,597,174
361,332,647	-	-	-	361,332,647
183,934,457	-	-	-	183,934,457
92,783,249	-	-	-	92,783,249
88,669,410	-	-	-	88,669,410
76,150,585	-	-	-	76,150,585
29,518,146	-	-	-	29,518,146
25,297,866	256,451	241,179	-	25,795,496
129,444,867	-	-	-	129,444,867
796,876	-	-	-	796,876
-	-	-	7,190,050	7,190,050
2,954,120	-	-	-	2,954,120
2,673,031	-	-	-	2,673,031
<u>1,178,092,635</u>	<u>256,451</u>	<u>241,179</u>	<u>7,190,050</u>	<u>1,185,780,315</u>
-	-	70,000	6,000	76,000
2,473,997	-	-	-	2,473,997
<u>1,213,738,547</u>	<u>448,044</u>	<u>380,502</u>	<u>8,231,398</u>	<u>1,222,798,491</u>
729,488	-	-	-	729,488
393,743	207,694	120,326	190,261	912,024
15,456	24,618	18,845	-	58,919
220,565	-	-	-	220,565
115,016	-	-	-	115,016
-	-	-	31,070	31,070
-	53,231	21,995	-	75,226
129,444,867	-	-	-	129,444,867
6,807,815	-	-	-	6,807,815
234,192	-	-	-	234,192
(19,795,520)	4,163,268	1,108,531	14,523,721	-
<u>118,165,622</u>	<u>4,448,811</u>	<u>1,269,697</u>	<u>14,745,052</u>	<u>138,629,182</u>
<u>\$ 1,095,572,925</u>	<u>\$ (4,000,767)</u>	<u>\$ (889,195)</u>	<u>\$ (6,513,654)</u>	<u>\$ 1,084,169,309</u>

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

ADDITIONS:	<u>Pension Fund</u>	Expense <u>Fund</u>	Building <u>Fund</u>
CONTRIBUTIONS:			
Member contributions	\$ 19,706,503	\$ -	\$ -
Employer contributions	25,721,837	-	-
Insurance premium tax	15,071,968	-	-
	<u>60,500,308</u>	<u>-</u>	<u>-</u>
INVESTMENT INCOME:			
Net appreciation (depreciation) in fair value of investments	(370,664,443)	-	(117,759)
Interest - Sweep Account	71,354	-	-
Interest - cash equivalents	748,619	-	-
Interest - mortgage backed bonds	13,064,391	-	-
Interest - securities lending	2,383,306	-	-
Dividends - stocks	13,684,482	-	-
Miscellaneous investment income	451,028	-	-
	<u>(340,261,263)</u>	<u>-</u>	<u>(117,759)</u>
Less investment expenses:			
Securities lending expenses	1,367,462	-	-
Custodial fees	99,705	-	-
Investment advisor fee	4,198,804	-	-
Miscellaneous investment expense	205,813	-	-
Olde Oaks Development	-	-	-
Olde Oaks Golf Course operations	-	-	-
The Club at Stonebridge operations	-	-	-
	<u>5,871,784</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	<u>(346,133,047)</u>	<u>-</u>	<u>(117,759)</u>
OTHER ADDITIONS:			
Merger interest payment	87,632	-	-
Transfers (to) from other systems - employees	17,785	-	-
Total other additions	<u>105,417</u>	<u>-</u>	<u>-</u>
Total additions (deductions)	<u>(285,527,322)</u>	<u>-</u>	<u>(117,759)</u>
DEDUCTIONS:			
Benefits	96,126,722	-	-
Refund of contributions	2,560,257	-	-
Transfers (to) from other systems - employers/interest	715,460	-	-
Administrative expenses	-	1,110,776	113,092
Depreciation	17,595	-	74,132
Total deductions	<u>99,420,034</u>	<u>1,110,776</u>	<u>187,224</u>
Increase (decrease) in net assets prior to transfers	(384,947,356)	(1,110,776)	(304,983)
Transfers to/from	<u>(1,036,408)</u>	<u>936,408</u>	<u>100,000</u>
NET INCREASE (DECREASE)	(385,983,764)	(174,368)	(204,983)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF THE YEAR	<u>1,479,376,534</u>	<u>(118,704)</u>	<u>2,678,210</u>
END OF THE YEAR	<u>\$ 1,093,392,770</u>	<u>\$ (293,072)</u>	<u>\$ 2,473,227</u>

