Arkansas Local Police and Fire Retirement System (LOPFI)

Financial Statements and Additional Information

Years ended December 31, 2003 and 2002

with

Independent Auditor's Report

William T. Kinneman

CERTIFIED PUBLIC ACCOUNTANT

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CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

The Board of Trustees
Arkansas Local Police and Fire Retirement System
Little Rock, Arkansas

I have audited the accompanying statements of plan net assets of Arkansas Local Police and Fire Retirement System defined benefit pension plan at December 31, 2003 and 2002 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of Arkansas Local Police and Fire Retirement System defined benefit pension plan at December 31, 2003 and 2002 and the related changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audits were made primarily for the purpose of expressing an opinion on the basic financial statements taken as a whole. The accompanying supplementary management discussion and analysis on pages 2 and 3 and the additional information on page 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. The schedule of administrative and investment expenses and the schedule of actual versus budgeted expenses on pages 13 and 14 are presented for purposes of additional analysis and are not required by generally accepted accounting principles. Such additional information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William T. Kinneman

April 30, 2004
Little Rock, Arkansas

Arkansas Local Police and Fire Retirement System

Required Supplementary Information

Management Discussion and Analysis

The basic financial statements contained in this section of the Comprehensive Annual Financial Report consist of:

The *Statement of Plan Net Assets*, which reports the pension fund assets, liabilities, and net assets available at the end of the calendar year. The *Statement of Plan Net Assets* is prepared on the accrual basis and for the most part, the plan's net assets are reported on a fair value basis.

The *Statement of Changes in Plan Net Assets*, which reports the pension fund transactions that occurred during the calendar year where Additions – Deductions = Net Change in Net Assets. It is an operating statement that reports the net increase or decrease in net plan assets from the beginning of the year until the end of the year.

The *Notes to the Financial Statements* are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

The *Required Supplementary Information and Schedules* following the *Notes to the Financial Statements* provide added historical and detailed information considered useful in evaluating the condition of the Arkansas Local Police and Fire Retirement System (LOFPI).

The following page contains summary comparative statements of LOPFI's pension trust fund.

Arkansas Local Police and Fire Retirement System

Summary of Comparative Statements of Plan Net Assets

	As of December 31, 2003	As of December 31, 2002	Percent Change
Cash and short-term investments	$ 18,922,844	$ 33,028,695	(42.71) %
Total receivables	3,696,346	3,631,328	1.79
Prepaid expense	34,933	5,028	594.77
Investments	513,531,865	397,363,752	29.23
Land, building, furniture and equipment	1,521,298	44,753	3299.32
Total assets	$ 537,707,286	$ 434,073,556	23.87
Accounts payable and accrued expenses	$ 351,512	$ 353,694	(0.62)
Refunds payable	143,315	139,684	2.60
Due to Pension Review Board	975,528	923,351	5.65
Total liabilities	1,470,355	1,416,729	3.79
Net assets held for pension benefits	536,236,931	432,656,827	23.94
Total liabilities and net assets held for pension benefits	$ 537,707,286	$ 434,073,556	23.87 %

Summary of Comparative Statements of Changes in Plan Net Assets

	Year ended December 31, 2003	Year ended December 31, 2002	Percent Change
Contributions	$ 30,895,542	$ 28,580,971	8.10 %
Net investment income (loss)	94,768,863	(46,547,609)	303.60
Total additions (reductions)	125,664,405	(17,966,638)	799.43
Benefits paid	17,127,556	14,604,923	17.27
Refunds of contributions	1,020,567	1,037,067	(1.59)
Administrative expenses	1,043,293	910,408	14.60
Deferred retirement option distributions	2,892,885	2,469,774	17.13
Total deductions	22,084,301	19,022,172	16.10
Net increase (decrease) in plan net assets	103,580,104	(36,988,810)	380.03
Plan net assets-beginning of year	432,656,827	469,645,637	(7.88)
Plan net assets-end of year	$ 536,236,931	$ 432,656,827	23.94 %

The decrease in Cash and Short-term Investments and the increase in Investments were attributable to a rebound in the overall financial markets resulting in higher rates earned and increases in recognized and unrecognized gains. The increase in Prepaid Expenses was the result of the payment of the 2004 fiduciary liability insurance premium in 2003. Land, building, furniture and equipment increased due to the purchase of an office building.

