

R E P O R T

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

JUNE 30, 2004 AND 2003

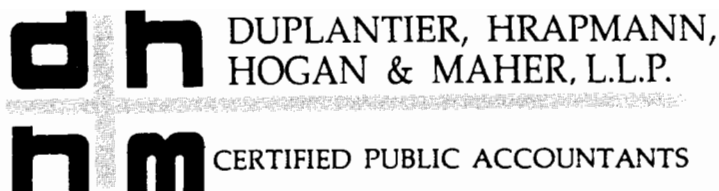
STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

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JUNE 30, 2004 AND 2003

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INDEPENDENT AUDITOR'S REPORT

September 23, 2004

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, 2004 and 2003, 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, 2004 and 2003 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 inquiries 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, 2004 and 2003 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 43 – 45 and the supplemental schedules listed on pages 26 - 42 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, 1999 – 2004 and supplemental schedules 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 September 23, 2004 on our consideration of the Municipal Police Employees' Retirement System and Subsidiaries' internal control over financial reporting and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Duplantier, Chapman, Hogan and Thaler, LLP

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

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, 2004. 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 2004 by \$1,226,382,950 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by \$119,975,481 or 10.8%. The increase was due primarily to the performance in the markets.
- * Contributions to the plan by members and employers totaled \$47,840,514, an increase of \$15,153,363 or 46.3% over the prior year.
- * Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$10,135,228, an increase of \$1,446,023, 16.6% over the prior year.
- * Net change in the fair value of investments reflected a net increase of \$66,140,157. The current year increase is greater than the prior year increase by \$5,344,860 or 9%. The increase was due primarily to the upturn in the markets.
- * The rate of return on the System's investments was a positive 12.87% based on the market value. This is greater than last year's positive 3.84% rate of return due, primarily, to the upturn in the markets.
- * Pension benefits paid to retirees and beneficiaries increased by \$4,671,738 or 6.5%. This increase is due to an increase in retirees.
- * Administrative expenses totaled \$826,381, a decrease of \$10,880 or 1.3%. The cost of administering the System per member during 2004 was \$77.86 per individual compared to \$80 per individual in 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

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, 2004 and 2003.

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

FINANCIAL ANALYSIS OF THE RETIREMENT SYSTEM

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

Statements of Plan Net Assets		
<u>June 30, 2004 and 2003</u>		
	<u>2004</u>	<u>2003</u>
Cash and investments	\$ 1,453,659,095	\$ 1,019,824,345
Receivables	31,945,617	113,668,719
Property and equipment	<u>2,818,265</u>	<u>2,853,051</u>
Total assets	<u>1,488,422,977</u>	<u>1,136,346,115</u>
 Total liabilities	 <u>262,040,027</u>	 <u>29,938,646</u>
 Net Assets Held in Trust		
For Pension Benefits	\$ <u>1,226,382,950</u>	\$ <u>1,106,407,469</u>

Plan net assets increased by 10.8% (1,226,382,950 compared to \$1,106,407,469). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The increase in plan net assets was a result of the increase in the value of investments due to favorable market conditions.

**MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

FINANCIAL ANALYSIS OF THE FUND (Continued)

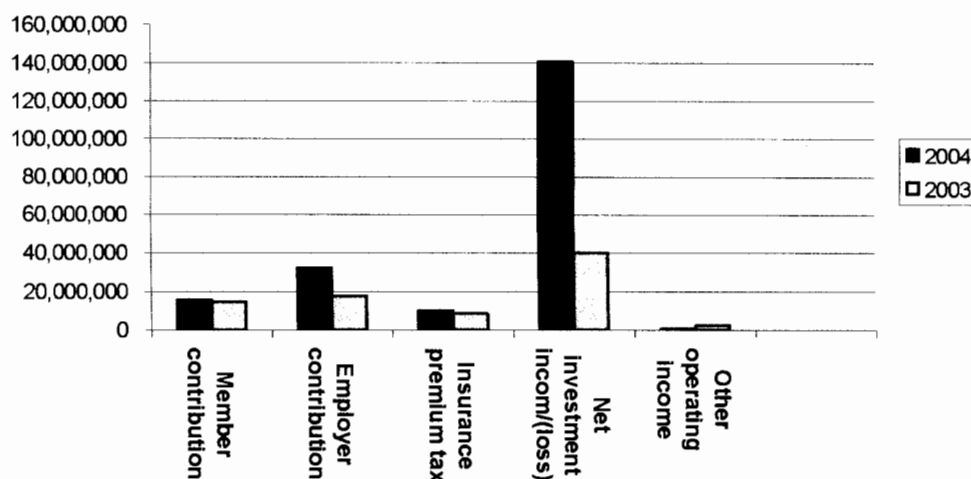
**Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Additions:		
Contributions	\$ 57,975,742	\$ 41,376,356
Investment income - net	140,901,463	39,876,552
Other	<u>722,569</u>	<u>2,268,946</u>
Total additions	199,599,774	83,521,854
Total Deductions	<u>79,624,293</u>	<u>75,338,388</u>
Increase (Decrease) in Plan Net Assets	\$ <u>119,975,481</u>	\$ <u>8,183,466</u>

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions. Member contributions increased \$855,043 or 5.7% while employer contributions increased \$14,298,320 or 79.9%. The System experienced net investment income of \$140,901,463 as compared to a net investment income of \$39,876,552 in the previous year. The increase in investment income was mainly due to the turnaround in world equity markets.

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease) Percentage</u>
Member Contributions	\$ 15,651,823	\$ 14,796,780	5.7%
Employer Contributions	32,188,691	17,890,371	79.9%
Insurance Premium Taxes	10,135,228	8,689,205	16.6%
Net Investment Income	140,901,463	39,876,552	253.3%
Other Operating Revenues	<u>722,569</u>	<u>2,268,946</u>	(68.1)%
Total	\$ <u>199,599,774</u>	\$ <u>83,521,854</u>	



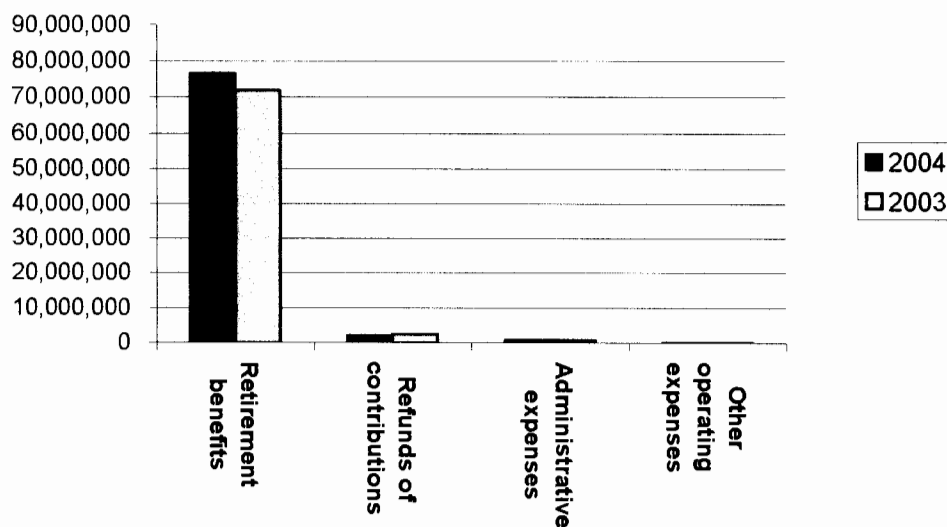
**MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefit and administrative expenses. Deductions from plan net assets totaled \$79,624,293 in fiscal year 2004. This increase of \$4,285,905 was primarily due to an increase in retirement benefit payments. The increase in retirement benefit payments is mainly the result of an increase in the number of retirees. The cost of administering the System's benefits per member during 2004 was \$77.86 per individual compared to \$80 per individual in 2003.

