R E P O R T

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES

JUNE 30, 2007 AND 2006

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

INDEX TO REPORT

JUNE 30, 2007 AND 2006

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INDEPENDENT AUDITOR'S REPORT

November 11, 2007

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, 2007 and 2006, 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, 2007 and 2006 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, 2007 and 2006 and issued our unqualified opinions on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 47 – 49 and the supplemental schedules listed on pages 32 - 46 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending June 30, 2002 – 2007 and supplemental schedules for the years ending June 30, 2007 and 2006, have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2007 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 read in conjunction with this report in considering 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, 2007

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, 2007. 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 2007 by $1,627,120,612 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by $206,328,256 or 14.52%. The increase was due primarily to capital appreciation in the equity and core real estate portfolios.

* Contributions to the plan by members and employers totaled $53,024,740, a decrease of $1,217,168 or 2.24% over the prior year.

* Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled $12,817,388, an increase of $599,474, 4.90% over the prior year.

* Net appreciation in the fair value of investments totaled a net appreciation of $205,225,803. The net appreciation increased by $117,768,835 or 134.65%. The increase was due primarily to higher equity market returns available in the market place.

* The rate of return on the System's investments was a positive 16.46% based on the market value. This is higher than last year's 8.72% rate of return due, primarily, to the higher equity market returns available in the market place.

* Pension benefits paid to retirees and beneficiaries increased by $4,922,256 or 5.93%. This increase is due to an increase in retirees.

* Administrative expenses totaled $1,063,168, an increase of $170,943 or 19.15%. The cost of administering the System per member during 2007 was $96.72 per individual compared to $82.92 per individual in 2006.

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:

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, 2007 and 2006.

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, 2007 and 2006

	2007	2006
Cash and investments	$ 1,828,651,485	$ 1,628,643,090
Receivables	41,611,087	13,253,090
Property and equipment	2,574,618	2,639,998
Total assets	1,872,837,190	1,644,536,178
Total liabilities	245,716,578	223,743,822
Net Assets Held in Trust For Pension Benefits	$ 1,627,120,612	$ 1,420,792,356

Plan net assets increased by 14.52% ($1,627,120,612 compared to $1,420,792,356). 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 SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF THE FUND (Continued)

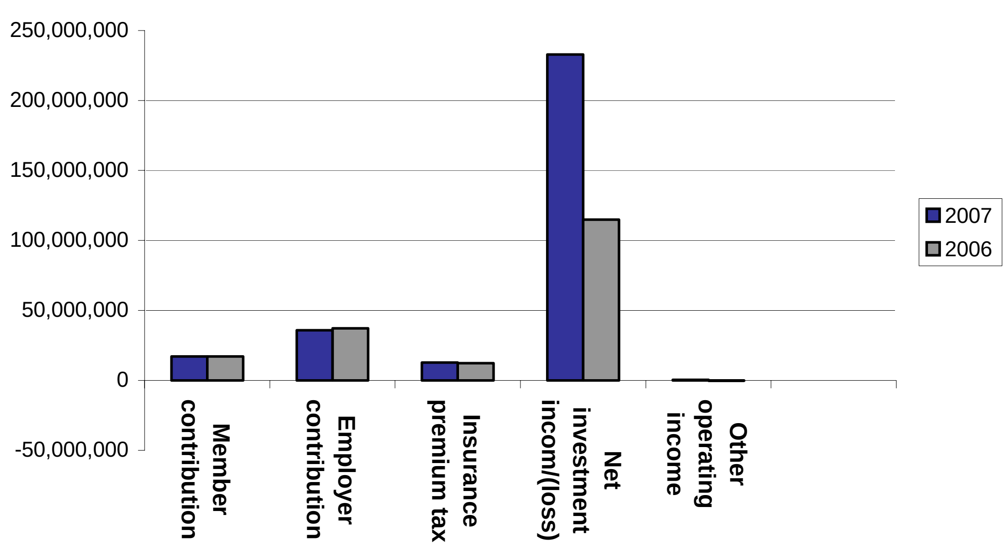
Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2007 and 2006

	2007	2006
Additions:		
Contributions	$ 65,842,128	$ 66,459,822
Investment income - net	232,956,935	114,870,803
Other	440,485	(227,510)
Total additions	299,239,548	181,103,115
Total Deductions	92,911,292	89,103,240
Increase in Plan Net Assets	$ 206,328,256	$ 91,999,875

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 $279,653 or 1.65% while employer contributions decreased by $1,354,471 or 3.63%. The System experienced net investment income of $232,956,935 as compared to a net investment income of $114,870,803 in the previous year.

	2007	2006	Increase (Decrease) Percentage
Member Contributions	$ 17,157,738	$ 17,020,435	.80%
Employer Contributions	35,867,002	37,221,473	(3.63)%
Insurance Premium Taxes	12,817,388	12,217,914	4.90%
Net Investment Income	232,956,935	114,870,803	102.79%
Other Operating Revenues/(expenses)	440,485	(227,510)	293.61%
Total	$ 299,239,548	$ 181,103,115	



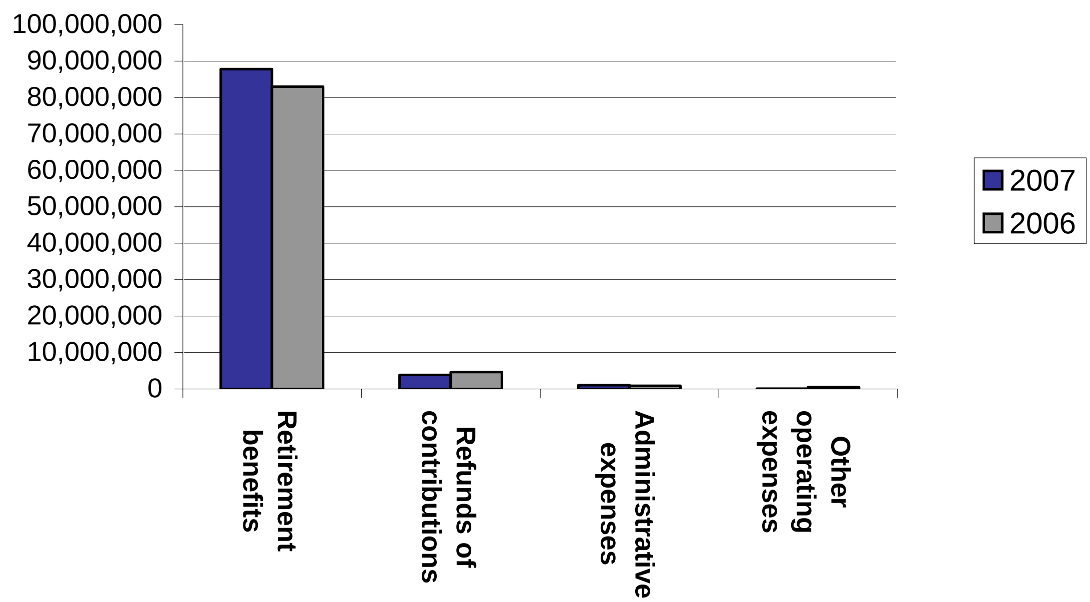
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

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 $92,911,292 in fiscal year 2007. This increase of $3,808,052 was primarily due to an increase in pension benefits. The cost of administering the System's benefits per member during 2007 was $96.72 per individual compared to $82.92 per individual in 2006.