Total Retirement System	Olde Oaks Golf Course	Stonebridge Enterprises, LLC	Olde Oaks Development	Total
\$ 19,706,503	\$ -	\$ -	\$ -	\$ 19,706,503
25,721,837	-	-	-	25,721,837
15,071,968	-	-	-	15,071,968
<u>60,500,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,500,308</u>
(370,782,202)	-	-	(5,432,415)	(376,214,617)
71,354	-	-	-	71,354
748,619	-	-	-	748,619
13,064,391	-	-	-	13,064,391
2,383,306	-	-	-	2,383,306
13,684,482	-	-	-	13,684,482
451,028	-	-	36,777	487,805
<u>(340,379,022)</u>	<u>-</u>	<u>-</u>	<u>(5,395,638)</u>	<u>(345,774,660)</u>
1,367,462	-	-	-	1,367,462
99,705	-	-	-	99,705
4,198,804	-	-	-	4,198,804
205,813	-	-	-	205,813
-	-	-	327,641	327,641
-	213,245	-	-	213,245
-	-	183,513	-	183,513
<u>5,871,784</u>	<u>213,245</u>	<u>183,513</u>	<u>327,641</u>	<u>6,596,183</u>
<u>(346,250,806)</u>	<u>(213,245)</u>	<u>(183,513)</u>	<u>(5,723,279)</u>	<u>(352,370,843)</u>
87,632	-	-	-	87,632
17,785	-	-	-	17,785
<u>105,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,417</u>
<u>(285,645,081)</u>	<u>(213,245)</u>	<u>(183,513)</u>	<u>(5,723,279)</u>	<u>(291,765,118)</u>
96,126,722	-	-	-	96,126,722
2,560,257	-	-	-	2,560,257
715,460	-	-	-	715,460
1,223,868	-	-	-	1,223,868
91,727	-	-	-	91,727
<u>100,718,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,718,034</u>
(386,363,115)	(213,245)	(183,513)	(5,723,279)	(392,483,152)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(386,363,115)	(213,245)	(183,513)	(5,723,279)	(392,483,152)
<u>1,481,936,040</u>	<u>(3,787,522)</u>	<u>(705,682)</u>	<u>(790,375)</u>	<u>1,476,652,461</u>
<u>\$ 1,095,572,925</u>	<u>\$ (4,000,767)</u>	<u>\$ (889,195)</u>	<u>\$ (6,513,654)</u>	<u>\$ 1,084,169,309</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS GOLF COURSE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2009

REVENUE:	
Green fees	\$ 558,569
Golf cart rental	328,585
Range fees	18,968
Other golf revenue	49,623
Golf shop	125,356
Membership dues	213,624
Food and beverage revenue from operations	269,550
Other income	9,199
Total revenue	<u>1,573,474</u>
OPERATING EXPENSES:	
Advertising	16,981
Bad debt expense	15,582
Cleaning supplies	2,253
Contract labor	9,609
Cost of goods sold - golf shop	101,194
Cost of goods sold - food and beverage	145,786
Depreciation	76,575
Equipment purchases	3,939
Equipment leasing/rental	121,695
Fuel	49,785
Ground maintenance	33,157
Insurance - health	28,988
Insurance - workman's compensation	23,892
Interest and late charge	36,287
License and permits	944
Miscellaneous expenses	32,502
Other employee expenses	2,439
Printing and stationary	1,843
Promotional expenses	1,703
Repair, maintenance and supplies	91,729
Salaries and wages	691,335
Taxes - payroll	60,526
Telephone	8,052
Tournament expenses	3,267
Utilities	59,365
Total operating expenses	<u>1,619,428</u>
OTHER EXPENSES:	
General and administrative expenses (Page 39)	54,957
Property taxes, insurance	112,334
Total other expenses	<u>167,291</u>
LOSS	\$ <u><u>(213,245)</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS GOLF COURSE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2009

Bank charges	\$	928
Credit card service charge		21,257
Dues and subscriptions		6,204
Education		99
Miscellaneous expense		1,463
Office supplies		3,166
Postage and delivery		1,105
Professional fees		18,151
Travel and entertainment		<u>2,584</u>
Total administrative expenses	\$	<u><u>54,957</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS GOLF COURSE
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (213,245)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	76,575
Expenses paid by Retirement System	332,764
Loss on sale of assets	31,164
(Increase) decrease in operating assets:	
Accounts receivable	(4,343)
Inventories	(3,333)
Increase (decrease) in operating liabilities:	
Accounts payable	89,241
Accrued payroll and taxes	5,545
Net cash provided by operating activities	<u>314,368</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property and equipment	10,000
Acquisition of property and equipment	<u>(7,357)</u>
Net cash provided by investing activities	<u>2,643</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment for obligation under line of credit	(261,873)
Payment for obligation under capital leases	<u>(15,674)</u>
Net cash used by financing activities	<u>(277,547)</u>
 NET INCREASE IN CASH	 39,464
 CASH, BEGINNING OF YEAR	 <u>114,557</u>
 CASH, END OF YEAR	 <u>\$ 154,021</u>
 NONCASH INVESTING ACTIVITIES:	
Purchase of equipment through capital lease	<u>\$ 22,673</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
STONEBRIDGE ENTERPRISES, LLC
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2009