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease) Percentage</u>
Retirement Benefits	\$ 76,534,487	\$ 71,862,749	6.5%
Refunds of Contributions	2,143,792	2,491,874	(13.9)%
Administrative Expenses	826,381	837,261	(1.2)%
Other Operating Expenses	119,633	146,504	(18.3)%
Total	<u>\$ 79,624,293</u>	<u>\$ 75,338,388</u>	



MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF THE FUND (Continued)

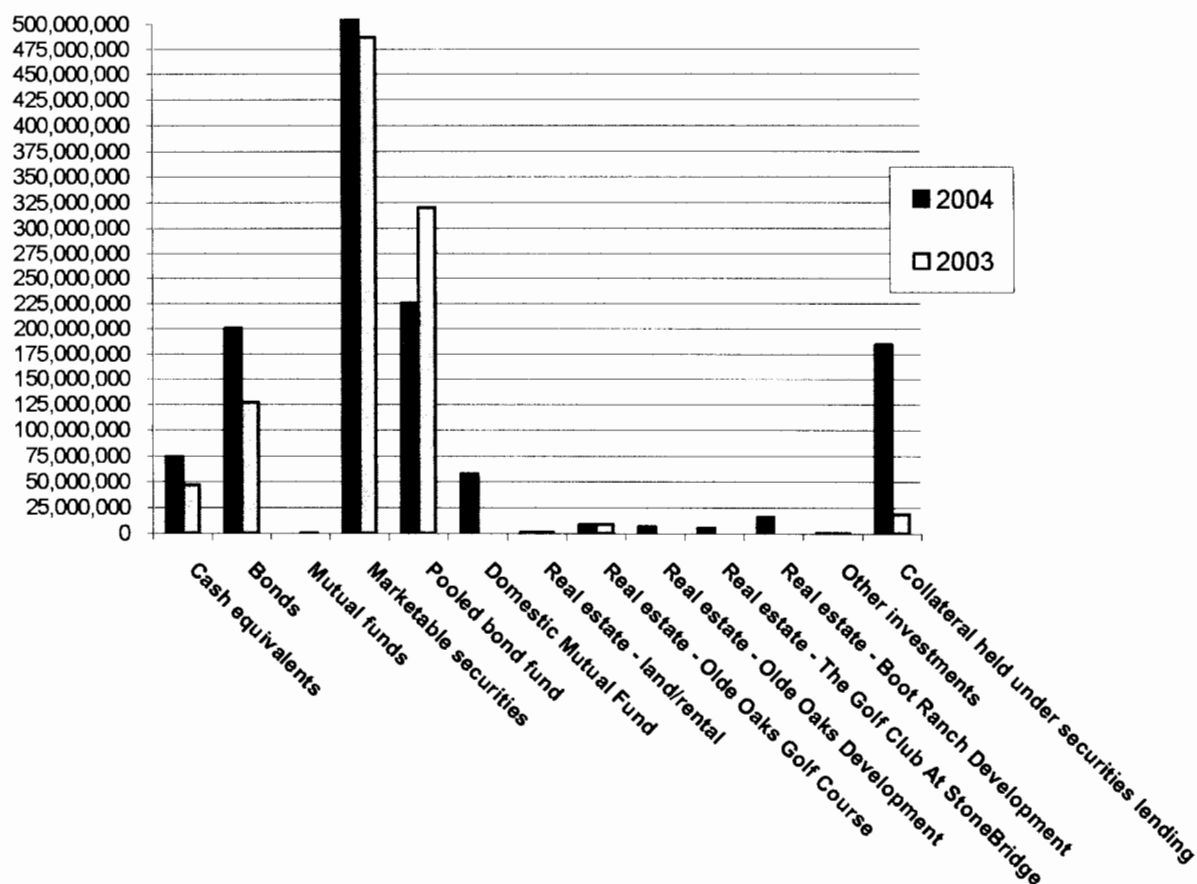
Investments

MPERS is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2004 amounted to \$1,444,072,317 as compared to \$1,012,478,425 at June 30, 2003, which is an increase of \$431,593,892 or 42.6%. The major contributing factor to this increase is the increase in securities lending investment contracts. Long-term investments increased due to market performance. The System's investments in various markets at the end of the 2004 and 2003 fiscal years are indicated in the following table:

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u> <u>Percentage</u>
Cash Equivalents	\$ 74,488,852	\$ 47,626,810	56.40%
Bonds	200,482,355	126,944,627	57.90%
Mutual Funds	--	574,000	(100.00%)
Marketable securities	658,831,122	486,775,637	35.30%
Pooled Bond Fund	226,184,952	320,517,891	(29.40%)
Domestic Mutual Fund	57,867,030	--	100.00%
Real Estate – Land and Rental	1,276,857	1,263,137	1.00%
Real Estate – Olde Oaks Golf Course	10,064,243	8,993,913	11.90%
Real Estate – Olde Oaks Development	6,762,842	--	100.00%
Real Estate – The Golf Club At StoneBridge	5,799,338	--	100.00%
Real Estate – Boot Ranch Development	16,434,546	--	100.00%
Other investments	1,093,388	543,283	101.20%
Collateral Held Under Securities			
Lending	<u>184,786,792</u>	<u>19,239,127</u>	860.40%
Total	<u>\$ 1,444,072,317</u>	<u>\$ 1,012,478,425</u>	

**MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

FINANCIAL ANALYSIS OF THE FUND (Continued)



Requests for Information

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash:		
Cash in bank	\$ 9,484,634	\$ 7,296,276
Cash in escrow	102,144	49,644
Total cash	<u>9,586,778</u>	<u>7,345,920</u>
Receivables:		
Member contributions	1,434,645	1,203,907
Employer contributions	2,930,255	1,432,758
Due from merged systems	1,767,115	1,899,695
Other receivable	10,315,538	85,760
Investment receivable	11,855,747	106,911,802
Accrued interest and dividends	3,034,768	1,959,130
Other assets	221,442	-
Miscellaneous receivable	386,107	175,667
Total receivables	<u>31,945,617</u>	<u>113,668,719</u>
Investments:		
Short-term cash equivalents - domestic	74,488,852	47,626,810
Bonds - domestic and foreign	200,482,355	126,944,627
Mutual funds - domestic	-	574,000
Marketable securities - domestic	658,831,122	486,775,637
Pooled Bond Fund	226,184,952	320,517,891
Domestic Mutual Fund	57,867,030	-
Collateral held under securities lending program - repurchase agreement	177,500,000	18,500,000
Collateral held under securities lending program - money market account	7,286,792	739,127
Other investments	1,093,388	543,283
Real estate - Land and rental	1,276,857	1,263,137
Real estate - Boot Ranch Development	16,434,546	-
Real estate - Olde Oaks Development	6,762,842	-
Real estate - Olde Oaks Golf Course	10,064,243	8,993,913
Real estate - The Golf Club at StoneBridge	5,799,338	-
Total investments	<u>1,444,072,317</u>	<u>1,012,478,425</u>
Property, plant and equipment:		
(Net of accumulated depreciation		
\$428,406 in 2004; \$320,424 in 2003)	<u>2,818,265</u>	<u>2,853,051</u>
TOTAL ASSETS	<u>1,488,422,977</u>	<u>1,136,346,115</u>
LIABILITIES:		
Accounts payable	1,665,634	879,196
Accrued payroll and taxes	93,175	-
Refunds payable - members	191,443	40,521
Deferred contributions	89,805	42,601
Other liabilities	152,740	-
Notes payable	443,992	64,682
Notes payable - Line of credit	24,121,691	403,594
Obligations under securities lending program	184,786,792	19,239,127
Investment payable	50,494,755	9,268,925
TOTAL LIABILITIES	<u>262,040,027</u>	<u>29,938,646</u>
NET ASSETS HELD IN TRUST FOR		
PENSION BENEFITS (A schedule of funding		
progress for the Plan is presented on page 44)	<u>\$ 1,226,382,950</u>	<u>\$ 1,106,407,469</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, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ADDITIONS:		
CONTRIBUTIONS:		
Members	\$ 15,646,734	\$ 14,727,154
Employer	32,188,691	17,890,371
Military purchase	5,089	69,626
Insurance premium tax	10,135,228	8,689,205
Total contributions	<u>57,975,742</u>	<u>41,376,356</u>
INVESTMENT INCOME:		
Net appreciation in investments	123,551,261	21,858,700
Interest - sweep account	23,060	34,744
Interest - cash equivalents	200,316	536,842
Interest - notes, bonds, etc.	11,516,187	12,936,658
Interest - securities lending	595,453	1,833,478
Dividends - stock	10,179,729	6,954,507
Dividends - mutual funds and pooled funds	27,168	110,760
Miscellaneous	164,422	223,770
	<u>146,257,596</u>	<u>44,489,459</u>
Less investment expenses:		
Securities lending expense	548,540	1,703,882
Custodial	195,929	201,990
Investment advisor	3,361,419	2,123,643
Foreign tax withheld	412,547	20,147
Miscellaneous investment expense	56,835	3,686
Real Estate - Boot Ranch Development	59,033	-
Real estate - Olde Oaks Development	202,583	-
Real estate - Olde Oaks Golf Course	286,548	559,559
Real estate - The Golf Club at StoneBridge	232,699	-
	<u>5,356,133</u>	<u>4,612,907</u>
Net investment income	<u>140,901,463</u>	<u>39,876,552</u>
OTHER ADDITIONS:		
Merger interest payment	164,365	1,597,147
Interest income - refunds	73,691	197,942
Transfers from other systems - employees	52,491	337,689
Transfers from other systems - employers/interest	432,022	136,168
Total other additions	<u>722,569</u>	<u>2,268,946</u>
Total additions	<u>199,599,774</u>	<u>83,521,854</u>
DEDUCTIONS:		
Benefits	76,534,487	71,862,749
Refund of contributions	2,143,792	2,491,874
Administrative expenses	826,381	837,261
Depreciation	107,982	84,232
Miscellaneous	11,651	62,272
Total deductions	<u>79,624,293</u>	<u>75,338,388</u>
NET INCREASE	119,975,481	8,183,466
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>1,106,407,469</u>	<u>1,098,224,003</u>
END OF YEAR	<u>\$ 1,226,382,950</u>	<u>\$ 1,106,407,469</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

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.