	2007	2006	Increase (Decrease) Percentage
Retirement Benefits	$87,910,584	$82,988,328	5.91%
Refunds of Contributions	3,843,112	4,660,819	(17.54)%
Administrative Expenses	1,063,168	892,225	19.15%
Other Operating Expenses	94,428	561,868	(83.19)%
Total	$ 92,911,292	$ 89,103,240	



MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF THE FUND (Continued)

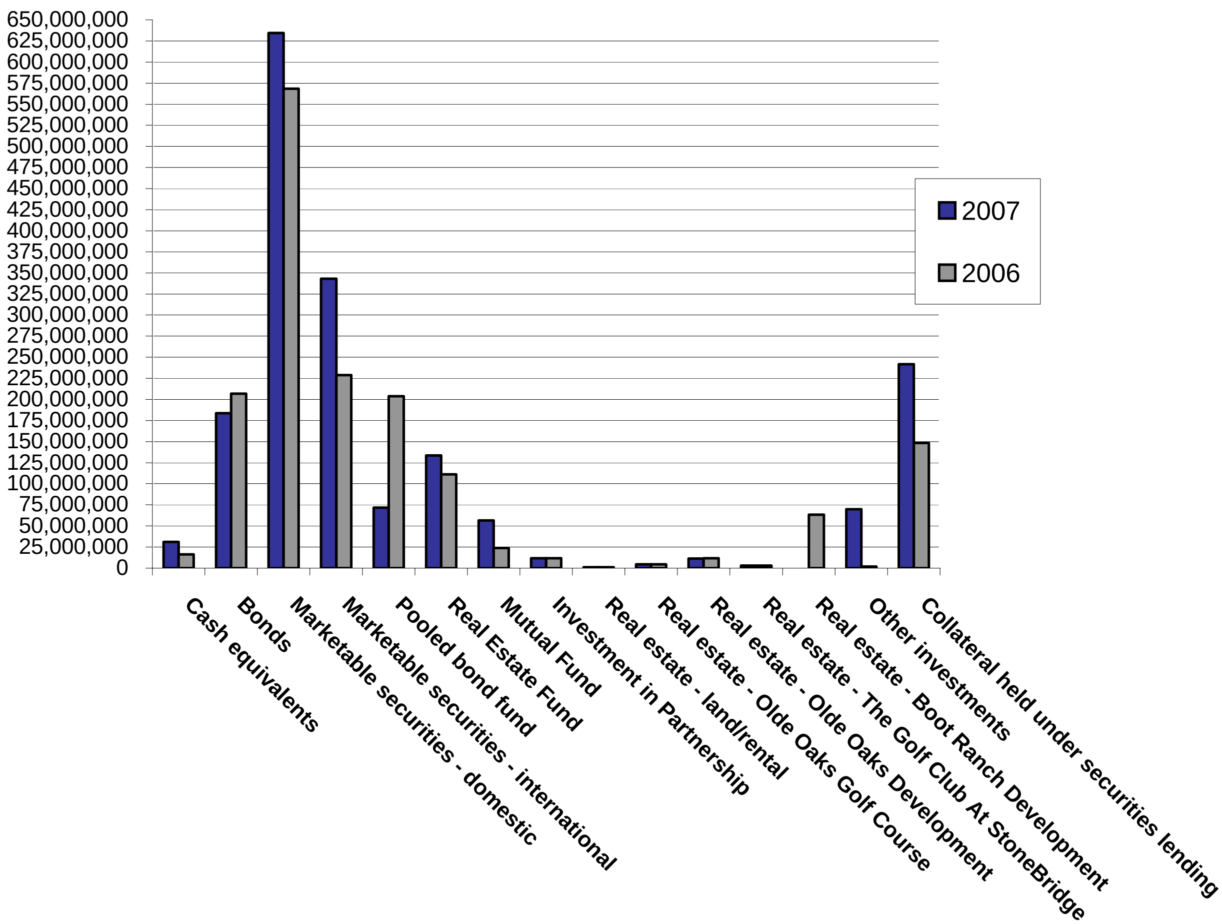
Investments

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, 2007 amounted to $1,577,470,351 as compared to $1,469,268,449 at June 30, 2006, which is an increase of $108,201,902 or 7.36%. The System's investments in various markets at the end of the 2007 and 2006 fiscal years are indicated in the following table:

	2007	2006	Increase (Decrease) Percentage
Cash and cash equivalents	$ 35,964,735	$ 29,054,919	23.78%
Bonds	183,798,885	206,779,897	(11.11)%
Marketable securities - domestic	634,416,607	568,232,813	11.65%
Marketable securities – international	342,868,811	228,978,543	49.73%
Pooled Bond Fund	71,772,589	203,729,874	(64.77)%
Real Estate Fund	133,418,423	111,280,983	19.89%
Mutual Fund	56,682,712	23,810,124	138.06%
Real Estate – Land and Rental	868,903	1,280,516	(32.14)%
Real Estate – Olde Oaks Golf Course	4,496,478	4,496,478	--
Real Estate – Olde Oaks Development	11,429,982	11,589,251	(1.37)%
Real Estate – The Golf Club at StoneBridge	3,198,764	3,198,764	--
Real Estate – Boot Ranch Development	--	63,188,219	(100.00)%
Investment in partnership	28,696,827	11,868,499	141.78%
Other investments	69,856,635	1,779,569	3,825.48%
Collateral Held Under Securities Lending	241,885,564	148,491,917	62.89%
Total	$ 1,819,355,915	$ 1,617,760,366	

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

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, 2007 AND 2006

	2007	2006
ASSETS:		
Cash:		
Cash in bank	$ 9,245,926	$ 10,583,801
Cash in escrow	49,644	298,923
Total cash	9,295,570	10,882,724
Receivables:		
Member contributions	1,769,513	1,642,038
Employer contributions	3,522,241	3,563,391
Due from merged systems	1,336,889	1,537,367
Other receivable	333,196	261,087
Investment receivable	2,582,080	1,749,412
Accrued interest and dividends	4,939,794	4,315,895
Real Estate investment receivable	27,057,374	183,900
Total receivables	41,541,087	13,253,090
Investments:		
Cash in trust	4,964,813	12,874,829
Short-term cash equivalents - domestic	30,999,922	16,180,090
Bonds - domestic and foreign	183,798,885	206,779,897
Marketable securities - domestic	634,416,607	568,232,813
Marketable securities - international	342,868,811	228,978,543
Pooled Bond Fund	71,772,589	203,729,874
Real Estate Fund	133,418,423	111,280,983
Mutual Fund	56,682,712	23,810,124
Investment in partnership	28,696,827	11,868,499
Other investments	69,856,635	1,779,569
Collateral held under securities lending program - money market account	241,885,564	148,491,917
Real estate - Boot Ranch Development	-	63,188,219
Real estate - Land and rental	868,903	1,280,516
Real estate - Olde Oaks Development	11,429,982	11,589,251
Real estate - Olde Oaks Golf Course	4,496,478	4,496,478
Real estate - The Golf Club at StoneBridge	3,198,764	3,198,764
Total investments	1,819,355,915	1,617,760,366
Other assets	70,000	-
Property, plant and equipment: (Net of accumulated depreciation $657,649 in 2007; $580,285 in 2006)	2,574,618	2,639,998
TOTAL ASSETS	1,872,837,190	1,644,536,178
LIABILITIES:		
Accounts payable	1,609,786	4,080,892
Accrued payroll and taxes	5,967	32,841
Refunds payable - members	252,820	312,477
Deferred contributions	66,887	76,999
Other liabilities	95,255	244,052
Notes payable	104,459	322,778
Notes payable - Line of credit	821,678	68,764,097
Obligations under securities lending program	241,885,564	148,491,917
Investment payable	874,162	1,417,769
TOTAL LIABILITIES	245,716,578	223,743,822
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress for the Plan is presented on page 48)	$ 1,627,120,612	$ 1,420,792,356

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
ADDITIONS:		
CONTRIBUTIONS:		
Members	$ 17,157,738	$ 16,878,085
Employer	35,867,002	37,221,473
Military purchase	-	142,350
Insurance premium tax	12,817,388	12,217,914
Total contributions	65,842,128	66,459,822
INVESTMENT INCOME:		
Net appreciation in investments	205,225,803	87,456,968
Interest - sweep account	256,909	233,413
Interest - cash equivalents	1,904,042	1,470,786
Interest - notes, bonds, etc.	13,019,682	13,385,063
Interest - securities lending	9,663,044	5,863,914
Dividends - stock	16,945,018	16,461,013
Boot Ranch Development operations	-	1,050,218
Miscellaneous	1,339,812	58,563
	248,354,310	125,979,938
Less investment expenses:		
Securities lending expense	9,103,339	5,336,408
Custodial	99,427	256,877
Investment advisor	5,173,962	4,019,378
Foreign tax withheld	-	749,359
Miscellaneous investment expense	107,758	45,313
Real estate - Olde Oaks Development	688,967	408,034
Real estate - Olde Oaks Golf Course	206,450	159,612
Real estate - The Golf Club at StoneBridge	17,472	134,154
	15,397,375	11,109,135
Net investment income	232,956,935	114,870,803
OTHER ADDITIONS:		
Merger interest payment	96,467	107,023
Interest income - refunds	681	177,418
Transfers (to) from other systems - employees	259,529	(59,902)
Transfers (to) from other systems - employers/interest	83,808	(452,049)
Total other additions	440,485	(227,510)
Total additions	299,239,548	181,103,115
DEDUCTIONS:		
Benefits	87,910,584	82,988,328
Refund of contributions	3,843,112	4,660,819
Administrative expenses	1,063,168	892,225
Depreciation	94,428	94,312
Miscellaneous	-	467,556
Total deductions	92,911,292	89,103,240
NET INCREASE	206,328,256	91,999,875
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	1,420,792,356	1,328,792,481
END OF YEAR	$ 1,627,120,612	$ 1,420,792,356

See accompanying notes.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Land, Equipment and Fixtures:

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

Consolidation:

The consolidated financial statements include the accounts of Municipal Police Employees' Retirement System and its 100% owned subsidiaries, Olde Oaks Golf Course, LLC, StoneBridge Enterprises, LLC and Olde Oaks Development, LLC. All significant intercompany balances have been eliminated in the consolidation. In addition, the financial statements include the accounts of Boot Ranch, LP. At June 30, 2006, Municipal Police Employees' Retirement System owned 35% of the units in Boot Ranch, LP. and received 60% of all income or loss throughout Phase I and 51% of all income or losses throughout Phase II. As of June 30, 2007, Municipal Police Employees' Retirement System liquidated its ownership interest in the project.