Contributions increased due to a 1.5% increase in active membership and the consolidation of additional local plans into LOPFI. Benefits paid increased due to a 9.26% increase in the number of retirees. Additional local plan DROP members leaving service accounted for the increased distribution amounts.

Arkansas Local Police and Fire Retirement System

Statement of Plan Net Assets

December 31, 2003 and 2002

	2003	2002
Assets		
Cash and short-term investments	$ 18,922,844	$ 33,028,695
Receivables:		
Contributions receivable	2,007,648	2,151,202
Accrued interest and dividends	1,688,698	1,480,126
Total receivables	3,696,346	3,631,328
Prepaid expense	34,933	5,028
Investments at fair value:		
U. S. Government and state obligations	110,728,370	105,649,578
Corporate obligations	27,858,154	31,517,008
Foreign bonds	1,331,788	580,262
Fixed income collective trusts	56,543,819	43,144,754
Common and preferred stocks	193,805,167	134,822,800
Equity mutual collective trusts	123,264,567	81,649,350
Total investments	513,531,865	397,363,752
Land, building, furniture and equipment-at cost	1,521,298	44,753
	$ 537,707,286	$ 434,073,556

	2003	2002
Liabilities and net assets held in trust for pension benefits		
Liabilities:		
Accounts payable and accrued expenses	$ 351,512	$ 353,694
Refunds payable	143,315	139,684
Due to Pension Review Board	975,528	923,351
Total liabilities	1,470,355	1,416,729
Net assets held in trust for pension benefits	536,236,931	432,656,827
	$ 537,707,286	$ 434,073,556

See accompanying notes.

Arkansas Local Police and Fire Retirement System

Statement of Changes in Plan Net Assets

Years ended December 31, 2003 and 2002

	2003	2002
Additions:		
Contributions:		
Member contributions	$ 7,997,262	$ 7,425,163
Employer contributions	22,412,513	18,261,057
Local plan administrative mergers and paid military time	485,767	2,894,751
Total contributions	30,895,542	28,580,971
Investment income:		
Net increase (decrease) in fair value of investments	87,703,313	(54,380,044)
Interest, dividends, and other income	9,612,655	10,142,100
Securities lending income	42,775	
Investment expenses	(2,589,880)	(2,309,665)
Total investment income (loss)	94,768,863	(46,547,609)
Total additions (reductions)	125,664,405	(17,966,638)
Deductions:		
Benefits paid	17,127,556	14,604,923
Refunds of contributions	1,020,567	1,037,067
Administrative expenses	1,043,293	910,408
Deferred option retirement distributions	2,892,885	2,469,774
Total deductions	22,084,301	19,022,172
Net increase (decrease) in plan net assets	103,580,104	(36,988,810)
Plan net assets-beginning of year	432,656,827	469,645,637
Plan net assets-end of year	$ 536,236,931	$ 432,656,827

See accompanying notes.

Arkansas Local Police and Fire Retirement System

Notes to the Financial Statements

December 31, 2003 and 2002

Note 1: Plan Description

The Arkansas Local Police and Fire Retirement System (LOPFI) maintains a defined benefit pension plan for local police officers and firefighters hired by the respective local governmental unit after January 1, 1983. LOPFI is an agent PERS responsible for the operation and maintenance of the plan in accordance with Act 364 of the 1981 Arkansas General Assembly. As of December 31, 2003 and 2002, the number of participating city government employers was 305 and 301 respectively. At that date membership consisted of the following:

Membership classification	Number of employees 2003	2002
Retirees and beneficiaries currently receiving benefits:		
LOPFI police without social security	59	53
Local plan police without social security	319	316
LOPFI police with social security	160	140
LOPFI fire without social security	47	42
LOPFI fire with social security	1	1
Local plan fire without social security	509	499
LOPFI volunteer fire	135	98
Local volunteer fire	170	137
LOPFI volunteer fire-deferred due to age		
Local plan police with social security	49	39
LOPFI volunteer police	2	3
LOPFI firemen benefit program 2	1	1
Subtotal for retirees and beneficiaries	1,452	1,329
Active employees:		
Local police with social security		1
LOPFI police with social security	1551	1,594
LOPFI police without social security	1166	1,239
Local plan police without social security	18	21
LOPFI firemen with social security	18	19
LOPFI firemen without social security	1811	1,920
Local plan firemen without social security	35	48
LOPFI volunteer firemen	4031	3,866
Local plan volunteer firemen	26	10
LOPFI volunteer police	55	49
LOPFI firemen benefit program 2 with social security	16	16
LOPFI firemen benefit program 2 without social security	77	
LOPFI policemen benefit program 2 without social security	31	
LOPFI police benefit program 2 with social security	178	97
Subtotal for active employees	9,013	8,880
Total membership	10,465	10,209

Included in the above figures for 2003 and 2002 respectively are 1,126 and 1,072 members of the local fire and police pension plans now administered by LOPFI. LOPFI has absorbed both the old plan assets and management responsibilities. The benefits of these members are the same as under the local plan legislation.

Arkansas Local Police and Fire Retirement System

Notes to the Financial Statements

December 31, 2003 and 2002

Note 1: Plan Description (continued):

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by social security. The different employee contribution rates are:

a. Paid service not covered by social security: 6% of gross pay
b. Paid service also covered by social security: no employee contribution
c. Volunteer service: no employee contribution
d. Paid service-benefit program 2: 6% of gross pay

The employer contribution rate is adjusted automatically every year to reflect changes in the composition of the employee group and other factors which affect cost. Contributions are determined on an actuarial basis in order to insure that the individual system employers can honor their benefit commitments to covered employees. An individual entry age actuarial cost method of valuation is used in determining normal cost. Because LOPFI is an agent PERS, contribution rates vary from unit to unit, but are all actuarially computed.

Benefit Program 1: Pension benefits to a member with five or more years of credited service in force who has attained his normal retirement age consists of an annuity equal to the following:

(a) For each year of paid service resulting from employment in a position not also covered by social security, 2.5% of his final average pay (2.2% and 2.2%for those with retirement date prior to July 1, 2003 and 2002 respectively); plus
(b) For each year of paid service resulting from employment is a position also covered by social security, 1.5% of his final average pay (1.2% and 1.1% for those with retirement date prior to July 1, 2003 and 2002 respectively). In addition, if such member is retiring and if such member's age at retirement is younger than social security's minimum age for an unreduced retirement benefit, then such member receives a temporary annuity equal to 1% of his final average pay for each such year of paid service. Such temporary annuity terminates at the end of the calendar month in which the earliest of the following events occur: such member's death; or his attainment of such social security minimum age for unreduced benefits.
(c) In no event will the total of (a) plus (b) exceed, at time of retirement, 80% of such final average pay; plus
(d) Effective July 1, 2003, for each year of volunteer service, \$5.00 per month, to a maximum of \$200.00 monthly; Effective July 1, 2002, \$4.05 per month, to a maximum of \$162.00.
(e) Before the date that the first payment of his annuity becomes due, but not thereafter, a member may elect in writing to receive his annuity as a life annuity or he may elect to have his life annuity reduced but not any temporary annuity which may be payable, and nominate a beneficiary in accordance with the provisions of one of four options. If a member does not elect an option, his annuity shall be paid to him as a life annuity.

Arkansas Local Police and Fire Retirement System

Notes to the Financial Statements

December 31, 2003 and 2002

Note 1: Plan Description (continued)

Benefit Program 2: For each year of paid service rendered on or after the election date of Benefit 2 and resulting from employment in a position not also covered by social security, 3% of his or her final average pay, plus for each year of paid service rendered on or after the election date of Benefit Program 2 and resulting from employment in a position also covered by social security, 2.5% of his or her final average pay.