The consolidated financial statements include the accounts of Municipal Police Employees' Retirement System and its 100% owned subsidiaries, Olde Oaks Golf Course, LLC, Stonebridge Enterprises, LLC and Olde Oaks Development, LLC. All significant intercompany balances have been eliminated in the consolidation. In addition, the financial statements include the accounts of Boot Ranch, LP. Municipal Police Employees' Retirement System owns 35% of the units in Boot Ranch, LP. and receives 94% of all income or loss until the line of credit is paid off. Once the line of credit is paid, the Retirement System receives 70% of all income or loss from the partnership.

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

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Method Used to Value Investments: (Continued)

and mutual funds are equivalent to the fair value of the external investment pool and mutual funds. The investment in real estate consists of golf courses, real estate developments and rental portion of the building. The investment is valued at fair market value, which is based upon an independent appraisal.

Land, Equipment and Fixtures:

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

Consolidation:

The consolidated financial statements include the accounts of Municipal Police Employees' Retirement System and its 100% owned subsidiaries, Olde Oaks Golf Course, LLC, StoneBridge Enterprises, LLC and Olde Oaks Development, LLC. All significant intercompany balances have been eliminated in the consolidation. In addition, the financial statements include the accounts of Boot Ranch, LP. Municipal Police Employees' Retirement System owns 35% of the units in Boot Ranch, LP. and receives 94% of all income or loss until the line of credit is paid off. Once the line of credit is paid, the Retirement System receives 70% of all income or loss from the partnership.

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, 2004 and 2003, there are 144 contributing municipalities. At June 30, 2004 and 2003 statewide retirement membership consists of:

	<u>2004</u>	<u>2003</u>
Active members	5,831	5,781
Regular retirees	2,312	2,254
Disability retirees	233	222
Survivors	1,023	989
Vested and reciprocals	80	79
Due refunds	687	679
DROP participants	265	247
DROP to active	<u>182</u>	<u>176</u>
TOTAL PARTICIPANTS AS OF		
THE VALUATION DATE	<u>10,613</u>	<u>10,427</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

2. PLAN DESCRIPTION: (Continued)

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

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

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

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

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

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

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

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

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

MUNICIPAL POLICE EMPLOYEES'
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2. PLAN DESCRIPTION: (Continued)

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

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

3. CONTRIBUTIONS AND RESERVES:

Contributions:

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

Contributions for all employers are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. The actuarial required contribution for June 30, 2004 and 2003 was 21.75% and 15.5%. The actual contribution rate for the years then ended was 15.25% and 9%. 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, 2004 and 2003, the state appropriated \$10,135,228 and \$8,689,205, respectively, in insurance premium tax.

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

MUNICIPAL POLICE EMPLOYEES'
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

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

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2004 and 2003 is \$120,457,023 and \$115,363,026, 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, 2004 and 2003 is \$515,893,458 and \$502,539,858, respectively. The Pension Accumulation is 34.99% funded for the year ended June 30, 2004 and 30.49% funded for the year ended June 30, 2003.

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, 2004 and 2003 is \$870,349,854 and \$786,076,909, respectively. The Annuity Reserve is fully funded.

D) Deferred Retirement Option Account:

The Deferred Retirement Option Account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option Account as of June 30, 2004 and 2003 is \$54,522,222 and \$51,495,888, respectively. The Deferred Retirement Option Account is fully funded.

MUNICIPAL POLICE EMPLOYEES'
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

E) Initial Benefit Option Reserve:

The Initial Benefit Option Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The Initial Benefit Option Reserve as of June 30, 2004 and 2003 is \$516,768 and \$315,338, 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 43 - 45.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Deposits (bank balance)	\$ 9,807,892	\$ 7,387,890
Cash equivalents – domestic	74,488,852	47,626,810
Investments	<u>1,369,583,465</u>	<u>964,851,615</u>
	<u>\$1,453,880,209</u>	<u>\$1,019,866,315</u>

Deposits:

The System's bank deposits were entirely covered by federal depository insurance. The subsidiaries' bank deposits were not entirely covered by federal depository insurance as follows:

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

Deposits: (Continued)

	Bank Balance <u>June 30, 2004</u>	FDIC <u>Insurance</u>	Uninsured Cash <u>Balance</u>
Olde Oaks Development	\$ 732,092	\$ 100,000	\$ 632,092
Olde Oaks Golf Club	108,722	100,000	8,722
Boot Ranch Development	451,282	100,000	351,282

Cash Equivalents - Domestic:

Cash equivalents consist of government backed pooled funds. The funds are held by a sub-custodian, are managed by a separate money manager and are in the name of the System's custodian's trust department.

Investments:

Statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule as used herein means that in investing the governing authorities of the System shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income. Notwithstanding the Prudent-Man Rule, the System shall not invest more than fifty-five percent of the total portfolio in common stock.

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

	2004 Market <u>Value</u>	2003 Market <u>Value</u>	<u>Category</u>
Real Estate – Land and Rental	\$ 1,276,857	\$ 1,263,137	1
Real Estate – Olde Oaks Golf Club	10,064,243	8,993,913	N/A
Real Estate – The Golf Club at StoneBridge	5,799,338	--	N/A
Real Estate – Olde Oaks Development	6,762,842	--	N/A
Real Estate – Boot Ranch Development	16,434,546	--	N/A
Other investments	1,093,388	543,283	N/A
Bonds, notes, and mortgages	121,658,156	107,713,868	1
Marketable securities – domestic	556,631,012	486,775,637	1

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

Investments: (Continued)

	2004 Market Value	2003 Market Value	Category
Domestic Mutual Fund	\$ 57,867,030	\$ --	N/A
Mutual funds - domestic	--	574,000	N/A
Pooled Bond Fund	226,184,952	320,517,891	N/A
Investments held by brokers-dealers in which collateral may be reinvested:			
Bonds, notes, and mortgages	78,824,199	19,230,759	N/A
Marketable Securities	102,200,110	--	N/A
Collateral held under securities lending program – repurchase agreements	177,500,000	18,500,000	1
Collateral held under securities lending program – money market account	7,286,792	739,127	1
	<u>\$ 1,369,583,465</u>	<u>\$ 964,851,615</u>	

At June 30, 2004 and 2003, the investment in the Pooled Bond Fund with a fair value of \$226,184,952 and \$320,517,891, respectively, represents five percent or more of the System's net assets.

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS:

During the year ending June 30, 2004, the System had investment in three limited liability corporations as follows:

- A) The System purchased as an investment a golf course located in northwest Louisiana. The initial cost of the golf course was \$6,797,156. Subsequent to the purchase the System has made improvements to the golf course in the amount of \$4,137,871. The golf course was appraised, net of \$440,000 of estimated selling cost, at a value of \$10,064,243. For the year ending June 30, 2004, an unrealized gain in the amount of \$413,777 and for the year ended June 30, 2003 an unrealized loss in the amount of \$935,391, is reported on these financial statements in the net appreciation in fair value of investments. Since initial purchase of the golf course, an unrealized loss in the amount of \$870,784 has been reflected in these financials. Olde Oaks Golf Course, LLC operates the Olde Oaks Golf Course. Municipal Police Employees' Retirement System is the sole owner of the Olde Oaks Golf Course, LLC. The net loss of the LLC has been reported as investment expense in the amount of \$286,548 as of June 30, 2004.

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7. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

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 \$1,328,487. The golf course was appraised, net \$250,600 of estimated selling cost at a value of \$5,977,338 which resulted in an unrealized gain of \$1,569,851. The unrealized gain is reported on these financial statements in the net appreciation in the fair value of investments. StoneBridge Enterprises, LLC operates The Golf Club at StoneBridge. Municipal Police Employees' Retirement System is the sole owner of the StoneBridge Enterprises, LLC. The net loss of the LLC has been reported as investment expense in the amount of \$232,699 as of June 30, 2004.

C) On December 23, 2003, Municipal Police Employees' Retirement System paid a \$50,000 deposit to purchase, as an investment, undeveloped land surrounding one of the golf courses it owns in north Louisiana. On February 13, 2004, the System acquired the land for \$5,932,000. The land consists of 209.99 acres of undivided land and 75 lots. Subsequent to the acquisition, the System began making improvements to the infrastructure, subdivided some of the land it acquired and began efforts to sell lots. The cost of improvements to the land as of June 30, 2004 is \$582,168. Based on the sale commitments obtained as of June 30, 2004 the market value of the land and improvements as of June 30, 2004 is \$6,762,842 which resulted in an unrealized gain of \$272,354. The development has a realized gain on sales of \$24,765. The gains are reported on these financial statements in the net appreciation in the fair market value of the investments.

