

REPORT

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES

JUNE 30, 2006 AND 2005

STATE OF LOUISIANA  
MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES

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JUNE 30, 2006 AND 2005

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

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112

(504) 586-8866

FAX (504) 525-5888

cpa@dhhmcpa.com

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

ANN M. HARGES, C.P.A.  
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

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

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

## INDEPENDENT AUDITOR'S REPORT

September 28, 2006

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, 2006 and 2005, 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, 2006 and 2005 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, 2006 and 2005 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 50 – 52 and the supplemental schedules listed on pages 31 - 49 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, 2001 – 2006 and supplemental schedules for the years ending June 30, 2006 and 2005, have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2006 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, Krapmann, Hogan & Maher, LLP*

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. 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 2006 by \$1,420,792,356 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by \$91,999,875 or 6.92%. 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 \$54,241,908, a decrease of \$8,623,283 or 13.72% over the prior year.
- \* Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$12,217,914, an increase of \$678,914, 5.88% over the prior year.
- \* Net appreciation in the fair value of investments totaled a net appreciation of \$87,456,968. The net appreciation decreased by \$3,973,238 or 4.35%. The decrease was due primarily to lower equity market returns available in the market place.
- \* The rate of return on the System's investments was a positive 8.72% based on the market value. This is lower than last year's positive 9.34% rate of return due, primarily, to the lower equity market returns available in the market place.
- \* Pension benefits paid to retirees and beneficiaries increased by \$690,528 or .84%. This increase is due to an increase in retirees.
- \* Administrative expenses totaled \$892,225, a decrease of \$43,281 or 4.63%. The cost of administering the System per member during 2006 was \$82.92 per individual compared to \$88.41 per individual in 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

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, 2006 and 2005.

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

FINANCIAL ANALYSIS OF THE RETIREMENT SYSTEM

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

	<u>Statements of Plan Net Assets</u> <u>June 30, 2006 and 2005</u>	
	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 1,628,643,090	\$ 1,398,963,678
Receivables	13,253,090	12,843,720
Property and equipment	<u>2,639,998</u>	<u>2,729,274</u>
Total assets	<u>1,644,536,178</u>	<u>1,414,536,672</u>
 Total liabilities	 <u>223,743,822</u>	 <u>85,744,191</u>
 Net Assets Held in Trust		
For Pension Benefits	<u>\$ 1,420,792,356</u>	<u>\$ 1,328,792,481</u>

Plan net assets increased by 6.92% (\$1,420,792,356 compared to \$1,328,792,481). 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, 2006

FINANCIAL ANALYSIS OF THE FUND (Continued)

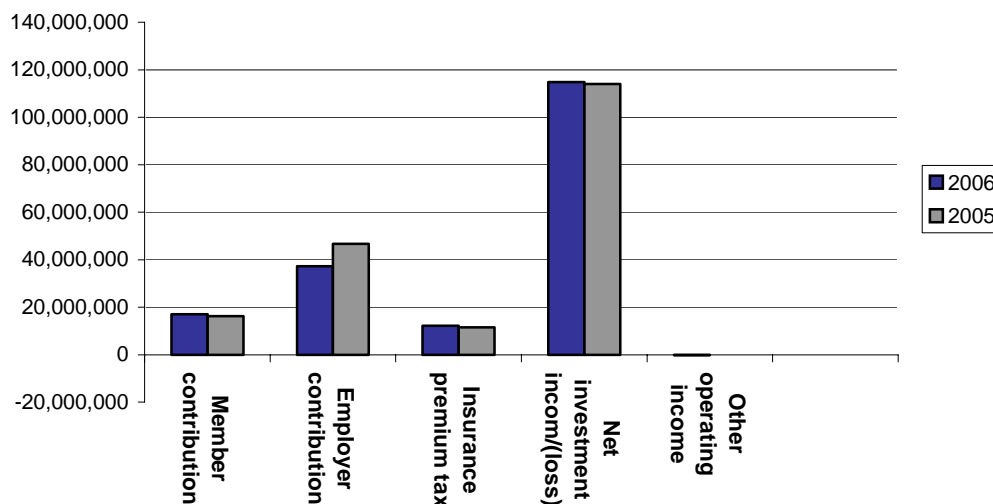
Statement of Changes in Plan Net Assets  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Additions:		
Contributions	\$ 66,459,822	\$ 74,404,191
Investment income - net	114,870,803	114,037,277
Other	<u>(227,510)</u>	<u>(127,049)</u>
Total additions	181,103,115	188,314,419
Total Deductions	<u>89,103,240</u>	<u>85,904,888</u>
Increase (Decrease) in Plan Net Assets	<u>\$ 91,999,875</u>	<u>\$ 102,409,531</u>

Additions to Plan Net Assets

Additions to the System's plan net assets are derived from member contributions, employer contributions and investment income. Member contributions increased \$835,766 or 5.16% while employer contributions decreased by \$9,459,049 or 20.26%. The System experienced net investment income of \$114,870,803 as compared to a net investment income of \$114,037,277 in the previous year.