A member will receive disability benefits computed in the same manner as normal retirement benefits if the member has 5 or more years of credited service and terminates employment because of becoming permanently disabled from non-duty related causes. If the disability is determined to be duty related, a benefit is received regardless of the amount of service. Effective July 1, 2001, the duty related disability benefit is 65% of the member's final average pay. Prior to that date, the benefit was computed as if the member had completed 25 years of service.

Deferred Retirement Option Plan (DROP)
During 1993 the Arkansas General Assembly passed legislation (Acts 757 and 1004) allowing paid policemen and firefighters to elect to continue working for a period of ten and five years respectively past normal retirement age. This deferred retirement option plan ("DROP") is only available to participants having at least 20 years of service and is a local plan option. The DROP member continues his payroll withholding, the employee's contribution is credited accordingly to law to the defined benefit pension plan and the DROP, and the monthly benefits that would have been payable had the member elected to cease employment and receive a service retirement shall be paid into a separate DROP account. At final termination of employment, the employee is paid the balance in his DROP account. At December 31, 2003 and 2002, the DROP accounts totaled $ 7,611,236 and $7,340,774 respectively.

Note 2: Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting
LOPFI prepares its financial statements using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed; expenses are recorded when the corresponding liabilities are incurred; and benefits and refunds are recognized when due and payable.

Furniture and Equipment
Furniture and equipment are capitalized at cost when acquired. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over useful lives of 3 to 10 years. Depreciation expense for 2003 and 2002 was $30,159 and $36,692 respectively.

Arkansas Local Police and Fire Retirement System

Notes to the Financial Statements

December 31, 2003 and 2002

Note 2: Summary of Significant Accounting Policies and Plan Asset Matters (continued)

Cash and Investment Collateralization
Cash balances represent both operating cash accounts held by banks and investment cash held on deposit with the investment custodian. All operating cash accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. By using the "sweep account" concept, cash balances each night are transferred into an investment trust money market account collateralized as other investments. The bank has pledged pooled U. S. Government Agency Obligations for all amounts held in trust.

Method Used to Value Investments
Per GASB No. 25, and effective for 1997, the investments are stated at fair value and are priced by the investment custodian using the last trade price information as supplied by various price data vendors. At December 31, 2003 and 2002, the System did not have investments in any one organization, other than those issued by the U. S. government, which represented greater than five percent of plan net assets.

Categories of Asset Risks
Government Accounting Standards Board Statement Number 3 requires disclosure of investment securities within the following three categories of credit risk. Category 1 includes investments that are insured or registered or which are held by the System or its agents in the System's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust departments or agent in the System's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, its trust department, or agent but not in the System's name. All investments of the System are classified as Category 2.

Securities Lending Program
The board of trustees' investment policy permits the pension trust funds to participate in a securities lending program. Securities lending provides an additional investment option by enhancing current income sources. Under this program, collateralized loans of certain securities are made to eligible broker/dealers who participate in the securities lending program. In turn, the borrower pays a predetermined fee to the lender.

As custodian for the pension trust funds, Regions Bank provides securities lending services through a partnership with The Bank of New York. The Bank of New York initiated its U.S. lending program in 1977 and its non-U.S. lending program in 1988. Its Securities Lending Division is a dedicated, self-contained business unit, comprised of 115 professionals, that provides all capabilities requisite to the program. The Bank of New York has earned its leadership position and reputation as a preeminent provider of securities lending services through superior risk management, earnings performance,

Arkansas Local Police and Fire Retirement System

Notes to the Financial Statements

December 31, 2003 and 2002

Note 2: Summary of Significant Accounting Policies and Plan Asset Matters (continued)

Securities Lending Program (continued)
quality service and its ability to manage the most flexible securities lending program in the world with a lendable pool of assets in excess of $300 billion. As Lending Agent, The Bank of New York requires loans to be collateralized for 102% of market value plus accrued interest for fixed income securities and 102% of market value for equities. Both cash and U.S. Government securities are acceptable collateral. All loans are marked-to-market daily to ensure that the margin is properly maintained for the duration of the loan, thereby reducing marginal price risk.

Under the indemnified program, The Bank of New York is responsible for the replacement of the lender's securities that are not returned as a result of a borrower's insolvency, performing daily marks-to-market, ensuring proper collateralization, and compliance with reinvestment guidelines.