Olde Oaks Development has opened a line of credit in the amount of \$10,000,000 in which the Retirement System is the guarantor. The interest rate on the line of credit is 2.03% with a maturity of June 28, 2007. The balance on the line of credit at June 30 2004 is \$7,124,151.

The System has an agreement with a management company to oversee the operations of Olde Oaks Development, LLC. Municipal Police Employees' Retirement System is the sole owner of Olde Oaks Development, LLC. The net loss of the LLC has been reported as an investment expense in the amount of \$202,583 as of June 30, 2004.

8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP:

The Retirement System invested in a limited liability partnership. The purpose of the partnership is to own and develop as a first class golf and residential development a parcel of land in Gillespie County, Texas commonly known as Boot Ranch. The land was purchased during the year ended June 30, 2004 at a cost of \$15,675,588. The project is now in the development stage and has incurred \$198,776 in start up cost and \$396,227 in land development cost. The partnership has opened a line of credit in the amount of \$30,000,000 in which the Retirement System is the guarantor. The interest rate on the line of credit is 1.86% with a maturity of June 7, 2007. The balance in the line of credit as of June 30, 2004 is \$16,888,174. The collateral on the line of credit is a pooled bond fund owned by the Retirement System.

The Retirement System has a 35% partnership interest in the limited liability partnership. However, the Retirement System is allocated 94% of the profits or losses until the partnership's line of credit is paid off. Unsecured creditors of the partnership do not have any recourse against the Retirement System.

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8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP: (Continued)

The net assets of Boot Ranch have been consolidated with the net assets of the Retirement System and is reported as an investment on the statement of net assets. The cost and market value of the investment is \$16,434,546 as of June 30, 2004. The net loss of the partnership has been reported as investment expense in the amount of \$59,033 as of June 30, 2004.

9. SECURITY LENDING AGREEMENTS:

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

Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest for stocks and U.S. Treasury obligations. Collateralization of loans will be 100% of the market value of the loaned securities plus accrued interest for mortgage-backed securities. As a result of the required collateralization percentage, the System has no credit risk. The lending agent and the System enter into contracts with all approved borrowers. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of MPERS) in approved investments outlined in the contract between the agent and MPERS such as commercial paper, selected money market mutual funds, certificates of deposit, and repurchase agreements including tri-party. For tri-party repurchase agreements, party to such agreements must be an approved borrower. The collateralization percentage of tri-party agreements will vary depending upon the collateral received from the borrower. Acceptable collateral from approved borrowers for tri-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper, and other investments stipulated in lender agent contract.

MPERS has the following securities on loan:

	<u>June 30, 2004</u>		<u>June 30, 2003</u>	
	<u>Par/Cost</u> <u>(equities)</u>	<u>Market</u>	<u>Par/Cost</u> <u>(equities)</u>	<u>Market</u>
U.S. Government securities (notes and bonds)	\$ 27,735,858	\$ 27,563,030	\$ 18,503,281	\$ 19,230,759
U.S. Corporate securities (bonds)	50,645,738	51,261,169	--	--
U.S. Corporate securities (stocks)	91,997,045	102,200,110	--	--
Total	<u>\$170,378,641</u>	<u>\$181,024,309</u>	<u>\$ 18,503,281</u>	<u>\$ 19,230,759</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
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9. SECURITY LENDING AGREEMENTS: (Continued)

MPERS has the following collateral under securities lending program:

	<u>June 30, 2004</u>		<u>June 30, 2003</u>	
	Par/Cost (equities)	Market	Par/Cost (equities)	Market
Money market	\$ 7,286,792	\$ 7,286,792	\$ 739,127	\$ 739,127
Tri-party repurchase agreements	<u>177,500,000</u>	<u>177,500,000</u>	<u>18,500,000</u>	<u>18,500,000</u>
Totals	<u>\$184,786,792</u>	<u>\$184,786,792</u>	<u>\$19,239,127</u>	<u>\$ 19,239,127</u>

Securities on loan at June 30, 2004 and 2003 are presented as unclassified under footnote 6. The System cannot pledge or sell collateral securities received unless the borrower defaults.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at June 30, 2004 and 2003.

10. OPERATING LEASE COMMITMENTS:

The System entered into a three year operating lease for office space with Sterling United Plaza beginning March 1, 2000 and ending February 28, 2003. Rent expense for the year ended June 30, 2003 was \$61,671. For the year ended June 30, 2004, the System occupied its own building.

The System also has operating leases for various equipment for the two golf courses. The lease terms are 48 months. For the year ending June 30, 2004, lease expense was \$222,570. The following is a schedule of future minimum lease commitments for the next five years:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2005	\$ 154,910
June 30, 2006	140,130
June 30, 2007	63,267
June 30, 2008	<u>11,352</u>
Total	<u>\$369,659</u>

11. CAPITAL LEASES:

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

MUNICIPAL POLICE EMPLOYEES'
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11. CAPITAL LEASES: (Continued)

The System acquired various equipment for The Club at StoneBridge through assumption of capital leases. The equipment cost \$12,883 and is payable in 24 monthly installments in the amount of \$694 including interest.

The following is a schedule of future minimum lease payments as of June 30, 2004:

<u>Year Ending</u>	<u>Olde Oaks</u>	<u>StoneBridge</u>	<u>Total</u>
June 30, 2005	\$ 11,920	\$ 6,476	\$ 18,396
June 30, 2006	<u>9,073</u>	<u>--</u>	<u>9,073</u>
Total minimum lease payment for capital lease	20,993	6,476	27,469
Less: amount representing interest	<u>3,058</u>	<u>306</u>	<u>3,364</u>
Present value of minimum lease payments	<u>\$ 17,935</u>	<u>\$ 6,170</u>	<u>\$ 24,105</u>

12. OPERATING BUDGET:

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

13. TAX QUALIFICATION:

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

14. ACCOUNTS RECEIVABLE – MERGED SYSTEMS:

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

During the year ended June 30, 2003, the City of Baton Rouge prepaid their merger balance in the amount of \$46,198,247. Also, the City of Lafayette prepaid their \$28,826,578 balance.

The total accounts receivable from all merged systems as of June 30, 2004 and 2003 is \$1,767,115 and \$1,899,695, respectively. The short term and long term portion of the accounts receivable as of June 30, 2004 was \$107,543 and \$1,659,572, respectively. The short term and long term portion of the accounts receivable as of June 30, 2003 was \$100,508 and \$1,799,187, respectively.

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15. EQUIPMENT AND FIXTURES:

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

	<u>2004</u>	<u>2003</u>
Equipment	\$ 236,434	\$ 198,852
Computer equipment and software	104,587	104,587
Furniture	152,022	152,022
Automobile and truck	17,063	17,063
Land	614,919	614,919
Office building	<u>2,121,646</u>	<u>2,086,032</u>
	3,246,671	3,173,475
Less accumulated depreciation	<u>(428,406)</u>	<u>(320,424)</u>
Total	<u>\$ 2,818,265</u>	<u>\$ 2,853,051</u>

Depreciation expense charged to pension operations was \$107,982 for 2004 and \$84,232 for 2003. Depreciation expense charged to investment expense – Olde Oaks operation was \$108,664 for 2004 and \$39,842 for 2003. Depreciation expense charge to investment expense - The Golf Course at StoneBridge was \$20,034 for 2004.

16. USE OF ESTIMATES:

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

17. LINE OF CREDIT:

Operations:

During the year, Olde Oaks obtained a line of credit for operating expenses. The line of credit carries a 4% interest rate. The balance as of June 30, 2004 is \$66,100. The line of credit is due on December 31, 2004 and renewable for an additional year. The Retirement System is the guarantor of the line of credit.

During the year, The Club at StoneBridge obtained a line of credit for operating expenses. The line of credit carries a 4% interest rate. The balance as of June 30, 2004 is \$30,000. The balance is due on December 31, 2004 and is renewable for an additional year. The Retirement System is the guarantor of the line of credit.

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17. LINE OF CREDIT: (Continued)

Equipment:

During the year ended June 30, 2004, The Club at StoneBridge obtained a line of credit from Regions Bank in the amount of \$110,000 for the purchase of equipment. Equipment in the amount of \$85,559 was purchased. The \$85,558 draw was converted to a note as of June 30, 2004. An additional \$13,266 draw was made to purchase other equipment. The line of credit bears an interest rate of 4% and is payable as of December 31, 2007. The Retirement System is the guarantor of the line of credit.