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, 2007 and 2006, there are 144 contributing municipalities. At June 30, 2007 and 2006 statewide retirement membership consists of:

	2007	2006
Active members	5,645	5,575
Regular retirees	2,613	2,517
Disability retirees	201	208
Survivors	1,020	1,014
Vested and reciprocals	108	99
Due refunds	993	926
DROP participants	217	227
DROP to active	195	194
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	10,992	10,760

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.

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 For those entering DROP prior to January 1, 2004, 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. 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, DROP accounts shall earn interest subsequent to the termination of DROP participation at money market rates or self-directed accounts approved by the Board of Trustees.

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, 2007 and 2006 was 13.75% and

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

15.5%. The actual contribution rate for the years then ended was 15.5% and 15.25%. The difference was due to the state statute that requires the rate to be calculated two years in advance. In addition, according to state statute, the System receives insurance premium tax monies as additional employer contributions. This tax is appropriated by the legislature each year based on an actuarial study. For the year ended June 30, 2007 and 2006, the state appropriated $12,817,388 and $12,217,914, 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, 2007 and 2006 is $134,817,818 and $130,151,650, 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, 2007 and 2006 is $550,044,584 and $481,135,007, respectively. The Pension Accumulation is 83% funded for the year ended June 30, 2007 and 65% funded for the year ended June 30, 2006.

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, 2007 and 2006 is $960,802,406 and $914,607,048, 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, 2007 and 2006 is $73,112,414 and $64,655,750, 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, 2007 and 2006 is $759,147 and $506,092, respectively. The Initial Benefit Option Reserve is fully funded.

4. ACTUARIAL COST METHOD:

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

5. REQUIRED SUPPLEMENTAL SCHEDULE INFORMATION:

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

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
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JUNE 30, 2007 AND 2006

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 2007 and 2006:

	2007	2006
Deposits (bank balance)	$ 9,504,089	$ 11,003,831
Cash and cash equivalents – domestic	35,964,735	29,054,919
Investments	1,783,391,180	1,588,705,447
	$ 1,828,860,004	$ 1,628,764,197

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, 2007, Olde Oaks Development had funds on deposit which exceeded FDIC insurance coverage in the amount of $70,796.

Cash Equivalents - Domestic:

For the year ending June 30, 2007, cash equivalents in the amount of $30,999,922 consist of government pooled investments. The funds are held and managed by the System's custodian bank. For the year ending June 30, 2006, cash equivalents in the amount of $16,180,090 consist of government pooled investments. The funds are held by a sub-custodian and managed by a separate money manager and are in the name of the System's custodian's trust department.

For the year ended June 30, 2007, cash equivalents in the amount of $302,016 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.

Investments:

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

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Concentration of Credit Risk: (Continued)

The System's investment policy states that no more than 5 percent of the total stock portfolio value at market may be invested in the common stock of any one organization. In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value and investments in one issuer shall not exceed 5% of any fixed income portfolio's market value unless otherwise authorized by the board. There are no investments in any one organization which represented 5% of total investments and there are no investments greater than 30% in one economic sector at June 30, 2007 and 2006. However, at June 30, 2007, the investment in the real estate fund in the amount of $133,418,423 represents 8.5% of the market value of the System's investments. At June 30, 2006, the investment in the pooled bond fund in the amount of $203,729,874 represents 14% 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, 2007 and 2006 (U.S. Government and Agency obligations totaling $46,226,465 and $54,065,763, respectively, are not rated).

Below is a schedule of bonds with their applicable ratings as of June 30, 2007:

	Corporate Bonds	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association	Other	Total
AAA	$ 3,053,490	$ --	$ --	$ --	$ 1,500,728	$ 4,554,218
AA	2,059,780	--	--	--	1,227,004	3,286,784
AA-	6,560,675	--	--	--	--	6,560,675
A+	11,244,880	--	--	--	--	11,244,880
A	13,108,775	--	--	--	--	13,108,775
A-	13,498,590	--	--	--	--	13,498,590
BBB+	3,911,580	--	--	--	--	3,911,580
BBB	15,256,125	--	--	--	--	15,256,125
BB+	4,044,456	--	--	--	--	4,044,456
BB	7,492,858	--	--	--	--	7,492,858
BB-	9,091,365	--	--	--	--	9,091,365
B+	13,269,318	--	--	--	--	13,269,318
B	14,201,015	--	--	--	--	14,201,015
B-	10,452,883	--	--	--	--	10,452,883
CCC+	2,538,586	--	--	--	--	2,538,586
CCC	542,000	--	--	--	--	542,000
Not Rated	4,518,312	21,047,699	24,343,381	835,385	--	50,744,777
	$ 134,844,688	$ 21,047,699	$ 24,343,381	$ 835,385	$ 2,727,732	$ 183,798,885

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2006:

	Corporate Bonds	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association	Total
AAA	$ 4,075,890	$ --	$ --	$ --	$ 4,075,890
AA-	8,293,345	--	--	--	8,293,345
A+	17,072,655	--	--	--	17,072,655
A	15,795,227	--	--	--	15,795,227
A-	14,295,903	--	--	--	14,295,903
BBB+	14,193,840	--	--	--	14,193,840
BBB	12,359,685	--	--	--	12,359,685
BBB-	6,063,435	--	--	--	6,063,435
BB+	2,658,764	--	--	--	2,658,764
BB	9,370,392	--	--	--	9,370,392
BB-	14,930,141	--	--	--	14,930,141
B+	11,031,733	--	--	--	11,031,733
B	10,419,050	--	--	--	10,419,050
B-	10,559,135	--	--	--	10,559,135
CCC+	686,252	--	--	--	686,252
Not Rated	908,687	33,944,632	18,976,146	1,144,985	54,974,450
	$ 152,714,134	$ 33,944,632	$ 18,976,146	$ 1,144,985	$ 206,779,897

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.

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

Credit Risk: (Continued)

The System invested in a pooled bond fund. As of June 30, 2007 and 2006, the market value of the fund is $71,772,589 and $203,729,874, respectively. The bond fund is rated AA.

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, 2007 and 2006, the System is not exposed to custodial risk for investments in the amount of $1,166,049,116 and $1,016,866,082, respectively, since the investments are held in the name of the System.

At June 30, 2007 and 2006, the System has $30,999,922 and $16,180,090, respectively, in cash equivalents which is exposed to custodial credit risk since the investment is in the name of the System's custodian's trust department.