Securities lending revenue is shared on a percentage basis between the lender, LOPFI, and the lending agent, The Bank of New York, net of rebates. As a result, there is an incentive for the lending agent to maximize lending earnings. The split is applicable for both positive and negative earnings and there are no hidden fees associated with the program. In addition, The Bank of New York does not charge any money management fee on the reinvestment of cash collateral. Under the current agreement, LOPFI receives 70% of the net securities lending revenue with The Bank of New York receiving 30%. Regions Bank does not receive any revenue from this securities lending arrangement but offers the program to LOPFI as a valued added service of our institutional custody functions.

Note 3: Contributions and Reserves

The respective units of local government are obligated by State law to make all required contributions to the LOPFI plan. The required contributions are expressed as a percentage of covered payroll and are actuarially determined using an individual entry age actuarial cost method. Costs of administering the plan is financed from the assets of the pension trust funds.

State law specifies net assets be segregated into the following reserves:

	2003	2002
Member's Deposit Account	$ 65,884,717	$ 58,706,568
Employer Accumulation Account	245,217,341	198,440,154
Retirement Reserve Account	217,523,637	168,169,331
Income-Expense Account	0	0
Deferred Retirement Option Plan	7,611,236	7,340,774
	$ 536,236,931	$ 432,656,827

Arkansas Local Police and Fire Retirement System

Notes to the Financial Statements

December 31, 2003 and 2002

Note 4: Commitments and Contingencies

Leases

LOPFI has leased office space beginning January 1, 2001, for a 36-month period. Fifty percent of the rent expense is traditionally borne by the Arkansas Fire and Police Pension Review Board. LOPFI has purchased an office building to be occupied in the near future, and as a result, has only extended the lease for one year to December 31, 2004.

Pending Litigation

The former executive director of LOPFI has filed a lawsuit in Federal District Court alleging wrongful termination. The termination occurred during 2003, and the lawsuit was filed in 2004 subsequent to the date of these financial statements. She seeks reinstatement of her position and an unspecified amount of compensatory damages as well as punitive damages. She has named the System (LOPFI) as well as each of the Board of Trustees individually as defendants. Attorneys for LOPFI have stated that it appears that there is no insurance coverage for the alleged action. LOPFI has filed a motion to dismiss the action and will vigorously contest the lawsuit in Federal Court. Due to the fact that there is no monetary range for the liability and that the outcome is in question, it is impossible to determine the effect on the current financial statements, and therefore no liability and related expense has been recorded.

Arkansas Local Police and Fire Retirement System

Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (d)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/95	$ 166,697,056	$ 184,722,940	$ 18,025,884	90%	$ 92,609,526	19%
12/31/96*	200,004,954	242,501,504	42,496,550	82	114,814,558	37
12/31/97	242,849,773	279,592,905	36,743,132	87	129,797,633	28
12/31/98*+	295,664,808	328,182,052	32,517,244	90	135,372,764	28
12/31/99*	361,113,458	369,233,854	8,120,396	98	136,976,242	6
12/31/00*	425,122,202	416,222,207	(8,899,995)	102	142,778,723	-
12/31/01*	481,431,953	428,840,581	(52,951,372)	112	152,883,342	-
12/31/02	515,600,263	534,533,175	18,932,912	96	163,420,616	12
12/31/03 +	553,057,228	620,393,297	67,336,069	89	181,429,964	37

* After legislated benefit increases for LOPFI members
\+ After changes in actuarial assumptions

Schedule of Employer Contributions

Fiscal year ending	Annual Required Contribution	Percent Contributed
12/31/95	$ 11,795,077	100%
12/31/96	14,650,814	100%
12/31/97	16,402,732	100%
12/31/98	18,221,992	100%
12/31/99	19,522,826	100%
12/31/00	22,321,326	100%
12/31/01	22,420,300	100%
12/31/02	18,261,057	100%
12/31/03	16,346,749	100%

Note to the required supplementary information

Actuarial methods & assumptions for valuation performed December 31, 2003

The entry age normal actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest) which are expressed as a percent of payroll. The amortization period used for the December 31, 2003 valuations was 30 years using a level percent open method.
for LOPFI plan members and 30 to 35 years for members of local plans under LOPFI administration. The actuarial value of assets is based on a five year smoothed market method. The investment return rate used is 8% per year. The inflation rate assumed is 4% per year. Projected salary increase assumptions are based on 4% to 9.6% increases and a wage inflation rate of 4% per year. A cost of living adjustment (COLA) is based on a 3% compound escalator for the LOPFI plan only.