Following is a schedule of future payments:

<u>Year Ending</u>	
June 30, 2005	\$ 1,877
June 30, 2006	4,419
June 30, 2007	4,600
June 30, 2008	<u>2,370</u>
	<u>\$13,266</u>

18. NOTE PAYABLE - EQUIPMENT:

During the prior year, Olde Oaks obtained a line of credit from Regions Bank in the amount of \$465,000 for the purchase of equipment. The line of credit converted to a note on November 21, 2003. The note is guaranteed by Municipal Police Employees' Retirement System. Equipment is additional collateral on the note. The note bears a 5.50% interest rate and is payable in thirty-six (36) monthly installments. The balance on the note at June 30, 2004 is \$323,025.

The System refinanced a note on telephone equipment and purchased additional telephone equipment for Olde Oaks Golf Club costing \$12,525. Equipment purchased is collateral on the note. The note bears a 15.16% interest rate. The balance on the note as of June 30, 2004 is \$19,852.

The System purchased equipment for the Olde Oaks Golf Club costing \$16,558 through a note payable. Equipment purchased is collateral on the note. The note bears a 6.9% interest rate. The balance on the note at June 30, 2004 is \$12,442.

The System purchased golf course equipment for The Club at StoneBridge in the amount \$85,558 through a note with Regions bank. The note bears a 4.00% interest rate. The Retirement System is the guarantor of the note. The balance on the note at June 30, 2004 is \$85,558.

The System purchased computer equipment in the amount of \$3,115 with a note payable bearing a 25.99% interest rate. The balance on this note at June 30, 2004 is \$3,115.

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18. NOTE PAYABLE - EQUIPMENT: (Continued)

Following is a schedule of the future payments:

<u>Year Ending</u>	<u>Olde Oaks</u>	<u>StoneBridge</u>	<u>Total</u>
June 30, 2005	\$ 145,315	\$ 28,404	\$ 173,719
June 30, 2006	154,350	29,587	183,937
June 30, 2007	<u>55,654</u>	<u>30,682</u>	<u>86,336</u>
	<u>\$ 355,319</u>	<u>\$ 88,673</u>	<u>\$ 443,992</u>

19. RECLASSIFICATION:

For the year ended June 30, 2003, certain amounts have been reclassified to conform to the June 30, 2004 financial statements.

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF PLAN NET ASSETS
JUNE 30, 2004

	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>	<u>Total Retirement System</u>
ASSETS				
Cash:				
Cash in bank	\$ 8,323,207	\$ 16,445	\$ 25,219	\$ 8,364,871
Cash in escrow	-	-	-	-
	<u>8,323,207</u>	<u>16,445</u>	<u>25,219</u>	<u>8,364,871</u>
Receivables:				
Member contributions	1,434,645	-	-	1,434,645
Employer contributions	2,930,255	-	-	2,930,255
Due from merger systems	1,767,115	-	-	1,767,115
Accounts receivable	10,135,228	33,386	-	10,168,614
Investment receivable	11,855,747	-	-	11,855,747
Accrued interest and dividends	3,034,768	-	-	3,034,768
Other assets	-	-	-	-
Miscellaneous receivable	349,588	-	-	349,588
Total Receivables	<u>31,507,346</u>	<u>33,386</u>	<u>-</u>	<u>31,540,732</u>
Investments:				
Cash equivalents	74,488,852	-	-	74,488,852
Bonds, notes, mortgages	200,482,355	-	-	200,482,355
Mutual funds	-	-	-	-
Marketable securities - domestic	658,831,122	-	-	658,831,122
Pooled bond fund	226,184,952	-	-	226,184,952
International fund	57,867,030	-	-	57,867,030
Collateral held under securities lending program - repurchase agreements	177,500,000	-	-	177,500,000
Collateral held under securities lending program - Money Market	7,286,792	-	-	7,286,792
Other investments	-	-	-	-
Real Estate - Boot Ranch Development	-	-	-	-
Real Estate - land and rental	604,695	-	672,162	1,276,857
Real Estate - Olde Oaks Development	-	-	-	-
Real Estate - Olde Oaks	10,064,243	-	-	10,064,243
Real Estate - Stonebridge	5,799,338	-	-	5,799,338
Total Investments	<u>1,419,109,379</u>	<u>-</u>	<u>672,162</u>	<u>1,419,781,541</u>
Property, Plant and Equipment:				
Net of accumulated depreciation	<u>671,213</u>	<u>-</u>	<u>2,147,052</u>	<u>2,818,265</u>
TOTAL ASSETS	<u>1,459,611,145</u>	<u>49,831</u>	<u>2,844,433</u>	<u>1,462,505,409</u>
LIABILITIES				
Accounts payable	899,423	128,169	21,872	1,049,464
Accrued payroll and taxes	-	8,556	-	8,556
Refunds payable	191,443	-	-	191,443
Deferred contribution	89,805	-	-	89,805
Other liabilities	-	-	-	-
Notes payable	-	-	-	-
Notes payable Line of credit	-	-	-	-
Obligations under securities lending	184,786,792	-	-	184,786,792
Investment payable	50,494,755	-	-	50,494,755
Due to/ due (from) other funds	<u>(3,222,851)</u>	<u>-</u>	<u>-</u>	<u>(3,222,851)</u>
TOTAL LIABILITIES	<u>233,239,367</u>	<u>136,725</u>	<u>21,872</u>	<u>233,397,964</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,226,371,778</u>	<u>\$ (86,894)</u>	<u>\$ 2,822,561</u>	<u>\$ 1,229,107,445</u>

<u>Olde Oaks Golf Course</u>	<u>Stonebridge Golf Course</u>	<u>Olde Oaks Development</u>	<u>Boot Ranch Development</u>	<u>Total</u>
\$ 64,999	\$ 24,837	\$ 628,983	\$ 400,944	\$ 9,484,634
49,644	-	52,500	-	102,144
<u>114,643</u>	<u>24,837</u>	<u>681,483</u>	<u>400,944</u>	<u>9,586,778</u>
-	-	-	-	1,434,645
-	-	-	-	2,930,255
-	-	-	-	1,767,115
58,970	86,325	1,629	-	10,315,538
-	-	-	-	11,855,747
-	-	-	-	3,034,768
-	-	12,271	209,171	221,442
3,029	19,075	14,415	-	386,107
<u>61,999</u>	<u>105,400</u>	<u>28,315</u>	<u>209,171</u>	<u>31,945,617</u>
-	-	-	-	74,488,852
-	-	-	-	200,482,355
-	-	-	-	-
-	-	-	-	658,831,122
-	-	-	-	226,184,952
-	-	-	-	57,867,030
-	-	-	-	177,500,000
-	-	-	-	7,286,792
741,677	286,883	-	64,828	1,093,388
-	-	-	16,434,546	16,434,546
-	-	-	-	1,276,857
-	-	6,762,842	-	6,762,842
-	-	-	-	10,064,243
-	-	-	-	5,799,338
<u>741,677</u>	<u>286,883</u>	<u>6,762,842</u>	<u>16,499,374</u>	<u>1,444,072,317</u>
-	-	-	-	2,818,265
<u>918,319</u>	<u>417,120</u>	<u>7,472,640</u>	<u>17,109,489</u>	<u>1,488,422,977</u>
121,182	89,322	125,318	280,348	1,665,634
46,309	38,310	-	-	93,175
-	-	-	-	191,443
-	-	-	-	89,805
17,935	6,170	128,635	-	152,740
355,319	88,673	-	-	443,992
66,100	43,266	7,124,151	16,888,174	24,121,691
-	-	-	-	184,786,792
-	-	-	-	50,494,755
<u>2,838,773</u>	<u>384,078</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,445,618</u>	<u>649,819</u>	<u>7,378,104</u>	<u>17,168,522</u>	<u>262,040,027</u>
\$ <u>(2,527,299)</u>	\$ <u>(232,699)</u>	\$ <u>94,536</u>	\$ <u>(59,033)</u>	\$ <u>1,226,382,950</u>