The System reported collateral held for investment purposes in the amount of $241,885,564 as of June 30, 2007 and $148,491,917 as of June 30, 2006. 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, 2007 and 2006, the System had the following investments in long-term debt securities and maturities:

2007	Fair Value	Less Than 1 Year	1 - 5 Years	6 -10 Years	Greater Than 10 Years
Investment Type					
Corporate Bonds	$ 134,844,688	$ 3,657,090	$ 68,816,224	$ 49,276,249	$ 13,095,125
Federal Home Loan Mortgage Corporation	21,047,699	--	--	--	21,047,699
Federal National Mortgage Association	24,343,381	--	--	1,500,491	22,842,890
Government National Mortgage Association	835,385	--	--	--	835,385
Other	2,727,732	--	930,591	1,227,004	570,137
	$ 183,798,885	$ 3,657,090	$ 69,746,815	$ 52,003,744	$ 58,391,236

MUNICIPAL POLICE EMPLOYEES'
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NOTES TO FINANCIAL STATEMENTS
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

2006	Fair Value	Less Than 1 Year	1 - 5 Years	6 -10 Years	Greater Than 10 Years
Investment Type					
Corporate Bonds	$ 152,714,134	$ 4,953,093	$ 40,544,947	$ 95,880,842	$ 11,335,252
Federal Home Loan Mortgage Corporation	33,944,632	--	--	--	33,944,632
Federal National Mortgage Association	18,976,146	--	--	--	18,976,146
Government National Mortgage Association	1,144,985	--	--	--	1,144,985
Other	--	--	--	--	--
	$ 206,779,897	$ 4,953,093	$ 40,544,947	$ 95,880,842	$ 65,401,015

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, 2007 and 2006 as follows:

Country/Currency	2007 Fair Value	2006 Fair Value
Austrian / Euro	$ 3,832,567	$ 1,646,940
Australian / Dollar	21,589,573	10,659,504
Belgium / Euro	8,839,127	3,661,319
Hong Kong / Dollar	13,519,560	9,944,724
Finland /Euro	1,265,087	--
France / Euro	39,684,502	18,869,101
Malasya / Ringitt	7,650,178	6,015,452

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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

Country/Currency	2007 Fair Value	2006 Fair Value
Greece / Euro	$ 8,394,505	$ 1,873,872
Singapore / Dollar	19,322,287	11,597,030
Germany / Euro	6,297,827	12,487,448
Taiwan / Dollar	3,035,695	2,375,699
Ireland / Euro	9,278,931	6,722,433
Thailand / Bah	6,158,553	4,852,344
Italy / Euro	11,036,987	3,158,945
Switzerland / Swiss £	34,754,732	30,924,021
United Kingdom / Euro	2,817,421	3,749,600
Canada / Dollar	9,259,780	3,745,407
United Kingdom / Pounds	73,989,433	43,468,611
Netherlands /Euro/Golden	11,775,959	5,655,890
Norway / Kroner	2,116,333	953,042
Spain / Euro	8,543,970	11,618,733
Portugal / Euro	1,527,897	2,633,503
Sweden / Kroner	2,596,394	1,797,530
Japan / Yen	35,581,513	29,657,215
Other	--	910,180
TOTAL	$ 342,868,811	$ 228,978,543

The System's investment policy has a target of 12.0 to 22.5% total investments in foreign marketable securities. At June 30, 2007 and 2006, the System's position was 22% and 16%, respectively, of the total investments.

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS:

During the year ending June 30, 2007, the System had investment in three limited liability corporations as follows:

A) The System purchased as an investment a golf course located in northwest Louisiana. The initial cost of the golf course was $6,797,156. Subsequent to the purchase the System has made improvements to the golf course in the amount of $4,137,871. During the year ending June 30, 2005, Olde Oaks transferred a portion of the land with a cost of $48,574 and a market value of $50,000 to Olde Oaks Development, LLC, an affiliate organization. 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, 2007 is $10,879,853. No appraisal was

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS: (Continued)

performed for the year ending June 30, 2007 since no significant improvements were made, therefore no unrealized gain or loss was recorded for the year. The golf course was appraised, net of $208,000 of estimated selling cost at a value of $4,496,478 at June 30, 2006. For the year ending June 30, 2006, an unrealized loss in the amount of $5,519,191 is reported on these financial statements. The unrealized loss is reported on these financial statements in the net appreciation in the fair value of investments. 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 $206,450 as of June 30, 2007.

B) On July 23, 2003, Municipal Police Employees' Retirement System paid $2,901,000 to purchase, as an investment, at a Sheriff's sale a golf course in northwest Louisiana. Subsequent to the purchase the System made improvements to The Golf Club at StoneBridge in the amount of $1,340,987. Since there were no significant improvements made during the year ending June 30, 2007 no appraisal was performed. Therefore no unrealized gain or loss was recorded. The golf course was appraised, net of $148,000 of estimated selling cost at a value of $3,198,764 for the year ending June 30, 2006. For the year ending June 30, 2006, an unrealized loss in the amount of $2,613,074 is reported on these financial statements. The unrealized loss 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 $17,472 as of June 30, 2007.

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, 2007 and 2006 is $4,272,112 and $4,283,763, respectively. Based on the sales and sales commitments obtained as of June 30, 2007 and 2006 the market value of the land and improvements is $9,738,319 and $9,815,986 which resulted in an unrealized gain of $4,677 in 2007 and an unrealized loss of $27,089 in 2006. During the year ending June 30, 2007, 4 lots were sold which resulted in a realized gain of $66,390. During the year ending June 30, 2006, 16 lots were sold which resulted in a realized gain of $134,628. 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.

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS: (Continued)

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 $15,304 in revenue and incurred $17,896 in maintenance cost.

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 $450,730 as of June 30, 2007.

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. The balance on the line of credit as of June 30, 2006 was $29,328,489.

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 Municipal Police. Additional payments will be made from property proceeds after real estate tax, escrow payments, operating expenses, capital improvements, interest on loan, principal amortization, $3,000,000 to Municipal Police 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 $26,710,934 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. During the year ending June 30, 2006, Boot Ranch Development sold 16 lots at a gain of $7,190,756. This gain was reported as net appreciation in investments.

For 2006, the net assets of Boot Ranch with a cost and market value of $63,188,219 have been consolidated with the net assets of the Retirement System and are reported as an investment on the statement of net assets. For 2007, the assets are not consolidated since the System terminated their interest in the partnership.

8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP: (Continued)

During the year ending June 30, 2006, Boot Ranch Development began operating a golf club under Boot Ranch Development Golf Club, LP. The operations of the golf club reported net income in the amount of $1,050,218 in the Boot Ranch Development consolidated schedule of operations as operating income – golf club operations. During the year ended June 30, 2007, Golf Club operations have not been reported in these financial statements since the System retired its interest in Boot Ranch Development.

9. INVESTMENT IN PARTNERSHIP:

The System has committed to invest $36,000,000 in La Salle Property Capital and Growth Fund IV (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 year ending June 30, 2007 and 2006 was a gain of $1,011,538 and a loss of $32,569, respectively, and are included in investment income. The System received a return of capital in the amount of $1,890,904. As of June 30, 2007 and 2006, the System has invested $26,676,817 and $11,901,068 with a market value of $28,696,827 and $11,868,499, respectively.

10. OTHER INVESTMENTS:

During the year ending June 30, 2007, the System entered into subscription agreements with nineteen limited partnerships and offshore funds to enhance diversification and provide reductions in overall portfolio volatility. At June 30, 2007, the System had invested $69,135,593 in hedge funds. These funds are subject to the market factors depending on the fund strategy.

11. FUTURES CONTRACTS:

At June 30, 2007, the System invested in a forward foreign currency exchange contract which matures November 19, 2007. The national value and market value of the contract as of June 30, 2007 is $28,991,220 and $29,221,580, 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.

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:

	June 30, 2007		June 30, 2006	
	Cost	Market	Cost	Market
U.S. Corporate securities (bonds)	$ 23,916,596	$ 24,182,580	$ 27,520,431	$ 27,117,700
U.S. Corporate securities (stocks)	123,983,823	136,660,538	104,524,473	119,148,407
Foreign corporate securities (stocks)	53,107,686	74,403,889	--	--
Total	$ 201,008,105	$ 235,247,007	$ 132,044,904	$ 146,266,107

12. SECURITY LENDING AGREEMENTS: (Continued)

MPERS has the following collateral under securities lending program:

	June 30, 2007		June 30, 2006	
	Cost	Market	Cost	Market
Cash / Money market	$ 241,885,564	$ 241,885,564	$ 148,491,917	$ 148,491,917

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, 2007 and 2006.

13. OPERATING LEASE COMMITMENTS:

The System also has operating leases for various equipment for the two golf courses. The lease terms range between 48 months and 60 months. For the year ending June 30, 2007, lease expense was $154,366. The following is a schedule of future minimum lease commitments for the next five years:

Year Ending	Amount
June 30, 2008	$ 105,174
June 30, 2009	93,824
June 30, 2010	93,824
June 30, 2011	78,187
June 20, 2012	--
Total	$ 371,009

14. CAPITAL LEASES:

During the year, the System purchased various equipment for Olde Oaks Golf Course through two capital leases. The equipment cost $40,086. The monthly lease payments range between 48 months and 36 months in the amount of $1,068 including interest. The balance in the capital lease payable at June 30, 2007 is $39,727.

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

Year Ending	Amount
June 30, 2008	$ 12,811
June 30, 2009	12,811
June 30, 2010	12,361
June 30, 2011	7,421
	45,404
Interest	(5,677)
Total	$ 39,727

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 between June 1983 and April 2000. The balances owed were amortized at 7% over periods ranging from 20 to 30 years with payments made either quarterly, or semi-annually.