REVENUE:	
Green fees	\$ 382,603
Golf cart rental	181,927
Range fees	39,937
Other golf revenue	11,819
Golf shop	111,447
Membership dues	414,156
Food and beverage revenue from operations	354,877
Other income	15,401
Total revenue	<u>1,512,167</u>
OPERATING EXPENSES:	
Advertising	28,090
Bad debt expense	9,180
Cleaning supplies	1,638
Contract labor	23,304
Cost of goods sold - golf shop	61,723
Cost of goods sold - food and beverage	186,008
Depreciation	51,825
Equipment purchases	757
Equipment leasing/rental	107,106
Fuel	17,359
Ground maintenance	68,171
Insurance - health	12,125
Insurance - workman's compensation	19,186
Interest and late charge	21,723
License and permits	2,649
Loss on sale of asset	25,331
Management fees	1,018
Miscellaneous expenses	(8,325)
Other employee expenses	4,615
Printing and stationary	573
Promotional expenses	395
Repair, maintenance and supplies	95,419
Salaries, wages and related taxes	701,359
Telephone	8,864
Utilities	66,490
Total operating expenses	<u>1,506,583</u>
OTHER EXPENSES:	
General and administrative expenses (Page 42)	83,074
Property taxes, insurance	106,023
Total expenses	<u>1,695,680</u>
LOSS	<u>\$ (183,513)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
STONEBRIDGE ENTERPRISES, LLC
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2009

Bank charges	\$ 939
Credit card service charge	15,233
Dues and subscriptions	8,579
Education	190
Office supplies	7,160
Postage and delivery	3,696
Professional fees	45,019
Travel and entertainment	<u>2,258</u>
Total administrative expenses	\$ <u>83,074</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
STONEBRIDGE ENTERPRISES, LLC
SUPPLEMENTARY INFORMATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (183,513)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	51,825
Expenses paid by Retirement System	208,648
Loss on disposal of assets	25,331
(Increase) decrease in operating assets:	
Accounts receivable	24,346
Inventories	(24,497)
Increase (decrease) in operating liabilities:	
Accounts payable	(3,494)
Accrued payroll and taxes	11,639
Net cash provided by operating activities	<u>110,285</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of property and equipment	18,000
Acquisition of property and equipment	(9,172)
Proceeds from payoff of loan to Olde Oaks Golf Club	154,921
Net cash used by investing activities	<u>163,749</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on line of credit	(281,507)
Payment for obligation under capital leases	(12,122)
Payments to retirement system	(5,000)
Net cash used by financing activities	<u>(298,629)</u>

NET DECREASE IN CASH	(24,595)
CASH, BEGINNING OF YEAR	<u>47,060</u>
CASH, END OF YEAR	<u>\$ 22,465</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS DEVELOPMENT, LLC
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2009

REVENUE:

Loss on the sale of lot	\$ (134,167)
Net depreciation in fair value of investment	(5,298,248)
Total depreciation of investment	<u>(5,432,415)</u>
Other revenue	9,485
Sewer plant income	27,292
Miscellaneous investment income	<u>36,777</u>
Total revenue	<u>(5,395,638)</u>

OPERATING EXPENSES:

Depreciation and amortization expense	75,931
Maintenance	164,599
Sewer plant maintenance	16,095
Utilities	40,233
Total operating expenses	<u>296,858</u>

OTHER EXPENSES:

Miscellaneous expense	2,363
Real estate taxes	17,930
Total other expenses	<u>20,293</u>

ADMINISTRATIVE EXPENSES:

Professional fees	10,490
Total administrative expenses	<u>10,490</u>
Total expenses	<u>327,641</u>

NET INCOME/(LOSS) \$ (5,723,279)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS DEVELOPMENT, LLC
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (5,723,279)
Adjustments to reconcile change in net assets to net cash used by operations:	
Net depreciation in fair value of investments	5,298,248
Depreciation and amortization expense	75,931
Expenses paid by Retirement System	15,172
Gain on sale of lot	134,167
(Increase) decrease in operating assets:	
Accounts receivable	(963,649)
Increase (decrease) in operating liabilities:	
Accounts payable	177,774
Other liabilities	<u>(25,435)</u>
Net cash used by operating activities	<u>(1,011,071)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Improvements	(1,435,470)
Proceeds from the sale of land	<u>792,446</u>
Net cash used by investing activities	<u>(643,024)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from line of credit	<u>1,625,000</u>
Net cash provided by financing activities	<u>1,625,000</u>
NET DECREASE IN CASH	(29,095)
CASH, BEGINNING OF YEAR	<u>61,669</u>
CASH, END OF YEAR	\$ <u><u>32,574</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES
YEARS ENDED JUNE 30, 2009 AND 2008