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>	<u>Total Retirement System</u>
ADDITIONS:				
Contributions:				
Member contributions	\$ 15,646,734	\$ -	\$ -	\$ 15,646,734
Employer contributions	32,188,691	-	-	32,188,691
Military purchase	5,089	-	-	5,089
Insurance premium tax	10,135,228	-	-	10,135,228
	<u>57,975,742</u>	<u>-</u>	<u>-</u>	<u>57,975,742</u>
INVESTMENT INCOME				
Net appreciation in fair value of investments	123,251,605	-	2,537	123,254,142
Interest - Sweep Account	23,060	-	-	23,060
Interest - cash equivalents	200,316	-	-	200,316
Interest - mortgage backed bonds	11,516,187	-	-	11,516,187
Interest - securities lending	595,453	-	-	595,453
Dividends - stocks	10,179,729	-	-	10,179,729
Dividends- mutual funds	27,168	-	-	27,168
Real Estate - Olde Oaks Development	-	-	-	-
Miscellaneous investment income	163,722	-	700	164,422
	<u>145,957,240</u>	<u>-</u>	<u>3,237</u>	<u>145,960,477</u>
Less investment expenses:				
Securities lending expenses	548,540	-	-	548,540
Custodial fees	195,929	-	-	195,929
Investment advisor fee	3,361,419	-	-	3,361,419
Foreign tax withheld	412,547	-	-	412,547
Miscellaneous investment expense	56,835	-	-	56,835
Olde Oaks Development	-	-	-	-
Stonebridge operations	-	-	-	-
Boot Ranch Development	-	-	-	-
Olde Oaks Operations	-	-	-	-
	<u>4,575,270</u>	<u>-</u>	<u>-</u>	<u>4,575,270</u>
Net investment income (loss)	<u>141,381,970</u>	<u>-</u>	<u>3,237</u>	<u>141,385,207</u>
OTHER ADDITIONS				
Merger interest payment	164,365	-	-	164,365
Interest income - refunds	73,691	-	-	73,691
Transfers from other systems - employees	52,491	-	-	52,491
Transfers from other systems - employers/interest	432,022	-	-	432,022
Total other additions	<u>722,569</u>	<u>-</u>	<u>-</u>	<u>722,569</u>
Total additions	<u>200,080,281</u>	<u>-</u>	<u>3,237</u>	<u>200,083,518</u>
DEDUCTIONS				
Benefits	76,534,487	-	-	76,534,487
Refund of contributions	2,143,792	-	-	2,143,792
Administrative expenses	-	749,247	77,134	826,381
Depreciation	30,319	-	77,663	107,982
Miscellaneous	11,651	-	-	11,651
Total deductions	<u>78,720,249</u>	<u>749,247</u>	<u>154,797</u>	<u>79,624,293</u>
Increase (decrease) in net assets prior to transfers	121,360,032	(749,247)	(151,560)	120,459,225
Transfers to/from	<u>(882,485)</u>	<u>762,485</u>	<u>120,000</u>	<u>-</u>
NET INCREASE (DECREASE)	120,477,547	13,238	(31,560)	120,459,225
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:				
BEGINNING OF THE YEAR	\$ 1,105,894,231	\$ (100,132)	\$ 2,854,121	\$ 1,108,648,220
END OF THE YEAR	<u>\$ 1,226,371,778</u>	<u>\$ (86,894)</u>	<u>\$ 2,822,561</u>	<u>\$ 1,229,107,445</u>

<u>Olde Oaks Golf Course</u>	<u>Stonebridge Golf Course</u>	<u>Olde Oaks Development</u>	<u>Boot Ranch Development</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 15,646,734
-	-	-	-	32,188,691
-	-	-	-	5,089
-	-	-	-	10,135,228
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,975,742</u>
-	-	297,119	-	123,551,261
-	-	-	-	23,060
-	-	-	-	200,316
-	-	-	-	11,516,187
-	-	-	-	595,453
-	-	-	-	10,179,729
-	-	-	-	27,168
-	-	-	-	-
-	-	-	-	164,422
<u>-</u>	<u>-</u>	<u>297,119</u>	<u>-</u>	<u>146,257,596</u>
-	-	-	-	548,540
-	-	-	-	195,929
-	-	-	-	3,361,419
-	-	-	-	412,547
-	-	-	-	56,835
-	-	202,583	-	202,583
-	232,699	-	-	232,699
-	-	-	59,033	59,033
286,548	-	-	-	286,548
<u>286,548</u>	<u>232,699</u>	<u>202,583</u>	<u>59,033</u>	<u>5,356,133</u>
<u>(286,548)</u>	<u>(232,699)</u>	<u>94,536</u>	<u>(59,033)</u>	<u>140,901,463</u>
-	-	-	-	164,365
-	-	-	-	73,691
-	-	-	-	52,491
-	-	-	-	432,022
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>722,569</u>
<u>(286,548)</u>	<u>(232,699)</u>	<u>94,536</u>	<u>(59,033)</u>	<u>199,599,774</u>
-	-	-	-	76,534,487
-	-	-	-	2,143,792
-	-	-	-	826,381
-	-	-	-	107,982
-	-	-	-	11,651
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,624,293</u>
(286,548)	(232,699)	94,536	(59,033)	119,975,481
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(286,548)	(232,699)	94,536	(59,033)	119,975,481
(2,240,751)	-	-	-	1,106,407,469
<u>\$ (2,527,299)</u>	<u>\$ (232,699)</u>	<u>\$ 94,536</u>	<u>\$ (59,033)</u>	<u>\$ 1,226,382,950</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS GOLF COURSE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2004

REVENUE:

Green fees	\$ 652,910
Golf cart rental	327,634
Range fees	28,001
Other golf revenue	22,913
Golf shop	281,354
Membership dues	385,565
Food and beverage	
revenue from operations	301,715
Other income	20,839
Total revenue	2,020,931

OPERATING EXPENSES:

Advertising	24,433
Bad debt expense	2,611
Cleaning supplies	11,292
Contract labor	17,895
Cost of goods sold - golf shop	190,661
Cost of goods sold - food and beverage	139,651
Depreciation	108,664
Equipment purchases	23,443
Equipment leasing/rental	159,659
Fuel	35,104
Ground maintenance	91,454
Insurance - health	17,029
Insurance - workman's compensation	22,887
Interest and late charge	28,631
License and permits	1,588
Management fees	157,833
Miscellaneous expenses	25,444
Other employee expenses	7,655
Printing and stationary	2,850
Promotional expenses	737
Repair, maintenance and supplies	114,856
Salaries and wages	787,731
Taxes - payroll	78,999
Telephone	8,277
Tournament expenses	6,794
Utilities	45,800
Operating expenses	
	2,111,978

OTHER EXPENSES:

General and administrative expenses (Page 29)	52,381
Property taxes, insurance	143,120
Total expenses	2,307,479
LOSS	\$ (286,548)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS GOLF COURSE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2004

Bank charges	\$ 2,425
Credit card service charge	22,926
Dues and subscriptions	8,046
Education	2,885
Office supplies	4,281
Payroll processing	2,689
Postage and delivery	2,906
Professional fees	2,352
Travel and entertainment	<u>3,871</u>
Total administrative expenses	\$ <u><u>52,381</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS GOLF COURSE
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (286,548)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	108,664
Bad debt expense	2,611
Expenses paid by Retirement System	231,175
(Increase) decrease in operating assets:	
Accounts receivable	21,150
Inventories	(88,270)
Increase (decrease) in operating liabilities:	
Accounts payable	43,154
Accrued payroll and taxes	10,178
Sales tax payable	(6,977)
Net cash provided by operating activities	<u>35,137</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(122,593)
Net cash used by investing activities	<u>(122,593)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from the line of credit - operating	136,100
Proceeds from the line of credit - equipment	89,840
Payment for obligation under line of credit	(166,448)
Payment for obligation under capital leases	(23,732)
Net cash provided by financing activities	<u>35,760</u>

NET DECREASE IN CASH (51,696)

CASH, BEGINNING OF YEAR 166,339

CASH, END OF YEAR \$ 114,643

NONCASH INVESTING ACTIVITIES:

Purchase of equipment through capital lease	<u>\$ 225,940</u>
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 THE CLUB AT STONEBRIDGE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2004

REVENUE:

Green fees	\$ 365,881
Golf cart rental	53,383
Range fees	32,850
Other golf revenue	11,108
Golf shop	69,307
Membership dues	291,744
Food and beverage	
revenue from operations	80,348
Other income	15,600
Total revenue	<u>920,221</u>

OPERATING EXPENSES:

Advertising	12,635
Bad debt expense	12,278
Cleaning supplies	3,645
Contract labor	8,356
Cost of goods sold - golf shop	40,209
Cost of goods sold - food and beverage	40,937
Depreciation	20,034
Equipment purchases	2,992
Equipment leasing/rental	62,911
Ground maintenance	83,549
Insurance - health	12,561
Insurance - workman's compensation	10,182
Interest and late charge	11,226
License and permits	9,906
Management fees	62,500
Miscellaneous expenses	2,450
Other employee expenses	4,234
Printing and stationary	1,362
Promotional expenses	6,413
Repair, maintenance and supplies	82,515
Salaries and wages	407,509
Taxes - payroll	40,081
Telephone	7,118
Utilities	36,287
Total operating expenses	<u>981,890</u>

OTHER EXPENSES:

General and administrative expenses (Page32)	70,020
Property taxes, insurance	<u>101,010</u>
Total expenses	<u>1,152,920</u>
LOSS	<u>\$ (232,699)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
THE CLUB AT STONEBRIDGE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2004

Bank charges	\$ 10,021
Dues and subscriptions	31,285
Education	316
Office supplies	4,604
Postage and delivery	1,832
Professional fees	17,876
Travel and entertainment	<u>4,086</u>
 Total administrative expenses	 \$ <u><u>70,020</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 THE CLUB AT STONEBRIDGE
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (232,699)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	20,034
Bad debt expense	12,278
Expenses paid by Retirement System	144,331
(Increase) decrease in operating assets:	
Accounts receivable	(117,678)
Inventories	(71,821)
Increase (decrease) in operating liabilities:	
Accounts payable	89,322
Accrued payroll and taxes	38,310
Net cash used by operating activities	<u>(117,923)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from the line of credit	37,076
Loans from the Retirement System	135,000
Payment for obligation under line of credit	(100)
Payment for obligation under capital leases	(29,216)
Net cash provided by financing activities	<u>142,760</u>