The total accounts receivable from all merged systems as of June 30, 2007 and 2006 is $1,336,889 and $1,537,367, respectively. The short-term and long-term portion of the accounts receivable as of June 30, 2007 was $83,249 and $1,253,640, respectively. The short-term and long-term portion of the accounts receivable as of June 30, 2006 was $163,501 and $1,373,866, respectively.

18. EQUIPMENT AND FIXTURES:

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

	2007	2006
Office equipment	$ 204,919	$ 175,872
Computer equipment and software	201,325	201,325
Furniture	89,458	89,458
Automobile and truck	--	17,063
Land	614,920	614,919
Office building	2,121,646	2,121,646
	3,232,268	3,220,283
Less accumulated depreciation	(657,650)	(580,285)
Total	$ 2,574,618	$ 2,639,998

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

18. EQUIPMENT AND FIXTURES: (Continued)

Depreciation expense charged to pension operations was $94,428 for 2007 and $94,312 for 2006. Depreciation expense charged to investment expense – Olde Oaks Golf Course operations was $106,827 for 2007 and $113,239 for 2006. Depreciation expense charged to investment expense - The Golf Course at StoneBridge operations was $64,544 for 2007 and $65,163 for 2006. Depreciation expense charged to investment expense – Olde Oaks Development was $75,931 for 2007 and $73,477 for 2006. Depreciation expense charged to investment – Boot Ranch Development operations was $-0- for 2007 and $344,545 for 2006.

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, 2007 and 2006 is $328,465 and $335,360, respectively. The line of credit is due on August 20, 2011 and renewable for an additional year. The System is the guarantor of the line of credit.

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 an 6.75% interest rate. The balance as of June 30, 2007 and 2006 is $318,213 and $173,750, respectively. The balance is due on January 20, 2008 is renewable for an additional year. The System is the guarantor of the line of credit.

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, 2007 is $175,000.

During the year ending June 30, 2004, Olde Oaks Development obtained a line of credit in the amount of $13,000,000 in which the System is the guarantor. The interest rate on the line of credit is 6.05% with a maturity date of June 28, 2007. The balance on the line of credit at June 30, 2006 was $11,439,151. On October 30, 2006, Municipal Police Employees' Retirement System paid off the balance on the line of credit in the amount of $11,989,151.

19. LINE OF CREDIT: (Continued)

Boot Ranch:

During the year ending June 30, 2004, Boot Ranch obtained a line of credit in the amount of $30,000,000 in which the System was the guarantor. The interest on the line of credit was 5.84% with a maturity date of June 8, 2007. The balance on the line of credit as of June 30, 2006 was $29,328,489.

During the year ending June 30, 2007, the System paid off the $30,000,000 balance on the first line of credit and retired its partnership interest in Boot Ranch. See Note 8.

During the year ending June 30, 2005, Boot Ranch obtained an additional line of credit in the amount of $34,000,000 which is guaranteed by the assets of the Partnership. The interest on the line of credit is 8.75% with a maturity date of May 17, 2007. The balance on the line of credit as of June 30, 2006 was $27,487,347.

20. NOTE PAYABLE - EQUIPMENT:

Olde Oaks Golf Club:

During the year ending June 30, 2003, 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 the 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 note was paid off during the year ending June 30, 2007.

The System refinanced a note on telephone equipment costing $12,525 for Olde Oaks Golf Club. Equipment purchased is collateral on the note. The note is for thirty-six months with a 15.16% interest rate. The note was paid off during the year ending June 30, 2007.

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 is for forty-eight months with a 6.9% interest rate. The note was paid off during the year ending June 30, 2007.

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 balance of the note at June 30, 2007 and 2006 is $23,636 and $57,139, respectively.

20. NOTE PAYABLE - EQUIPMENT: (Continued)

The Club at Stonebridge: (Continued)

During the year ending June 30, 2004, the System purchased golf course equipment for The Club at StoneBridge in the amount $98,824 through a note with Regions bank. The note is for thirty-six months with a 9.46% interest rate. The System is the guarantor of the note. The note was paid off during the year ending June 30, 2007.

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, 2007 and 2006 is $41,097 and $73,676, respectively.

Following is a schedule of the future payments:

Year Ending	
June 30, 2008	$ 58,648
June 30, 2009	6,085
June 30, 2010	--
	$ 64,733

21. 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.

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF PLAN NET ASSETS
JUNE 30, 2007

	Pension Fund	Expense Fund	Building Fund	Total Retirement System
ASSETS				
Cash:				
Cash in bank	$ 8,959,283	$ 53,197	$ 37,772	$ 9,050,252
Cash in escrow	-	-	-	-
	8,959,283	53,197	37,772	9,050,252
Receivables:				
Member contributions	1,769,513	-	-	1,769,513
Employer contributions	3,522,241	-	-	3,522,241
Due from merger systems	1,336,889	-	-	1,336,889
Accounts receivable	175,667	-	-	175,667
Investment receivable	2,582,080	-	-	2,582,080
Accrued interest and dividends	4,939,794	-	-	4,939,794
Real Estate investment receivable	27,057,374	-	-	27,057,374
Total Receivables	41,383,558	-	-	41,383,558
Investments:				
Cash in trust	4,964,813	-	-	4,964,813
Cash equivalents	30,999,922	-	-	30,999,922
Bonds, notes, mortgages	183,798,885	-	-	183,798,885
Marketable securities - domestic	634,416,607	-	-	634,416,607
Marketable securities - international	342,868,811	-	-	342,868,811
Pooled bond fund	71,772,589	-	-	71,772,589
Real estate fund	133,418,423	-	-	133,418,423
Mutual funds	56,682,712	-	-	56,682,712
Investment in partnership	28,696,827	-	-	28,696,827
Other investments	69,135,593	-	-	69,135,593
Collateral held under securities lending program - Money Market	241,885,564	-	-	241,885,564
Real Estate - land and rental	193,082	-	675,821	868,903
Real Estate - Olde Oaks Development	-	-	-	-
Real Estate - Olde Oaks	4,496,478	-	-	4,496,478
Real Estate - Stonebridge	3,198,764	-	-	3,198,764
Total Investments	1,806,529,070	-	675,821	1,807,204,891
Other Assets	-	-	-	-
Property, Plant and Equipment Net of accumulated depreciation	660,555	-	1,914,063	2,574,618
TOTAL ASSETS	1,857,532,466	53,197	2,627,656	1,860,213,319
LIABILITIES				
Accounts payable	1,267,868	83,305	147	1,351,320
Accrued payroll and taxes	(32,411)	10,183	-	(22,228)
Refunds payable	252,820	-	-	252,820
Deferred contribution	66,887	-	-	66,887
Other liabilities	-	-	-	-
Notes payable	-	-	-	-
Notes payable Line of credit	-	-	-	-
Obligations under securities lending	241,885,564	-	-	241,885,564
Investment payable	874,162	-	-	874,162
Due to/ due (from) other funds	(16,153,005)	-	-	(16,153,005)
TOTAL LIABILITIES	228,161,885	93,488	147	228,255,520
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,629,370,581	$ (40,291)	$ 2,627,509	$ 1,631,957,799

Olde Oaks Golf Course	Stonebridge Golf Course	Olde Oaks Development	Boot Ranch Development	Total
$ 29,465	$ 5,015	$ 161,194	$ -	$ 9,245,926
49,644			-	49,644
79,109	5,015	161,194	-	9,295,570
-	-	-	-	1,769,513
-	-	-	-	3,522,241
-	-	-	-	1,336,889
66,519	49,510	41,500	-	333,196
-	-	-	-	2,582,080
-	-	-	-	4,939,794
-	-	-	-	27,057,374
66,519	49,510	41,500	-	41,541,087
-	-	-	-	4,964,813
-	-	-	-	30,999,922
-	-	-	-	183,798,885
-	-	-	-	634,416,607
-	-	-	-	342,868,811
-	-	-	-	71,772,589
-	-	-	-	133,418,423
-	-	-	-	56,682,712
-	-	-	-	28,696,827
435,863	285,179	-	-	69,856,635
-	-	-	-	241,885,564
-	-	-	-	868,903
-	-	11,429,982	-	11,429,982
-	-	-	-	4,496,478
-	-	-	-	3,198,764
435,863	285,179	11,429,982	-	1,819,355,915
-	70,000	-	-	70,000
-	-	-	-	2,574,618
581,491	409,704	11,632,676	-	1,872,837,190
161,788	73,345	23,333	-	1,609,786
12,262	15,933	-	-	5,967
-	-	-	-	252,820
-	-	-	-	66,887
-	-	95,255	-	95,255
39,727	64,732	-	-	104,459
328,465	318,213	175,000	-	821,678
-	-	-	-	241,885,564
-	-	-	-	874,162
3,377,780	529,515	12,245,710	-	-
3,920,022	1,001,738	12,539,298	-	245,716,578
$ (3,338,531)	$ (592,034)	$ (906,622)	$ -	$ 1,627,120,612