	JUNE 30, 2009					
	Annuity Savings	Annuity Reserve	Deferred Retirement Option Plan	Initial Benefit Option Plan	Pension Accumulation	Unfunded Actuarial Accrued Liability
BALANCE - BEGINNING	\$ 142,786,057	\$ 998,894,929	\$ 79,601,213	\$ 946,469	\$ 619,006,327	\$ (364,582,534)
ADDITIONS AND TRANSFERS:						
Employee contributions	19,706,503	-	-	-	-	-
Employer contributions	-	-	-	-	25,721,837	-
Insurance premium tax	-	-	-	-	15,071,968	-
Net investment income (loss)	-	-	-	-	(352,370,843)	-
Merger interest and penalty payment	-	-	-	-	87,632	-
Interest income - refunds	-	-	-	-	-	-
Transfers (to) from other systems	17,785	-	-	-	(715,460)	-
Transfer from Annuity Savings	-	6,685,970	-	-	-	-
Pensions transferred from						
Annuity Reserve	-	-	8,018,919	364,171	-	-
Actuarial transfer	-	117,441,063	-	-	422,201,452	-
	<u>19,724,288</u>	<u>124,127,033</u>	<u>8,018,919</u>	<u>364,171</u>	<u>109,996,586</u>	<u>-</u>
DEDUCTIONS AND TRANSFERS:						
Pensions paid	-	88,323,697	7,340,551	462,474	-	-
Refunds to members	2,560,257	-	-	-	-	-
Administrative expenses	-	-	-	-	1,223,868	-
Depreciation	-	-	-	-	91,727	-
Transfer to Annuity Reserve	6,685,970	-	-	-	-	-
Pensions transferred to Initial						
Benefit Option Plan	-	364,171	-	-	-	-
Pensions transferred to DROP	-	8,018,919	-	-	-	-
Actuarial transfer	-	-	-	-	-	539,642,515
	<u>9,246,227</u>	<u>96,706,787</u>	<u>7,340,551</u>	<u>462,474</u>	<u>1,315,595</u>	<u>539,642,515</u>
NET INCREASE (DECREASE)	<u>10,478,061</u>	<u>27,420,246</u>	<u>678,368</u>	<u>(98,303)</u>	<u>108,680,991</u>	<u>(539,642,515)</u>
BALANCE - ENDING	<u>\$ 153,264,118</u>	<u>\$ 1,026,315,175</u>	<u>\$ 80,279,581</u>	<u>\$ 848,166</u>	<u>\$ 727,687,318</u>	<u>\$ (904,225,049)</u>

JUNE 30, 2008

<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>
\$ 1,476,652,461	\$ 134,817,818	\$ 960,802,406	\$ 73,112,414	\$ 759,149	\$ 550,044,584	\$ (92,415,759)	\$ 1,627,120,612
19,706,503	18,637,104	-	-	-	-	-	18,637,104
25,721,837	-	-	-	-	35,174,945	-	35,174,945
15,071,968	-	-	-	-	14,455,288	-	14,455,288
(352,370,843)	-	-	-	-	(122,903,195)	-	(122,903,195)
87,632	-	-	-	-	84,889	-	84,889
-	-	-	-	-	360	-	360
(697,675)	178,897	-	-	-	776,261	-	955,158
6,685,970	-	8,005,542	-	-	-	-	8,005,542
8,383,090	-	-	12,366,235	543,834	-	-	12,910,069
539,642,515	-	129,604,173	-	-	142,562,602	-	272,166,775
<u>262,230,997</u>	<u>18,816,001</u>	<u>137,609,715</u>	<u>12,366,235</u>	<u>543,834</u>	<u>70,151,150</u>	<u>-</u>	<u>239,486,935</u>
96,126,722	-	86,607,123	5,877,436	356,514	-	-	92,841,073
2,560,257	2,842,220	-	-	-	-	-	2,842,220
1,223,868	-	-	-	-	1,094,511	-	1,094,511
91,727	-	-	-	-	94,896	-	94,896
6,685,970	8,005,542	-	-	-	-	-	8,005,542
364,171	-	543,834	-	-	-	-	543,834
8,018,919	-	12,366,235	-	-	-	-	12,366,235
539,642,515	-	-	-	-	-	272,166,775	272,166,775
<u>654,714,149</u>	<u>10,847,762</u>	<u>99,517,192</u>	<u>5,877,436</u>	<u>356,514</u>	<u>1,189,407</u>	<u>272,166,775</u>	<u>389,955,086</u>
(392,483,152)	7,968,239	38,092,523	6,488,799	187,320	68,961,743	(272,166,775)	(150,468,151)
\$ <u>1,084,169,309</u>	\$ <u>142,786,057</u>	\$ <u>998,894,929</u>	\$ <u>79,601,213</u>	\$ <u>946,469</u>	\$ <u>619,006,327</u>	\$ <u>(364,582,534)</u>	\$ <u>1,476,652,461</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF PER DIEM PAID TO TRUSTEES
YEARS ENDED JUNE 30, 2009 AND 2008

The per diem paid to the trustees is an expenditure of the Expense Fund. For 2009 and 2008, 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, 2009 and 2008 are as follows:

	<u>AMOUNTS</u>	
	<u>2009</u>	<u>2008</u>
Henry Dean	\$ 825	\$ 900
Samuel Wyatt	825	900
Jeffrey Wesley	675	900
Larry Reech	900	750
Thomas Buell	300	825
Willie Joe Greene	900	975
Ronald Schleuter	75	525
Kelly Gibson	825	750
Stephen Caraway	300	-
K.P. Gibson	525	-
Mike Halphen	450	825
	<u>\$ 6,600</u>	<u>\$ 7,350</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF ACCOUNTS RECEIVABLE - MERGED SYSTEMS
YEARS ENDED JUNE 30, 2009 AND 2008