NET INCREASE IN CASH 24,837

CASH, BEGINNING OF YEAR -

CASH, END OF YEAR \$ 24,837

NONCASH INVESTING ACTIVITIES:

Purchase of equipment through capital lease	<u>\$ 176,212</u>
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS DEVELOPMENT
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2004

REVENUE:

Gain on the sale of lot	\$ 24,765
Net appreciation in fair value of investment	272,354
Total revenue	<u>297,119</u>

OPERATING EXPENSES:

Advertising	52,617
Commission	31,979
Maintenance	110,989
Total operating expenses	<u>195,585</u>

ADMINISTRATIVE EXPENSES:

Bank charges	62
Professional fees	1,000
Total administrative expenses	<u>1,062</u>

OTHER EXPENSES:

Insurance	5,936
Total expenses	<u>202,583</u>

INCOME	<u>\$ 94,536</u>
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS DEVELOPMENT
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 94,536
Adjustments to reconcile change in net assets to net cash provided by operations:	
Net appreciation of investment gain on sale of land	(272,354)
Expenses paid by Retirement System	107,534
(Increase) decrease in operating assets:	
Accounts receivable	(1,629)
Prepaid expenses	(14,415)
Other assets	(12,271)
Increase (decrease) in operating liabilities:	
Accounts payable	125,318
Other liabilities	128,635
Net cash provided by operating activities	<u>155,354</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(5,932,000)
Improvements	(200,051)
Sale of land	23,680
Net cash used by investing activities	<u>(6,108,371)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Loan from the Retirement System	52,500
Payment of loans from the Retirement System	(542,151)
Proceeds from line of credit	7,124,151
Net cash provided by financing activities	<u>6,634,500</u>

NET INCREASE IN CASH 681,483

CASH, BEGINNING OF YEAR -

CASH, END OF YEAR \$ 681,483

NONCASH INVESTING ACTIVITIES:

Capital improvements paid by the Retirement System	<u>\$ 382,117</u>
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NONCASH FINANCING ACTIVITIES:

Loan from the Retirement System	<u>\$ 489,651</u>
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
BOOT RANCH DEVELOPMENT, LP
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2004

REVENUE	\$ <u>-</u>
OPERATING EXPENSES:	
Contract labor	160
Printing and stationary	30,359
Repair, maintenance and supplies	2,562
Salaries and wages	16,106
Taxes - payroll	797
Telephone	278
Utilities	7,836
Total operating expenses	<u>58,098</u>
ADMINISTRATIVE EXPENSES	
Bank charges	\$ 260
Office supplies	127
Postage and delivery	59
Professional fees	183
Travel and entertainment	306
Total administrative expenses	<u>\$ 935</u>
Total expenses	<u>59,033</u>
LOSS	\$ <u>(59,033)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 BOOT RANCE DEVELOPMENT
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (59,033)
(Increase) decrease in operating assets:	
Startup cost	(129,742)
Increase (decrease) in operating liabilities:	
Accounts payable	<u>280,347</u>
Net cash provided by operating activities	<u>91,572</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(15,740,416)
Construction in progress	<u>(632,601)</u>
Net cash used by investing activities	<u>(16,373,017)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Loans from the Retirement System	50,000
Payment of loan from the Retirement System	(255,785)
Proceeds from the line of credit - Regions	14,200,000
Payment for obligation under line of credit	(14,200,000)
Proceeds from the line of credit - Bank One	<u>16,888,174</u>
Net cash provided by financing activities	<u>16,682,389</u>

NET INCREASE IN CASH 400,944

CASH, BEGINNING OF YEAR -

CASH, END OF YEAR \$ 400,944

NONCASH INVESTING ACTIVITIES:

Capital improvement	<u>\$ 126,356</u>
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES
YEARS ENDED JUNE 30, 2004 AND 2003

	JUNE 30, 2004					
	<u>Annuity</u>	<u>Annuity</u>	<u>Deferred</u>	<u>Initial</u>	<u>Pension</u>	<u>Unfunded</u>
	<u>Savings</u>	<u>Reserve</u>	<u>Retirement</u>	<u>Benefit</u>	<u>Accumulation</u>	<u>Actuarial</u>
			<u>Option Plan</u>	<u>Option</u>		<u>Accrued</u>
				<u>Plan</u>		<u>Liability</u>
BALANCE - BEGINNING	\$ 115,363,026	\$ 786,076,909	\$ 51,495,888	\$ 315,338	\$ 502,539,858	\$ (349,383,550)
REVENUES AND TRANSFERS:						
Employee contributions	15,646,734	-	-	-	-	-
Employer contributions	-	-	-	-	32,188,691	-
Insurance premium tax	-	-	-	-	10,135,228	-
Net investment income (loss)	-	-	-	-	140,901,463	-
Merger interest and penalty payment	-	-	-	-	164,365	-
Income from purchase of prior service	5,089	-	-	-	-	-
Interest income - refunds	-	-	-	-	73,691	-
Transfers from other systems	52,491	-	-	-	432,022	-
Transfer from Annuity Savings	-	8,466,525	-	-	-	-
Pensions transferred from						
Annuity Reserve	-	-	11,574,068	602,984	-	-
Actuarial transfer	-	155,568,671	-	-	-	14,027,175
	<u>15,704,314</u>	<u>164,035,196</u>	<u>11,574,068</u>	<u>602,984</u>	<u>183,895,460</u>	<u>14,027,175</u>
EXPENDITURES AND TRANSFERS:						
Pensions paid	-	67,585,185	8,547,748	401,554	-	-
Refunds to members	2,143,792	-	-	-	-	-
Administrative expenses	-	-	-	-	838,032	-
Depreciation	-	-	-	-	107,982	-
Transfer to Annuity Reserve	8,466,525	-	-	-	-	-
Pensions transferred to Initial						
Benefit Option Plan	-	602,984	-	-	-	-
Pensions transferred to DROP	-	11,574,068	-	-	-	-
Actuarial transfer	-	-	-	-	169,595,846	-
	<u>10,610,317</u>	<u>79,762,237</u>	<u>8,547,748</u>	<u>401,554</u>	<u>170,541,860</u>	<u>-</u>
NET INCREASE (DECREASE)	<u>5,093,997</u>	<u>84,272,959</u>	<u>3,026,320</u>	<u>201,430</u>	<u>13,353,600</u>	<u>14,027,175</u>
BALANCE - ENDING	\$ <u>120,457,023</u>	\$ <u>870,349,868</u>	\$ <u>54,522,208</u>	\$ <u>516,768</u>	\$ <u>515,893,458</u>	\$ <u>(335,356,375)</u>

JUNE 30, 2003

<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>
\$ 1,106,407,469	\$ 111,456,502	\$ 742,275,095	\$ 49,959,649	\$ 387,155	\$ 480,527,187	\$ (286,381,585)	\$ 1,098,224,003
15,646,734	14,727,154	-	-	-	-	-	14,727,154
32,188,691	-	-	-	-	17,890,371	-	17,890,371
10,135,228	-	-	-	-	8,689,205	-	8,689,205
140,901,463	-	-	-	-	39,876,552	-	39,876,552
164,365	-	-	-	-	1,597,147	-	1,597,147
5,089	69,626	-	-	-	-	-	69,626
73,691	-	-	-	-	197,942	-	197,942
484,513	337,689	-	-	-	136,168	-	473,857
8,466,525	-	8,736,071	-	-	-	-	8,736,071
12,177,052	-	-	8,963,414	529,415	-	-	9,492,829
169,595,846	-	108,392,914	-	-	-	-	108,392,914
389,839,197	15,134,469	117,128,985	8,963,414	529,415	68,387,385	-	210,143,668
76,534,487	-	63,834,342	7,427,175	601,232	-	-	71,862,749
2,143,792	2,491,874	-	-	-	-	-	2,491,874
838,032	-	-	-	-	899,533	-	899,533
107,982	-	-	-	-	84,232	-	84,232
8,466,525	8,736,071	-	-	-	-	-	8,736,071
602,984	-	529,415	-	-	-	-	529,415
11,574,068	-	8,963,414	-	-	-	-	8,963,414
169,595,846	-	-	-	-	45,390,949	63,001,965	108,392,914
269,863,716	11,227,945	73,327,171	7,427,175	601,232	46,374,714	63,001,965	201,960,202
119,975,481	3,906,524	43,801,814	1,536,239	(71,817)	22,012,671	(63,001,965)	8,183,466
\$ 1,226,382,950	\$ 115,363,026	\$ 786,076,909	\$ 51,495,888	\$ 315,338	\$ 502,539,858	\$ (349,383,550)	\$ 1,106,407,469