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease) Percentage</u>
Member Contributions	\$ 17,020,435	\$ 16,184,669	5.16%
Employer Contributions	37,221,473	46,680,522	(20.26)%
Insurance Premium Taxes	12,217,914	11,539,000	5.89%
Net Investment Income	114,870,803	114,037,277	.73%
Other Operating Revenues/(expenses)	<u>(227,510)</u>	<u>(127,049)</u>	.79%
Total	<u>\$ 181,103,115</u>	<u>\$ 188,314,419</u>	





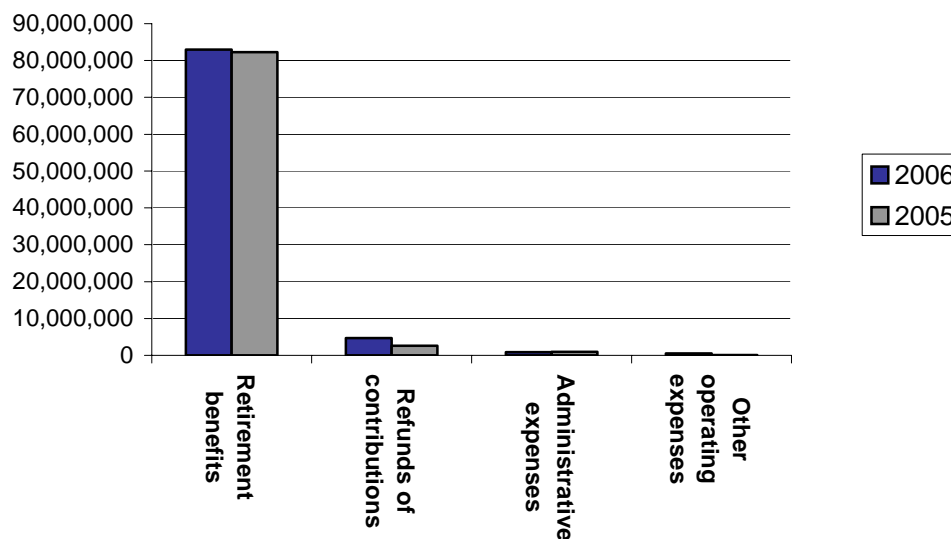
MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

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 \$89,103,240 in fiscal year 2006. This increase of \$3,198,352 was primarily due to an increase in refunds. The cost of administering the System's benefits per member during 2006 was \$82.92 per individual compared to \$88.41 per individual in 2005.

	<u>2006</u>	<u>2005</u>	Increase (Decrease) <u>Percentage</u>
Retirement Benefits	\$82,988,328	\$82,297,800	.84%
Refunds of Contributions	4,660,819	2,565,141	81.70%
Administrative Expenses	892,225	935,506	(4.63%)
Other Operating Expenses	<u>561,868</u>	<u>106,441</u>	427.87%
Total	<u>\$ 89,103,240</u>	<u>\$ 85,904,888</u>	



MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

FINANCIAL ANALYSIS OF THE FUND (Continued)