<u>City</u>	<u>Term</u>		<u>Interest Rate</u>	<u>Payment Term</u>	<u>Payment Amount</u>	<u>Balance 6-30-09</u>	<u>Balance 6-30-08</u>
Crowley	01-84	12-13	7%	Quarterly	\$ 21,644	\$ 322,486	\$ 400,982
Opelousas	01-84	10-13	7%	Quarterly	\$ 37,773	562,801	699,793
Tallulah	01-84	10-13	7%	Quarterly	5,376	<u>84,135</u>	<u>99,604</u>
TOTAL						<u>\$ 969,422</u>	<u>\$ 1,200,379</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
YEAR ENDED JUNE 30, 2009

	<u>Par Value</u>	<u>Original Cost</u>	<u>Market Value</u>
BONDS:			
State and Municipal Bonds	\$ 1,870,000	\$ 1,734,897	\$ 1,635,151
Foreign Government Bonds	9,775,550	10,502,535	9,997,437
Corporate Bonds	146,123,348	136,314,324	129,570,005
Other	<u>13,650,513</u>	<u>11,175,698</u>	<u>11,394,581</u>
TOTAL BONDS	\$ <u>171,419,411</u>	\$ <u>159,727,454</u>	\$ <u>152,597,174</u>
REAL ESTATE, MUTUAL AND POOLED FUNDS:			
Pooled Bond Fund		\$ 67,170,702	\$ 92,783,249
Mutual fund		83,083,634	76,150,585
Real estate fund		<u>91,251,694</u>	<u>88,669,410</u>
TOTAL MUTUAL FUNDS		\$ <u>241,506,030</u>	\$ <u>257,603,244</u>
DOMESTIC STOCKS		\$ <u>422,813,235</u>	\$ <u>361,332,647</u>
INTERNATIONAL STOCKS		\$ <u>218,039,937</u>	\$ <u>183,934,457</u>
INVESTMENT IN PARTNERSHIP		\$ <u>39,364,255</u>	\$ <u>29,518,146</u>
REAL ESTATE - LAND AND RENTAL		\$ <u>859,273</u>	\$ <u>796,876</u>
REAL ESTATE - OLDE OAKS GOLF COURSE		\$ <u>10,918,733</u>	\$ <u>2,954,120</u>
REAL ESTATE - THE CLUB AT STONEBRIDGE		\$ <u>4,331,647</u>	\$ <u>2,673,031</u>
REAL ESTATE - OLDE OAKS DEVELOPMENT		\$ <u>11,802,628</u>	\$ <u>7,190,050</u>
OTHER INVESTMENT:			
HEDGE FUNDS		\$ 10,388,010	\$ 7,391,153
COMMINGLED FUNDS		24,999,220	17,906,713
ASSETS - GOLF COURSES		<u>497,630</u>	<u>497,630</u>
		\$ <u>35,884,860</u>	\$ <u>25,795,496</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENSE FUND:			
Personal Services:			
Staff salaries	\$ 254,799	\$ 305,000	\$ 50,201
Group insurance	76,906	89,000	12,094
Retirement	24,357	32,000	7,643
Other post employment benefit obligation expense	162,148	-	(162,148)
Board member - Per diem	6,600	10,125	3,525
Professional Services:			
Accountant	89,589	75,000	(14,589)
Actuarial	68,720	70,000	1,280
Computer services	30,124	37,000	6,876
Risk management	12,281	17,000	4,719
Legal	126,424	165,500	39,076
Medical Board	3,632	14,000	10,368
Death audit	1,432	3,000	1,568
Retirement Association fees	1,155	700	(455)
Disability	-	20,000	20,000
Communications:			
Postage, printing and supplies	55,083	68,000	12,917
Telephone	10,322	15,000	4,678
Travel	23,758	25,500	1,742
Other:			
Equipment rental and repair	34,327	34,000	(327)
Election expenses	15,131	12,000	(3,131)
Board expenses	24,612	27,000	2,388
Document imaging	79,656	75,000	(4,656)
Miscellaneous	2,412	6,000	3,588
Uniforms	1,988	5,000	3,012
Medicare expense	5,320	6,000	680
Total expenses budgeted	<u>1,110,776</u>	<u>1,111,825</u>	<u>1,049</u>
BUILDING FUND:			
Association dues	1,200	1,200	-
Maintenance	68,657	72,370	3,713
Building supplies	825	5,000	4,175
Security	4,298	5,000	702
Utilities	38,112	44,500	6,388
Total building fund	<u>113,092</u>	<u>128,070</u>	<u>14,978</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 1,223,868</u>	<u>\$ 1,239,895</u>	<u>\$ 16,027</u>
CAPITAL OUTLAYS	<u>\$ 47,809</u>	<u>\$ 25,000</u>	<u>\$ (22,809)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2004 THROUGH 2009

<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>
2004	\$ 43,501,552	\$ 10,135,228	73.99 %	100.00 %
2005	44,267,740	11,539,650	105.45	100.00
2006	34,138,070	11,914,460	109.03	102.54
2007	31,041,232	12,817,388	115.55	100.00
2008	22,865,917	14,455,288	153.83	100.00
2009	28,093,511	15,071,968	91.56	100.00