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

ADDITIONS:	Pension Fund	Expense Fund	Building Fund	Total Retirement System
Contributions:				
Member contributions	$ 17,157,738	$ -	$ -	$ 17,157,738
Employer contributions	35,867,002	-	-	35,867,002
Insurance premium tax	12,817,388	-	-	12,817,388
	65,842,128	-	-	65,842,128
INVESTMENT INCOME:				
Net appreciation in fair value of investments	212,195,756	-	-	212,195,756
Interest - Sweep Account	256,909	-	-	256,909
Interest - cash equivalents	1,904,042	-	-	1,904,042
Interest - mortgage backed bonds	13,019,682	-	-	13,019,682
Interest - securities lending	9,663,044	-	-	9,663,044
Dividends - stocks	16,945,018	-	-	16,945,018
Miscellaneous investment income	1,172,644	-		1,172,644
	255,157,095	-	-	255,157,095
Less investment expenses:				
Securities lending expenses	9,103,339	-	-	9,103,339
Custodial fees	99,427	-	-	99,427
Investment advisor fee	5,173,962	-	-	5,173,962
Miscellaneous investment expense	107,758	-	-	107,758
Olde Oaks Development	-	-	-	-
Olde Oaks Golf Course operations	-	-	-	-
The Club at Stonebridge operations	-	-	-	-
	14,484,486	-	-	14,484,486
Net investment income (loss)	240,672,609	-	-	240,672,609
OTHER ADDITIONS:				
Merger interest payment	96,467	-	-	96,467
Interest income - refunds	681	-	-	681
Transfers (to) from other systems - employees	259,529	-	-	259,529
Transfers (to) from other systems - employers/interest	83,808	-	-	83,808
Total other additions	440,485	-	-	440,485
Total additions	306,955,222	-	-	306,955,222
DEDUCTIONS:				
Benefits	87,910,584	-	-	87,910,584
Refund of contributions	3,843,112	-	-	3,843,112
Administrative expenses	-	968,835	94,333	1,063,168
Depreciation	16,765	-	77,663	94,428
Total deductions	91,770,461	968,835	171,996	92,911,292
Increase (decrease) in net assets prior to transfers	215,184,761	(968,835)	(171,996)	214,043,930
Transfers to/from	(1,049,053)	922,453	120,000	(6,600)
NET INCREASE (DECREASE)	214,135,708	(46,382)	(51,996)	214,037,330
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:				
BEGINNING OF THE YEAR	1,415,234,873	6,091	2,679,505	1,417,920,469
END OF THE YEAR	$ 1,629,370,581	$ (40,291)	$ 2,627,509	$ 1,631,957,799

Olde Oaks Golf Course	Stonebridge Golf Course	Olde Oaks Development	Boot Ranch Development	Total
$ -	$ -	$ -	$ -	$ 17,157,738
-	-	-	-	35,867,002
-	-	-	-	12,817,388
-	-	-	-	65,842,128
-	-	71,069	(7,041,022)	205,225,803
-	-	-	-	256,909
-	-	-	-	1,904,042
-	-	-	-	13,019,682
-	-	-	-	9,663,044
-	-	-	-	16,945,018
-	-	167,168	-	1,339,812
-	-	238,237	(7,041,022)	248,354,310
-	-	-	-	9,103,339
-	-	-	-	99,427
-	-	-	-	5,173,962
-	-	-	-	107,758
-	-	688,967	-	688,967
206,450	-	-	-	206,450
-	17,472	-	-	17,472
206,450	17,472	688,967	-	15,397,375
(206,450)	(17,472)	(450,730)	(7,041,022)	232,956,935
-	-	-	-	96,467
-	-	-	-	681
-	-	-	-	259,529
-	-	-	-	83,808
-	-	-	-	440,485
(206,450)	(17,472)	(450,730)	(7,041,022)	299,239,548
-	-	-	-	87,910,584
-	-	-	-	3,843,112
-	-	-	-	1,063,168
-	-	-	-	94,428
-	-	-	-	92,911,292
(206,450)	(17,472)	(450,730)	(7,041,022)	206,328,256
-	-	6,600		-
(206,450)	(17,472)	(444,130)	(7,041,022)	206,328,256
(3,132,081)	(574,562)	(462,492)	7,041,022	1,420,792,356
$ (3,338,531)	$ (592,034)	$ (906,622)	$ -	$ 1,627,120,612

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS GOLF COURSE
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2007

REVENUE:	
Green fees	$ 461,566
Golf cart rental	308,172
Range fees	15,546
Other golf revenue	34,811
Golf shop	170,712
Membership dues	254,749
Food and beverage revenue from operations	280,591
Other income	1,229
Total revenue	1,527,376
OPERATING EXPENSES:	
Advertising	28,902
Bad debt expense	21,368
Cleaning supplies	2,414
Contract labor	4,527
Cost of goods sold - golf shop	111,266
Cost of goods sold - food and beverage	143,547
Depreciation	106,827
Equipment purchases	23,702
Equipment leasing/rental	110,724
Fuel	51,903
Ground maintenance	26,979
Insurance - health	36,785
Insurance - workman's compensation	20,352
Interest and late charge	24,346
License and permits	916
Miscellaneous expenses	2,028
Other employee expenses	958
Printing and stationary	408
Promotional expenses	864
Repair, maintenance and supplies	83,527
Salaries and wages	639,195
Taxes - payroll	60,463
Telephone	7,795
Tournament expenses	11,622
Utilities	58,114
Total operating expenses	1,579,532
OTHER EXPENSES:	
General and administrative expenses (Page 35)	35,328
Property taxes, insurance	118,966
Total other expenses	154,294
LOSS	$ (206,450)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS GOLF COURSE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2007

Bank charges	$ 1,545
Credit card service charge	18,334
Dues and subscriptions	7,094
Education	507
Office supplies	1,767
Postage and delivery	915
Professional fees	1,700
Miscellaneous expense	842
Travel and entertainment	2,624
Total administrative expenses	$ 35,328

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS GOLF COURSE
SUPPLEMENTARY INFORMATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (206,450)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	106,827
Bad debt expense	21,368
Expenses paid by Retirement System	104,218
Expenses paid by The Club at Stonebridge	30,488
(Increase) decrease in operating assets:	
Accounts receivable	1,607
Inventories	2,275
Increase (decrease) in operating liabilities:	
Accounts payable	(86,404)
Accrued payroll and taxes	(1,475)
Net cash used by operating activities	(27,546)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	(9,356)
Net cash used by investing activities	(9,356)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds on loan from The Club at Stonebridge	112,000
Proceeds from the line of credit - operating	50,000
Payment for obligation under line of credit	(56,895)
Payment for obligation under capital leases	(56,014)
Payment to the Retirement System	(30,000)
Net cash provided by financing activities	19,091
NET DECREASE IN CASH	(17,811)
CASH, BEGINNING OF YEAR	96,920
CASH, END OF YEAR	$ 79,109
NONCASH INVESTING ACTIVITIES:	
Purchase of equipment through capital lease	$ (40,086)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
THE CLUB AT STONEBRIDGE
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2007

REVENUE:	
Green fees	$ 277,359
Golf cart rental	156,630
Range fees	36,010
Other golf revenue	18,271
Golf shop	100,232
Membership dues	457,620
Food and beverage revenue from operations	295,512
Other income	26,593
Total revenue	1,368,227
OPERATING EXPENSES:	
Advertising	7,779
Cleaning supplies	4,538
Contract labor	9,405
Cost of goods sold - golf shop	66,534
Cost of goods sold - food and beverage	123,838
Depreciation	64,544
Equipment purchases	5,815
Equipment leasing/rental	65,152
Fuel	15,469
Ground maintenance	44,974
Insurance - health	27,301
Insurance - workman's compensation	20,856
Interest and late charge	22,944
License and permits	3,104
Member services	8,008
Miscellaneous expenses	3,538
Other employee expenses	1,089
Printing and stationary	1,814
Promotional expenses	635
Repair, maintenance and supplies	69,782
Salaries, wages and related taxes	611,737
Telephone	7,454
Utilities	56,831
Total operating expenses	1,243,141
OTHER EXPENSES:	
General and administrative expenses (Page 38)	29,777
Property taxes, insurance	112,781
Total expenses	1,385,699
LOSS	$ (17,472)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
THE CLUB AT STONEBRIDGE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2007