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF PER DIEM PAID TO TRUSTEES
YEARS ENDED JUNE 30, 2004 AND 2003

The per diem paid to the trustees is an expenditure of the Expense Fund. For 2004 and 2003 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, 2004 and 2003 are as follows:

	NUMBER OF DAYS <u>ATTENDING</u>		<u>AMOUNTS</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Henry Dean	14	14	\$ 1050	\$ 1,050
Bill Fields	15	13	1125	975
Jeffrey Wesley	14	12	1050	900
Larry Reece	12	12	900	900
Thomas Buell	14	12	1050	900
Willie Joe Greene	15	13	1125	975
Joe Bourgeois	15	12	1125	900
Jim Roberts	7	12	525	900
Mike Halphen	14	12	1,050	900
Francis Campbell	3	-	225	-
			<u>\$ 9,225</u>	<u>\$ 8,400</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF ACCOUNTS RECEIVABLE - MERGED SYSTEMS
YEARS ENDED JUNE 30, 2004 AND 2003

<u>City</u>	<u>Term</u>		<u>Interest</u> <u>Rate</u>	<u>Payment</u> <u>Term</u>	<u>Payment</u> <u>Amount</u>	<u>Balance</u> <u>6-30-04</u>	<u>Balance</u> <u>6-30-03</u>
Crowley	01-84	12-13	7%	Quarterly	21,644	\$ 590,434	\$ 634,628
Opelousas	01-84	10-13	7%	Quarterly	37,773	1,030,077	1,107,564
Tallulah	01-84	10-13	7%	Quarterly	5,376	<u>146,604</u>	<u>157,503</u>
TOTAL						\$ <u><u>1,767,115</u></u>	\$ <u><u>1,899,695</u></u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
YEAR ENDED JUNE 30, 2004

	<u>Par Value</u>	<u>Original Cost</u>	<u>Market Value</u>
BONDS:			
Federal Home Loan Mortgage Corporation	\$ 20,785,188	\$ 21,455,582	\$ 21,069,904
Federal National Mortgage Association	26,668,932	27,344,520	27,451,509
Government National Mortgage Association	594,913	598,631	610,869
Corporate Bonds	<u>145,456,709</u>	<u>150,683,549</u>	<u>151,350,073</u>
TOTAL BONDS	<u>\$ 193,505,742</u>	<u>\$ 200,082,282</u>	<u>\$ 200,482,355</u>
MUTUAL FUNDS AND POOLED FUNDS:			
Pooled Bond Fund		\$ 200,459,727	\$ 226,184,952
Domestic Mutual Fund		<u>55,000,000</u>	<u>57,867,030</u>
TOTAL MUTUAL FUNDS		<u>\$ 255,459,727</u>	<u>\$ 284,051,982</u>
DOMESTIC STOCKS		<u>\$ 407,553,456</u>	<u>\$ 473,057,527</u>
INTERNATIONAL STOCKS		<u>\$ 167,038,152</u>	<u>\$ 185,773,595</u>
REAL ESTATE - LAND AND RENTAL		<u>\$ 1,270,885</u>	<u>\$ 1,276,857</u>
REAL ESTATE - OLDE OAKS GOLF COURSE		<u>\$ 10,935,027</u>	<u>\$ 10,064,243</u>
REAL ESTATE - THE CLUB AT STONEBRIDGE		<u>\$ 4,229,487</u>	<u>\$ 5,799,338</u>
REAL ESTATE - OLDE OAKS DEVELOPMENT		<u>\$ 6,490,488</u>	<u>\$ 6,762,842</u>
REAL ESTATE - BOOT RANCH DEVELOPMENT		<u>\$ 16,434,546</u>	<u>\$ 16,434,546</u>
OTHER INVESTMENT		<u>\$ 1,093,388</u>	<u>\$ 1,093,388</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2004

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
BUDGETED EXPENSES:			
Personal Services:			
Staff salaries	\$ 264,995	\$ 285,100	\$ 20,105
Group insurance	55,217	65,000	9,783
Retirement	34,759	53,000	18,241
Board member - Per diem	9,225	10,125	900
Professional Services:			
Accountant	47,763	64,000	16,237
Actuarial	50,000	50,000	-
Computer services	31,210	42,000	10,790
Risk management	1,869	3,300	1,431
Legal	101,410	100,000	(1,410)
Medical Board	8,999	12,000	3,001
Retirement Association fees	935	1,280	345
Communications:			
Postage, printing and supplies	43,306	53,000	9,694
Telephone	9,113	15,000	5,887
Travel	20,703	29,000	8,297
Other:			
Advertising	100	1,000	900
Computer software	2,009	5,000	2,991
Equipment rental and repair	24,555	20,000	(4,555)
Election expenses	10,373	10,000	(373)
Board expenses	17,573	27,000	9,427
Microfilm	-	5,500	5,500
Miscellaneous	13,250	4,000	(9,250)
Uniforms	626	4,000	3,374
Medicare expense	1,202	3,000	1,798
Vehicle maintenance	56	500	444
Total expenses budgeted	\$ <u>749,248</u>	\$ <u>862,805</u>	\$ <u>113,557</u>
BUILDING			
Association dues	880	2,200	1,320
Computer Services	-	-	-
Contract services	-	55,500	55,500
Maintenance	33,099	22,100	(10,999)
Office supplies	-	-	-
Property Taxes	-	13,000	13,000
Security	3,298	3,500	202
Utilities	39,856	38,000	(1,856)
	\$ <u>77,133</u>	\$ <u>134,300</u>	\$ <u>57,167</u>
CAPITAL OUTLAYS	\$ <u>37,583</u>	\$ <u>18,000</u>	\$ <u>(19,583)</u>
CAPITAL OUTLAYS - Contractor	\$ <u>25,679</u>	\$ <u>-</u>	\$ <u>(25,679)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 1999 THROUGH 2004

<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>
1999	\$ 10,401,344	\$ --	125.28 %	-- %
2000	7,196,355	--	206.17	--
2001	9,738,895	--	170.63	--
2002	16,568,497	4,806,272	97.90	115.17
2003	29,220,618	8,689,205	61.23	100.00
2004	43,501,552	10,135,228	73.99	100.00

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

For the years ending June 30, 2004 and 2003, 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.

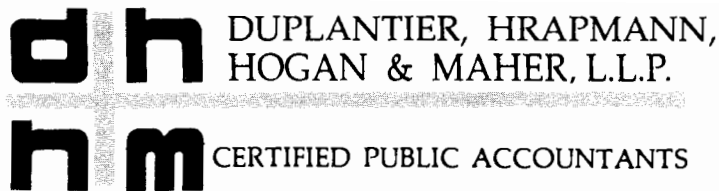
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 1999 THROUGH 2004

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value Of</u> <u>of Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>Entry Age</u>	<u>(Surplus)</u> <u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL</u> <u>As A</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
June 30, 1999	\$ 1,148,895,773	\$ 1,038,469,896	\$ (110,425,877)	\$ 110.63 %	143,669,670	-- %
June 30, 2000	1,277,548,391	1,167,247,144	(110,301,247)	109.45	163,773,101	--
June 30, 2001	1,275,127,921	1,261,056,748	(14,071,173)	101.12	181,737,834	--
June 30, 2002	1,189,425,521	1,384,605,589	195,180,068	85.90	187,567,901	96.1
June 30, 2003	1,076,306,000	1,455,791,000	379,485,000	73.90	197,254,000	192.4
June 30, 2004	1,138,387,070	1,561,739,325	423,352,255	72.90	208,756,800	202.7

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND
 SCHEDULE OF FUNDING PROGRESS
JUNE 30, 1999 THROUGH 2004

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

Valuation date	June 30, 2004
Actuarial cost method	Entry age normal
Amortization method	Level dollar - The amortization period is for a specific number of years. (Closed Basis).
Remaining amortization period	30 years. Act 1079 of 2003 changed amortization period effective June 30, 2002.
Asset valuation method	The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets.
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	Technical paper No. 16 "Present Value of Estimated Lifetime Earnings". These rates are increased by 2% during the first ten years of employment.
Cost of Living Adjustment	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Unfunded actuarial	The System incurred an increase in the unfunded actuarial liability in the amount of \$43,867,953. The increase was primarily due to employer contribution shortage of \$13,640,571 and a net experience loss of \$31,940,093.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON A
FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

September 23, 2004

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, 2004, and have issued our report thereon dated September 23, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Municipal Police Employees' Retirement System in a separate letter dated September 23, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal over financial reporting and its operation that we consider to be material weaknesses. However we noted other matters that we have reported to management of Municipal Police Employees' Retirement System in a separate letter dated September 23, 2004.

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

Duplantier, Hrapmann, Hagan and Thacker, LLP