For the years ending June 30, 2004 through 2009, 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, 2004 THROUGH 2009

<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, 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
June 30, 2006	1,371,981,645	1,651,055,550	279,073,905	83.10	223,213,661	125.0
June 30, 2007	1,531,297,284	1,719,536,371	188,239,087	89.05	229,145,048	82.1
June 30, 2008	1,600,941,810	1,841,234,995	240,293,185	86.95	252,562,020	95.1
June 30, 2009	1,297,128,398	1,988,394,358	691,265,960	65.23	270,236,561	255.8

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM'S OPEB PLAN
JUNE 30, 2008 THROUGH 2009

<u>Date</u>	<u>Actuarial Value Of of Assets</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Cost</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage of Covered Payroll</u>
2008	\$ -	\$ 1,299,600	\$ 1,299,600	- %	\$ 268,575	483.9 %
2009	-	1,380,200	1,380,200	-	254,799	541.7



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN H. HEBERT, C.P.A.
GRADY C. LLOYD, III, C.P.A.
HENRY L. SILVIA, C.P.A.

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

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

January 11, 2010

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, 2009, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Municipal Police Employees' Retirement System and Subsidiaries' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipal Police Employees' Retirement System and Subsidiaries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Municipal Police Employees Retirement System and Subsidiaries' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Municipal Police Employees' Retirement System and Subsidiaries' ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Municipal Police Employees' Retirement System and Subsidiaries' financial statements that is more than inconsequential will not be prevented or detected by Municipal Police Employees' Retirement System and Subsidiaries' internal control. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that finding 09-01 of the significant deficiencies described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipal Police Employees' Retirement System and Subsidiaries' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and are listed in the accompanying summary schedule of findings.

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

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Municipal Police Employees' Retirement Systems and its Subsidiaries for the years ended June 30, 2009 and 2008 was unqualified.
2. Internal Control:
 - Material weaknesses: 09-01
 - Significant deficiencies: 09-01, 09-02, 09-03, 09-04, 09-05, 09-06, 09-07, 09-08, 09-09, 09-10, 09-11, 09-12, 09-13, 09-14, 09-15, 09-16

Retirement System

- 09-01 Audit procedures disclosed inadequate controls over investment transactions. While reviewing the custodian investment statements, it was noted that the number of shares owned and the cost of the shares were incorrect in several instances when compared to the individual investment manager statements. It was also noted that there are transactions occurring during the year which are not being recorded by the custodian bank and several investments were not shown on the custodian's investment statements. The System should have controls in place to ensure that all investment transactions are properly recorded by the custodian bank. Failure to maintain accurate investment records may lead to a misstatement of investments and investment related activity on the financial statements. We recommend that the System develop controls to ensure that all investment activity is properly recorded by the custodian bank.
- 09-02 As is common in small organizations, management has chosen to engage the auditor to prepare the System's annual financial statements. This condition is intentional by management based upon the System's financial complexity, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and the annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS: (Continued)

Olde Oaks Development, LLC

- 09-03 Audit procedures disclosed that Olde Oaks Development, LLC does not have proper controls over its development costs. A second phase of construction began without approval of the board of directors. Contractor invoices reference the bid schedule approved on December 17, 2008, however the MPERS approved board minutes do not list any discussion of the Development. All phases of construction should be approved by the board prior to the date construction begins. Lack of controls over construction may result in overpayment of development costs. We recommend that Olde Oaks Development implement controls over development costs.
- 09-04 Our audit procedures disclosed inadequate controls over notes receivable from lot sales. It was noted that seven notes receivable, in the amount of \$193,443 were not properly recorded by the title company. The Development should have adequate controls over notes receivable. Lack of controls over notes receivable could result in improper revenue recognition, improper safeguarding of assets and loss of funds. We recommend the Development develop controls over recording of notes receivable.
- 09-05 During the audit, various documents relating to lot sales could not be obtained for the audit. All documents relating to lot sales should be maintained by the Development. Not having all the records pertaining to lot sales could result in incomplete records and improper revenue recognition. We recommend the Development obtain all records related to lot sales.

Olde Oaks Golf Course

- 09-06 During the audit, it was discovered that Olde Oaks Golf Course does not have proper controls over their fixed assets. When fixed assets are purchased they are not tagged and only some items such as mowers and tractors are noted in a fixed asset inventory ledger. A physical inventory of assets is not taken each year and there are no controls over disposing of fixed assets. Olde Oaks Golf Course should have controls over reporting and safeguarding their fixed assets. Not having proper controls over fixed assets could result in theft or loss of fixed assets. We recommend management tag and record all fixed assets in a fixed asset ledger in addition to taking a physical inventory of fixed assets each year. Lastly, we recommend that Olde Oaks Golf Course establish controls over the disposal of fixed assets.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS: (Continued)

Olde Oaks Golf Course (Continued)