Bank charges	$ 1,410
Credit card Service charge	10,658
Dues and subscriptions	7,055
Education	205
Office supplies	1,648
Postage and delivery	3,982
Professional fees	1,050
Travel and entertainment	3,769
Total administrative expenses	$ 29,777

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
THE CLUB AT STONEBRIDGE
SUPPLEMENTARY INFORMATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (17,472)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	64,544
Expenses paid by Retirement System	135,996
(Increase) decrease in operating assets:	
Accounts receivable	(497)
Inventories	12,886
Other assets	(70,000)
Increase (decrease) in operating liabilities:	
Accounts payable	(35,332)
Accrued payroll and taxes	4,011
Net cash provided by operating activities	94,136
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	(9,373)
Expenses paid on behalf of Olde Oaks Golf Club	(30,488)
Loan to Olde Oaks Golf Club	(112,000)
Net cash used by investing activities	(151,861)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from the line of credit	144,463
Payment for obligation under capital leases	(94,837)
Payments to Retirement System	(20,000)
Net cash provided by financing activities	29,626
NET DECREASE IN CASH	(28,099)
CASH, BEGINNING OF YEAR	33,114
CASH, END OF YEAR	$ 5,015

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS DEVELOPMENT
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2007

REVENUE:	
Gain on the sale of lot	$ 66,390
Net depreciation in fair value of investment	4,679
Total appreciation of investment	71,069
Other revenue	151,864
Sewer plant income	15,304
Miscellaneous investment income	167,168
Total revenue	238,237
OPERATING EXPENSES:	
Advertising	59,795
Depreciation and amortization expense	75,931
Interest expense	245,561
Maintenance	236,990
Sewer plant maintenance	17,896
Utilities	16,275
Total operating expenses	652,448
OTHER EXPENSES:	
Insurance expense	-
Real estate taxes	20,480
Total other expenses	20,480
ADMINISTRATIVE EXPENSES:	
Bank charges	36
Professional fees	16,003
Total administrative expenses	16,039
Total expenses	688,967
LOSS	$ (450,730)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS DEVELOPMENT
SUPPLEMENTARY INFORMATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (450,730)
Adjustments to reconcile change in net assets to net cash used by operations:	
Net appreciation in fair value of investments	(4,677)
Depreciation and amortization expense	75,931
Expenses paid by retirement system	242,884
Gain on sale of land	(66,390)
(Increase) decrease in operating assets:	
Accounts receivable	10,256
Prepaid expenses	-
Increase (decrease) in operating liabilities:	
Accounts payable	(342,958)
Interest payable	(162,328)
Other liabilities	(148,799)
Net cash used by operating activities	(846,811)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Improvements	(127,126)
Proceeds from the sale of land	288,132
Net cash provided by investing activities	161,006
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from line of credit	725,000
Net cash provided by financing activities	725,000
NET INCREASE IN CASH	39,195
CASH, BEGINNING OF YEAR	121,999
CASH, END OF YEAR	$ 161,194

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES
YEARS ENDED JUNE 30, 2007 AND 2006

	JUNE 30, 2007					
	Annuity Savings	Annuity Reserve	Deferred Retirement Option Plan	Initial Benefit Option Plan	Pension Accumulation	Unfunded Actuarial Accrued Liability
BALANCE - BEGINNING	$ 130,151,650	$ 919,295,724	$ 58,877,905	$ 454,644	$ 542,275,627	$ (230,263,194)
Prior year actuarial transfer	-	(4,688,646)	5,777,845	51,448	(1,140,647)	-
ADJUSTED BEGINNING BALANCE	130,151,650	914,607,078	64,655,750	506,092	541,134,980	(230,263,194)
REVENUES AND TRANSFERS:						
Employee contributions	17,157,738	-	-	-	-	-
Employer contributions	-	-	-	-	35,867,002	-
Insurance premium tax	-	-	-	-	12,817,388	-
Net investment income (loss)	-	-	-	-	232,956,935	-
Merger interest and penalty payment	-	-	-	-	96,467	-
Interest income - refunds	-	-	-	-	681	-
Transfers (to) from other systems	259,529	-	-	-	83,808	-
Transfer from Annuity Savings	-	8,907,987	-	-	-	-
Pensions transferred from Annuity Reserve	-	-	15,493,375	751,496	-	-
Actuarial transfer	-	133,907,646	-	-	-	137,847,435
	17,417,267	142,815,633	15,493,375	751,496	281,822,281	137,847,435
EXPENDITURES AND TRANSFERS:						
Pensions paid	-	80,375,434	7,036,711	498,439	-	-
Refunds to members	3,843,112	-	-	-	-	-
Administrative expenses	-	-	-	-	1,063,168	-
Depreciation	-	-	-	-	94,428	-
Miscellaneous	-	-	-	-		-
Transfer to Annuity Reserve	8,907,987	-	-	-	-	-
Pensions transferred to Initial Benefit Option Plan	-	751,496	-	-	-	-
Pensions transferred to DROP	-	15,493,375	-	-	-	-
Actuarial transfer	-	-	-	-	211,755,108	-
	12,751,099	96,620,305	7,036,711	498,439	212,912,704	-
NET INCREASE (DECREASE)	4,666,168	46,195,328	8,456,664	253,057	68,909,577	137,847,435
BALANCE - ENDING	$ 134,817,818	$ 960,802,406	$ 73,112,414	$ 759,149	$ 610,044,557	$ (92,415,759)

	JUNE 30, 2006						
Total	Annuity Savings	Annuity Reserve	Deferred Retirement Option Plan	Initial Benefit Option Plan	Pension Accumulation	Unfunded Actuarial Accrued Liability	Total
$ 1,420,792,356	$ 126,546,245	$ 869,065,768	$ 56,944,007	$ 738,415	$ 499,190,288	$ (223,692,242)	$ 1,328,792,481
-	-	-	-	-	-	-	-
1,420,792,356	126,546,245	869,065,768	56,944,007	738,415	499,190,288	(223,692,242)	1,328,792,481
17,157,738	17,020,435	-	-	-	-	-	17,020,435
35,867,002	-	-	-	-	37,221,473	-	37,221,473
12,817,388	-	-	-	-	12,217,914	-	12,217,914
232,956,935	-	-	-	-	114,870,803	-	114,870,803
96,467	-	-	-	-	107,023	-	107,023
681	-	-	-	-	177,418	-	177,418
343,337	(59,902)	-	-	-	(452,049)	-	(511,951)
8,907,987	-	8,694,309	-	-	-	-	8,694,309
16,244,871	-	-	8,712,797	319,336	-	-	9,032,133
271,755,081	-	126,174,102	-	-	-	-	126,174,102
596,147,487	16,960,533	134,868,411	8,712,797	319,336	164,142,582	-	325,003,659
87,910,584	-	75,606,322	6,778,899	603,107	-	-	82,988,328
3,843,112	4,660,819	-	-	-	-	-	4,660,819
1,063,168	-	-	-	-	892,225	-	892,225
94,428	-	-	-	-	94,312	-	94,312
-	-	-	-	-	467,556	-	467,556
8,907,987	8,694,309	-	-	-	-	-	8,694,309
751,496	-	319,336	-	-	-	-	319,336
15,493,375	-	8,712,797	-	-	-	-	8,712,797
271,755,081	-	-	-	-	119,603,150	6,570,952	126,174,102
389,819,231	13,355,128	84,638,455	6,778,899	603,107	121,057,243	6,570,952	233,003,784
206,328,256	3,605,405	50,229,956	1,933,898	(283,771)	43,085,339	(6,570,952)	91,999,875
1,627,120,612	$ 130,151,650	$ 919,295,724	$ 58,877,905	$ 454,644	$ 542,275,627	$ (230,263,194)	$ 1,420,792,356

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF PER DIEM PAID TO TRUSTEES
YEARS ENDED JUNE 30, 2007 AND 2006

The per diem paid to the trustees is an expenditure of the Expense Fund. For 2007 and 2006 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, 2007 and 2006 are as follows:

	AMOUNTS 2007	2006
Henry Dean	$ 1,125	$ 975
Samuel Wyatt	1,200	-
Jeffrey Wesley	675	825
Larry Reech	900	675
Thomas Buell	900	750
Willie Joe Greene	1,200	975
Ronald Schleuter	525	-
Kelly Gibson	975	975
Mike Halphen	975	675
Christopher Nassif	-	900
Francis Campbell	600	900
	$ 9,075	$ 7,650

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF ACCOUNTS RECEIVABLE - MERGED SYSTEMS
YEARS ENDED JUNE 30, 2007 AND 2006

City	Term		Interest Rate	Payment Term	Payment Amount	Balance 6-30-07	Balance 6-30-06
Crowley	01-84	12-13	7%	Quarterly	21,644	$ 459,172	$ 513,555
Opelousas	01-84	10-13	7%	Quarterly	37,773	763,572	896,254
Tallulah	01-84	10-13	7%	Quarterly	5,376	114,145	127,558
TOTAL						$ 1,336,889	$ 1,537,367

MUNICIPAL POLICE EMPLOYEES
RETIREMENT SYSTEM AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
YEAR ENDED JUNE 30, 2007

	Par Value	Original Cost	Market Value
BONDS:			
Federal Home Loan Mortgage Corporation	$ 21,111,584	$ 21,690,427	$ 21,047,699
Federal National Mortgage Association	24,511,802	24,883,073	24,343,381
Government National Mortgage Association	837,202	866,502	835,385
Corporate Bonds	133,368,870	137,878,872	134,844,688
Other	2,577,330	2,598,674	2,727,732
TOTAL BONDS	$ 182,406,788	$ 187,917,548	$ 183,798,885
REAL ESTATE, MUTUAL AND POOLED FUNDS:			
Pooled Bond Fund		$ 56,633,907	$ 71,772,589
Mutual fund		36,889,031	56,682,723
Real estate fund		88,532,000	133,418,412
TOTAL MUTUAL FUNDS		$ 182,054,938	$ 261,873,724
DOMESTIC STOCKS		$ 515,187,408	$ 634,416,607
INVESTMENT IN PARTNERSHIP		$ 26,676,817	$ 28,696,827
INTERNATIONAL STOCKS		$ 257,705,544	$ 342,868,811
REAL ESTATE - LAND AND RENTAL		$ 859,273	$ 868,603
REAL ESTATE - OLDE OAKS GOLF COURSE		$ 10,879,853	$ 4,496,478
REAL ESTATE - THE CLUB AT STONEBRIDGE		$ 4,241,987	$ 3,198,764
REAL ESTATE - OLDE OAKS DEVELOPMENT		$ 11,177,973	$ 11,429,982
OTHER INVESTMENT			
HEDGE FUNDS		$ 66,500,000	$ 69,135,593
ASSETS - GOLF COURSES		721,042	721,042
		$ 67,221,042	$ 69,856,635

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2007

	Actual	Budget	Variance Favorable (Unfavorable)
EXPENSE FUND			
Personal Services:			
Staff salaries	$ 285,050	$ 285,050	$ -
Group insurance	85,378	85,378	-
Retirement	56,545	56,545	-
Board member - Per diem	9,075	9,000	(75)
Professional Services:			
Accountant	83,530	63,530	(20,000)
Actuarial	60,000	60,000	-
Computer services	35,349	33,344	(2,005)
Risk management	10,897	10,897	-
Legal	159,478	154,423	(5,055)
Medical Board	10,796	10,431	(365)
Retirement Association fees	1,745	1,745	-
Communications:			
Postage, printing and supplies	44,343	41,937	(2,406)
Telephone	9,553	9,553	-
Travel	16,407	16,208	(199)
Other:			
Advertising	358	358	-
Equipment rental and repair	29,059	43,621	14,562
Election expenses	15,135	15,135	-
Board expenses	24,238	22,620	(1,618)
Document imaging	18,527	21,029	2,502
Miscellaneous	2,725	4,201	1,476
Uniforms	4,127	4,833	706
Medicare expense	6,520	5,588	(932)
Total expenses budgeted	968,835	955,426	(13,409)
BUILDING FUND			
Association dues	1,680	1,680	-
Maintenance	51,092	48,811	(2,281)
Office supplies	583	2,044	1,461
Security	3,911	3,583	(328)
Utilities	37,067	38,030	963
Total building fund	94,333	94,148	(185)
TOTAL ADMINISTRATIVE EXPENSES	$ 1,063,168	$ 1,049,574	$ (13,594)
CAPITAL OUTLAYS	$ -	$ -	$ -

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2002 THROUGH 2007

Fiscal Year	Actuarial Required Contribution Employer	Actuarial Required Contribution Other Sources	Percent Contributed Employer	Percent Contributed Other Sources
2002	$ 16,568,497	$ 4,806,272	97.90 %	115.17 %
2003	29,220,618	8,689,205	61.23	100.00
2004	43,501,552	10,135,228	73.99	100.00
2005	44,267,740	11,539,650	105.45	100.00
2006	34,138,070	11,914,460	109.03	102.54
2007	31,041,232	12,817,388	115.55	100.00

For the years ending June 30, 2002 through 2007, 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, 2002 THROUGH 2007

Actuarial Valuation Date	Actuarial Value Of of Assets	Actuarial Accrued Liability (AAL) Entry Age	(Surplus) Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage of Covered Payroll
June 30, 2002	$ 1,189,425,521	$ 1,384,605,589	195,180,068	85.90 %	$ 187,567,901	96.1 %
June 30, 2003	1,076,306,000	1,455,791,000	379,485,000	73.90	197,254,000	192.4
June 30, 2004	1,138,387,070	1,561,739,325	423,352,255	72.90	208,756,800	202.7
June 30, 2005	1,233,572,172	1,552,332,283	318,760,111	79.47	215,638,892	147.8
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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2002 THROUGH 2007

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, 2007
Actuarial cost method	Entry age normal
Amortization method	Level dollar - The amortization period is for a specific number of years. (Closed Basis)
Remaining amortization period	30 years. Act 1079 of 2003 changed amortization period effective June 30, 2002.
Asset valuation method	The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	Technical paper No. 16 "Present Value of Estimated Lifetime Earnings". These rates are increased by 2% during the first ten years of employment.
Cost of Living Adjustment	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Unfunded actuarial	The System incurred a decrease in the unfunded actuarial liability in the amount of $82,624,046 which was due to an investment gain.

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

November 11, 2007

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, 2007, and have issued our report thereon dated November 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects 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.

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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted an other matter that we have reported to management of Municipal Police Employees' Retirement System and Subsidiaries in a separate letter dated November 11, 2007.

<u>Compliance and Other Matters</u>

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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, 2007

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, 2007 and 2006 was unqualified.

2. Internal Control:

   Material weaknesses: none noted
   Significant deficiencies: note noted

3. Compliance and other matters:

   Noncompliance material to financial statements: none noted

4. Management letter comments:

   Subsidiary:

   07-01 During the audit it was determined that the System did not maintain copies of legal documents related to its subsidiary entities at its principal location. These records are an integral part of the System and should be filed along with all other System records. Not having all the records pertaining to the subsidiary entities results in incomplete records and lack of internal control. We recommended the System obtain all records related to its subsidiary entities and maintain them with the Retirement System to comply with L.R.S. 24:515B.

   Recording of transactions:

   07-02 Written procedures were developed to effectively record and process cash receipts and disbursements and to increase internal controls for Olde Oaks Development. During the audit it was noted that some of the procedures had not been followed. This resulted in lack of internal controls over the receipts and disbursements functions. We recommend that the System implement the procedures to ensure that all income and expenses for Olde Oaks Development are being properly recorded in an accounting system.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

SUMMARY OF PRIOR YEAR FINDINGS:

Subsidiary:

06-01 During the audit it was determined that the System did not maintain copies of legal documents related to its subsidiary entities at its principal location. These records are an integral part of the System and should be filed along with all other System records. Not having all the records pertaining to the subsidiary entities results in incomplete records and lack of internal control. We recommended the System obtain all records related to its subsidiary entities and maintain them with the System to comply with L.R.S. 24:515B. This comment is repeated in comment 07-01.

Recording of transactions:

06-02 Written procedures were developed to effectively record and process cash receipts and disbursements and to increase internal controls for Olde Oaks Development. During the audit it was noted that that the majority of the procedures had not been implemented. This resulted in lack of internal controls over the receipts and disbursements functions. We recommend that the System implement the procedures to ensure that all income and expenses for Olde Oaks Development are being properly recorded in an accounting system. This comment is repeated in comment 07-02.