See accompanying Independent Auditor's Report.

Arkansas Local Police and Fire Retirement System

Schedule of Administrative and Investment Expenses

Years ended December 31, 2003 and 2002

	2003	2002
Personnel Services		
Staff salaries	$ 286,590	$ 184,456
Social security tax	26,113	24,953
Staff retirement plan contribution	30,579	32,619
Health insurance	39,129	36,067
Unemployment insurance	4,089	3,399
Temporary help	640	498
Total personnel services	387,140	281,992
Professional Services		
Actuarial services (including initial valuations)	173,275	143,000
Professional accounting services	6,200	5,850
Legal consultation	72,000	72,000
Data processing	176,592	188,457
Medical advisor	18,417	27,558
Total professional services	446,484	436,865
Communications		
Printing	27,228	15,541
Telephone	5,780	5,191
Postage	20,674	21,564
Meetings and travel	22,145	20,522
Total communications	75,827	62,818
Miscellaneous		
Insurance-bond and property	20,914	27,965
Office rent	38,298	36,724
Office equipment rent	2,821	2,867
Depreciation	30,159	36,692
Publications	2,288	1,239
Office supplies	7,333	7,420
Other Miscellaneous	10,605	2,121
Interest paid to Pension Review Board	21,424	13,705
Total miscellaneous	133,842	128,733
Total administrative expenses	1,043,293	910,408
Investment expenses		
Investment manager fees	2,269,604	1,992,363
Custodial fees	199,052	174,479
Investment consulting fee	87,144	110,063
Investment monitoring fee	34,080	32,760
Total investment expenses	2,589,880	2,309,665
Total administrative and investment expenses	$ 3,633,173	$ 3,220,073

See accompanying Independent Auditor's Report.

Arkansas Local Police and Fire Retirement System

Schedule of Actual versus Budgeted Expenses

Year ended December 31, 2003

	Budgeted	Actual	Favorable (Unfavorable
Personnel Services	350,642	387,140	(36,498)
Professional Services			
Actuarial services (including initial valuations)	185,300	173,275	12,025
Professional accounting services	6,200	6,200	-
Legal consultation	72,000	72,000	-
Data processing	211,000	176,592	34,408
Medical advisor	31,000	18,417	12,583
Total professional services	505,500	446,484	59,016
Communications			
Printing	29,600	27,228	2,372
Telephone	11,100	5,780	5,320
Postage	24,800	20,674	4,126
Meetings and travel	24,500	22,145	2,355
Total communications	90,000	75,827	14,173
Miscellaneous			
Insurance-bond and property	36,750	20,914	15,836
Office rent	38,361	38,298	63
Office equipment and land acquisition costs	9,000		9,000
Office equipment rent	4,100	2,821	1,279
Depreciation		30,159	(30,159)
Publications	3,550	2,288	1,262
Office supplies	15,800	7,333	8,467
Other Miscellaneous	2,600	10,605	(8,005)
Interest paid to Pension Review Board	-	21,424	(21,424)
Total miscellaneous	110,161	133,842	(23,681)
Total administrative expenses	1,056,303	1,043,293	13,010
Investment expenses			
Investment manager fees	2,292,080	2,269,604	22,476
Custodial fees	175,000	199,052	(24,052)
Financial advisor fee	110,000	87,144	22,856
Investment monitoring fee	34,080	34,080	-
Total investment expenses	2,611,160	2,589,880	21,280
Total administrative and investment expenses	$3,667,463	$3,633,173	$ 34,290

See accompanying Independent Auditor's Report.