- 09-07 It was discovered that an employee was creating counterfeit play passes and selling them to unsuspecting customers. Previous to this incident, paper-form play passes were created manually by the cashier on duty without approval by a supervisor. In addition, the selling of the play passes were not being entered into the point of sale system. As a result misappropriation of funds occurred. Beginning in August 2008 Olde Oaks Golf Course changed the system of selling player passes. Electronic play passes were implemented, to improve controls over the sale of play passes. In order to activate a play pass it must be run through the point of sale system. In addition, at the end of each day the transactions entered via the point of sale system are reconciled with the general ledger. We recommend that Olde Oaks Golf Course continue to use the new, more secure, play pass system to safeguard its assets.
- 09-08 During our analysis of accounts receivable, we noted that more than half of the receivable amount is over 90 days old and only 6% of the receivable is 1-30 days old. Olde Oaks Golf Course should improve controls over the collection of their receivables. Not having adequate collections of accounts receivables results in loss of funds to Olde Oaks Golf Course. During the audit it was determined that some steps have been taken to improve collections, such as sending collection letters and suspension of accounts, however, it appears that collections remain low. We recommend Olde Oaks Golf Course continue to enforce its payment policies, and review other sales and credit policies for other possibilities to ensure better overall collections. Improved collections will in turn increase profitability and availability of funds.
- 09-09 During the audit it was determined that Olde Oaks Golf Course is not properly reconciling the accounts receivable in the point of sale (POS) system to the general ledger. There are large credit balances for various customers due to improper setup of receivables. In addition, deposits received from customers for events have been reported in the accounts receivable detail report as credit balances instead of being reported separately. Accounts receivable balances should be properly maintained in the POS system and reconciled to the general ledger periodically. Not correctly reporting accounts receivable transactions and not reconciling the accounts receivable in the POS system to the general ledger could result in a misstatement in the financial statements. We recommend that Olde Oaks Golf Course properly maintain accounts receivable balances in the POS system and reconcile the receivables to the general ledger on a consistent basis.
- 09-10 During the audit, it was discovered that there is a lack of controls over the issuance of gift cards. In addition, there is no expiration date on the gift cards and gift card transaction activity from the ETS is not being reconciled with the general ledger on a consistent basis. Olde Oaks Golf Course should have controls over the issuance of gift cards, all gift cards should have an expiration date and the activity per the ETS should

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS: (Continued)

Olde Oaks Golf Course (Continued)

be reconciled with the general ledger on a monthly basis. Not having proper controls over the issuance of gift cards, not properly reconciling the transaction activity per the ETS to the general ledger and not having expiration dates on gift cards could result in a misappropriation of funds and/or misstatement of the financial statements. During August 2008, Olde Oaks Golf Course implemented some controls over the issuance of gift cards. However, we recommend Olde Oaks Golf Course reconcile the activity transactions per the ETS system with that of the general ledger on a monthly basis. In addition, we recommend instituting an expiration date on all gift cards or developing a policy of recognizing revenue on unused cards after they are not redeemed for a specified period of time.

- 09-11 During the audit it was noted that expenses are not being recorded timely in the general ledger, transactions are routinely misposted, payments to vendors are not made when due and various beginning balances do not match prior year ending balances. All transactions throughout the year should be properly recorded in the general ledger. Failure to properly record these transactions could lead to misstatements on the financial statements. We recommend that Olde Oaks Golf Course develop strong accounting controls and procedures to ensure that the general ledger is maintained properly.

Stonebridge Enterprises, LLC

- 09-12 During the audit it was discovered that Stonebridge Enterprises, LLC does not have proper controls over their fixed assets. When fixed assets are purchased they are not tagged and only some items such as mowers and tractors are noted in a fixed asset inventory ledger. A physical inventory of assets is not taken each year and there are no controls over disposing of fixed assets. Stonebridge Enterprises should have controls over reporting and safeguarding their fixed assets. Not having proper controls over fixed assets could result in theft or loss of fixed assets. We recommend that management tag and record all fixed assets in a fixed asset ledger in addition to taking a physical inventory of fixed assets each year. Lastly, we recommend that Stonebridge Enterprises establish controls over the disposal of fixed assets.
- 09-13 During our analysis of accounts receivable, we noted that more than half of the receivable amount is over 30 days old and over 25% of the receivable is over 120 days old. Stonebridge Enterprises, LLC should improve controls over the collection of their

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS: (Continued)

Stonebridge Enterprises, LLC (Continued)

receivables. Not having adequate collections of accounts receivables results in loss of funds. During the audit it was determined that some steps have been taken to improve collections, such as sending collection letters and suspension of accounts, however, it appears that collections remain low. We recommend Stonebridge Enterprises, LLC continue to enforce its payment policies, and review other sales and credit policies for other possibilities to ensure better overall collections. Improved collections will in turn increase profitability and availability of funds.