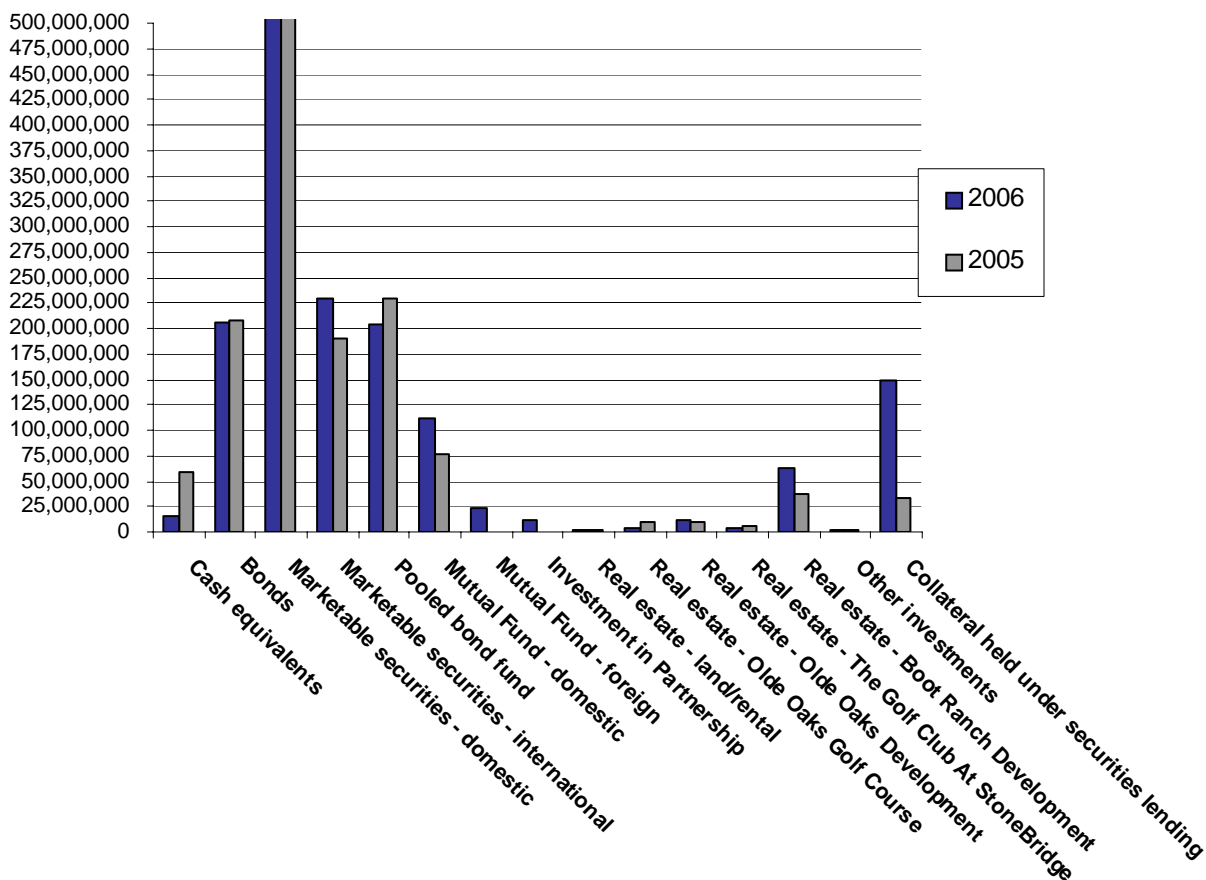
Investments

MPERS is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2006 amounted to \$1,617,760,366 as compared to \$1,384,087,442 at June 30, 2005, which is an increase of \$233,672,924 or 16.88%. The System's investments in various markets at the end of the 2006 and 2005 fiscal years are indicated in the following table:

	<u>2006</u>	<u>2005</u>	Increase (Decrease) <u>Percentage</u>
Cash and cash equivalents	\$ 29,054,919	\$ 59,189,250	(72.66)%
Bonds	206,779,897	207,212,339	(.21)%
Marketable securities - domestic	568,232,813	522,357,497	8.78%
Marketable securities – international	228,978,543	190,003,968	20.51%
Pooled Bond Fund	203,729,874	228,570,291	(10.87)%
Domestic Mutual Fund	111,280,983	76,769,789	44.95%
Real Estate – Land and Rental	1,280,516	1,276,857	.286%
Real Estate – Olde Oaks Golf Course	4,496,478	10,015,669	(55.11)%
Real Estate – Olde Oaks Development	11,589,251	10,449,494	10.91%
Real Estate – The Golf Club At StoneBridge	3,198,764	5,811,838	(44.96)%
Real Estate – Boot Ranch Development	63,188,219	36,573,396	72.77%
Foreign mutual fund	23,810,124	--	100.00%
Investment in partnership	11,868,499	--	100.00%
Other investments	1,779,569	2,168,006	(17.91)%
Collateral Held Under Securities			
Lending	<u>148,491,917</u>	<u>33,689,048</u>	340.77%
Total	<u>\$ 1,617,760,366</u>	<u>\$ 1,384,087,442</u>	