- 09-14 During the audit it was determined that Stonebridge Enterprises, LLC is not properly reconciling the accounts receivable in the point of sale (POS) system to the general ledger. There are large credit balances for various customers due to improper setup of receivables. In addition, deposits received from customers for events have been reported in the accounts receivable detail report as a credit balance instead of being reported separately. Accounts receivable balances should be properly maintained in the POS system and reconciled to the general ledger periodically. Not correctly reporting accounts receivable transactions and not reconciling the accounts receivable in the POS system to the general ledger could result in a misstatement in the financial statements. We recommend that Stonebridge Enterprises, LLC properly maintain accounts receivable balances in the POS system and reconcile them to the general ledger on a consistent basis.
- 09-15 During the audit it was noted that expenses are not being recorded timely on the general ledger, transactions are routinely misposted, payments to vendors are not made when due and various beginning balances do not match prior year ending balances. All transactions throughout the year should be properly recorded in the general ledger. Failure to properly record these transactions could lead to misstatements on the financial statements. We recommend that Stonebridge Enterprises, LLC develop strong accounting controls and procedures to ensure that the general ledger is maintained properly.
- 09-16 During the analysis of current year gross profit, it was determined that the gross profit percentage on food and beverage sales for the current year was significantly lower than gross profit percentages of prior years and for the first 3 months of the 2010 fiscal year. Costs of sales should be analyzed by management and prices set to arrive at a consistent gross profit. Failure to maintain gross profit at a consistent level could decrease profitability and availability of funds. We recommend that Stonebridge Enterprises, LLC implement procedures for recording food & beverage sales and cost of sales in addition to monitoring the gross profit percentages throughout the year.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS: (Continued)

3. Compliance and other matters:

Compliance:

Retirement System:

09-17 It was noted that the System did not complete and file the fiscal year 2009 audit report within the guidelines of state statute. Louisiana Revised Statute 24:513 states that audits should be completed within six months of the close of the System's fiscal year. Failure to complete the audit report on time results in noncompliance with LSA-R.S. 24:513. We recommend that the System complete the audit report in a timely manner in the future.

Other Matters:

Olde Oaks Development, LLC:

09-18 During the audit it was discovered the System lacked internal controls over the sale of lots in Olde Oaks Development, LLC. Funds received from Olde Oaks Development, LLC lot sales were not being remitted to Municipal Police. The funds were held by the consultant. All funds generated from lot sales should be received and reported by Municipal Police. As a result of the System's lack of controls over lot sales; the System did not properly record revenue from the sale of lots in addition to reporting the incorrect number of lots owned. All funds were eventually received by the System from lot sales; however the La Legislative Auditor's Office and the La. Inspector General's Office are investigating Olde Oaks Development lot sales. We recommend the System strengthen their controls over lot sales to ensure proper recording of the sales in addition to safeguarding of the System's assets.

09-19 During the audit it was discovered the System lacked internal controls over the disbursement of funds to vendors for the payment of development cost. Payment for development costs were being provided to the System's consultant who did not disburse the funds to the vendors. The System's checks were being deposited into the consultant's cash account and the vendor was paid by the consultant in smaller amounts over a period of time. As of June 30, 2009, some vendors were paid; however, others had an outstanding balance in the amount of \$187,154. The lack of controls over the payment of development cost resulted in improper recording of development expense and the loss of funds. In addition, due the loss of funds the La. Legislative Auditor's Office and the La. Inspector General's Office is investigating the disbursement of funds for development cost. Payment of development cost should be sent directly to the vendors for payment. We recommend the System remit all payments directly to vendors.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

SUMMARY OF PRIOR YEAR FINDINGS:

Internal Control:

- 08-01 During the prior year it was noted that their general ledger was generated through accounting software. However, the general ledger did not include monthly adjustments to report investments at fair market value nor did it include year end adjustments that are required to generate accrual based financial statements. Lastly, all activity of one of the subsidiaries was not reported in the general ledger. Monthly journal entries should be generated to report the System's investments at fair market value, in addition, all activity of the System's subsidiary should be reported and lastly, year end accruals should be reported on the general ledger. Without these required journal entries the possibility exists that the financial statements could be misstated. We recommended that the required journal entries are recorded when needed. The System posted transactions from the custodian statement, year end accruals and transactions of its subsidiary.
- 08-02 During the prior year it was noted that the System did not have controls in place for proper oversight of its financial reporting as the System did not prepare annual financial statements with required disclosures. The System should have controls in place to prepare Generally Accepted Accounting Principles financial statements including footnotes. The lack of a complete GAAP financial reporting package could prevent those charged with governance from identifying misstatements in a timely manner which could result in misstated or incomplete financial statements. We recommended that controls are designed and implemented to prepare financial statements with disclosures on an annual basis. During the year, this was unchanged. See current year finding 09-02.
- 08-03 During the prior year it was determined that the System's custodial bank did not timely reflect the activity of the hedge funds. There were several sales of hedge funds that occurred prior to June 30, 2008, but were not recorded by the custodian bank until July 2008. Not reflecting hedge fund activities could result in incorrect investment values. We recommended the System investigate these timing differences with their custodian bank to ensure that these do not continue. During the year, this same issue occurred. There was activity in several hedge funds that were not recorded in a timely manner by the custodian bank. See current year finding 09-01.