MUNICIPAL POLICE EMPLOYEES’  
 RETIREMENT SYSTEM AND SUBSIDIARIES  
 MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>		
Cash:		
Cash in bank	\$ 10,583,801	\$ 14,793,019
Cash in escrow	298,923	83,217
Total cash	<u>10,882,724</u>	<u>14,876,236</u>
Receivables:		
Member contributions	1,642,038	1,406,554
Employer contributions	3,563,391	3,904,789
Due from merged systems	1,537,367	1,689,516
Other receivable	261,087	179,859
Investment receivable	1,749,412	1,855,509
Accrued interest and dividends	4,315,895	3,385,895
Other assets	-	-
Miscellaneous receivable	183,900	421,598
Total receivables	<u>13,253,090</u>	<u>12,843,720</u>
Investments:		
Cash in trust	12,874,829	1,053,238
Short-term cash equivalents - domestic	16,180,090	58,136,012
Bonds - domestic and foreign	206,779,897	207,212,339
Marketable securities - domestic	568,232,813	522,357,497
Marketable securities - international	228,978,543	190,003,968
Pooled Bond Fund	203,729,874	228,570,291
Mutual Fund - domestic	111,280,983	76,769,789
Mutual Fund - foreign	23,810,124	-
Investment in partnership	11,868,499	-
Collateral held under securities lending program - repurchase agreement	-	25,000,000
Collateral held under securities lending program - money market account	148,491,917	8,689,048
Other investments	1,779,569	2,168,006
Real estate - Land and rental	1,280,516	1,276,857
Real estate - Boot Ranch Development	63,188,219	36,573,396
Real estate - Olde Oaks Development	11,589,251	10,449,494
Real estate - Olde Oaks Golf Course	4,496,478	10,015,669
Real estate - The Golf Club at StoneBridge	3,198,764	5,811,838
Total investments	<u>1,617,760,366</u>	<u>1,384,087,442</u>
Property, plant and equipment:		
(Net of accumulated depreciation \$580,285 in 2006; \$485,973 in 2005)	<u>2,639,998</u>	<u>2,729,274</u>
<b>TOTAL ASSETS</b>	<u>1,644,536,178</u>	<u>1,414,536,672</u>
<b>LIABILITIES:</b>		
Accounts payable	4,080,892	4,139,056
Accrued payroll and taxes	32,841	82,869
Refunds payable - members	312,477	233,675
Deferred contributions	76,999	64,954
Other liabilities	244,052	314,222
Notes payable	322,778	496,703
Notes payable - Line of credit	68,764,097	44,930,825
Obligations under securities lending program	148,491,917	33,689,048
Investment payable	1,417,769	1,792,839
TOTAL LIABILITIES	<u>223,743,822</u>	<u>85,744,191</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b> (A schedule of funding progress for the Plan is presented on page 51)	<u>\$ 1,420,792,356</u>	<u>\$ 1,328,792,481</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ADDITIONS:		
CONTRIBUTIONS:		
Members	\$ 16,878,085	\$ 16,136,038
Employer	37,221,473	46,680,522
Military purchase	142,350	48,631
Insurance premium tax	12,217,914	11,539,000
Total contributions	<u>66,459,822</u>	<u>74,404,191</u>
INVESTMENT INCOME:		
Net appreciation in investments	87,456,968	91,430,206
Interest - sweep account	233,413	116,088
Interest - cash equivalents	1,470,786	739,984
Interest - notes, bonds, etc.	13,385,063	13,039,857
Interest - securities lending	5,863,914	5,452,209
Dividends - stock	16,461,013	13,928,836
Boot Ranch Development operations	1,050,218	-
Miscellaneous	58,563	166,226
	<u>125,979,938</u>	<u>124,873,406</u>
Less investment expenses:		
Securities lending expense	5,336,408	5,207,414
Custodial	256,877	222,590
Investment advisor	4,019,378	3,866,481
Foreign tax withheld	749,359	634,421
Miscellaneous investment expense	45,313	113,572
Real estate - Olde Oaks Development	408,034	138,772
Real estate - Olde Oaks Golf Course	159,612	445,170
Real estate - The Golf Club at StoneBridge	134,154	207,709
	<u>11,109,135</u>	<u>10,836,129</u>
Net investment income	<u>114,870,803</u>	<u>114,037,277</u>
OTHER ADDITIONS:		
Merger interest payment	107,023	116,779
Interest income - refunds	177,418	54,145
Transfers (to) from other systems - employees	(59,902)	2,188
Transfers (to) from other systems - employers/interest	(452,049)	(300,161)
Total other additions	<u>(227,510)</u>	<u>(127,049)</u>
Total additions	<u>181,103,115</u>	<u>188,314,419</u>
DEDUCTIONS:		
Benefits	82,988,328	82,297,800
Refund of contributions	4,660,819	2,565,141
Administrative expenses	892,225	935,506
Depreciation	94,312	96,373
Miscellaneous	467,556	10,068
Total deductions	<u>89,103,240</u>	<u>85,904,888</u>
NET INCREASE	91,999,875	102,409,531
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>1,328,792,481</u>	<u>1,226,382,950</u>
END OF YEAR	<u>\$ 1,420,792,356</u>	<u>\$ 1,328,792,481</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Basis of Accounting:

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

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

Method Used to Value Investments:

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

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Land, Equipment and Fixtures:

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

Consolidation:

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

2. PLAN DESCRIPTION:

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

The Municipal Police Employees' Retirement System provides retirement benefits for municipal police officers. For the years ended June 30, 2006 and 2005, there are 144 contributing municipalities. At June 30, 2006 and 2005 statewide retirement membership consists of:

	<u>2006</u>	<u>2005</u>
Active members	5,575	5,827
Regular retirees	2,517	2,437
Disability retirees	208	209
Survivors	1,014	1,006
Vested and reciprocals	99	88
Due refunds	926	602
DROP participants	227	239
DROP to active	<u>194</u>	<u>173</u>
 TOTAL PARTICIPANTS AS OF THE VALUATION DATE	 <u>10,760</u>	 <u>10,581</u>

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

2. PLAN DESCRIPTION: (Continued)

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

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

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

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

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

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

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

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

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



MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
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2. PLAN DESCRIPTION: (Continued)

A member is eligible upon receiving 25 years of credit regardless of age or 20 years of credit and attaining the age of 50, to elect to enter the deferred retirement option plan (DROP). Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the 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, 2006 and 2005 was 15.5% and 20.25%. The actual contribution rate for the years then ended was 15.25% and 20.25%. 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, 2006 and 2005, the state appropriated \$12,217,914 and \$11,539,000, respectively, in insurance premium tax.

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

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

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

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2006 and 2005 is \$130,151,650 and \$126,546,245, 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, 2006 and 2005 is \$481,135,007 and \$542,275,717, respectively. The Pension Accumulation is 66% funded for the year ended June 30, 2006 and 58% funded for the year ended June 30, 2005.

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, 2006 and 2005 is \$914,607,078 and \$919,295,724, 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, 2006 and 2005 is \$58,877,905 and \$56,944,007, respectively. The Deferred Retirement Option Account is fully funded.

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NOTES TO FINANCIAL STATEMENTS  
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

E) Initial Benefit Option Reserve:

The Initial Benefit Option Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The Initial Benefit Option Reserve as of June 30, 2006 and 2005 is \$454,644 and \$738,415, 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 50 - 52.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Deposits (bank balance)	\$ 11,003,831	\$ 15,061,949
Cash and cash equivalents – domestic	29,054,919	59,189,250
Investments	<u>1,588,705,447</u>	<u>1,324,687,532</u>
	<u>\$ 1,628,764,197</u>	<u>\$ 1,398,938,731</u>

Deposits:

The System's bank deposits were entirely covered by federal depository insurance and pledged collateral held jointly by the Retirement System and the bank. At June 30, 2006, Boot Ranch Development and Golf Club had funds on deposit which exceeded FDIC insurance coverage in the amount of \$1,314,255

MUNICIPAL POLICE EMPLOYEES'  
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JUNE 30, 2006 AND 2005

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

Cash Equivalents - Domestic:

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

Investments:

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

Concentration of Credit Risk:

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

The System's investment policy states that no more than 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, 2006 and 2005. However, at June 30, 2006 and 2005 the investment in the pooled bond fund in the amounts of \$203,729,874 and \$228,570,291, respectively, represents 14% and 17% 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, 2006 and 2005 (U.S. Government and Agency obligations totaling \$55,398,598 and \$53,808,548, respectively, are not rated).

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
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JUNE 30, 2006 AND 2005

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	\$ --	\$ --	\$ --	\$ --	\$ --
Aaa	4,075,890	--	--	--	4,075,890
Aa2	3,072,600	--	--	--	3,072,600
Aa3	7,782,533	--	--	--	7,782,533
A1	16,463,625	--	--	--	16,463,625
A2	13,795,210	--	--	--	13,795,210
A3	16,074,243	--	--	--	16,074,243
BB+	--	--	--	--	--
BB	--	--	--	--	--
BB-	--	--	--	--	--
B	--	--	--	--	--
B-	--	--	--	--	--
B1	10,371,628	--	--	--	10,371,628
B2	11,247,673	--	--	--	11,247,673
B2e	374,500	--	--	--	374,500
B3	9,375,012	--	--	--	9,375,012
Baa1	3,639,330	--	--	--	3,639,330
Baa2	20,649,385	--	--	--	20,649,385
Baa3	5,431,625	--	--	--	5,431,625
Ba1	3,564,651	--	--	--	3,564,651
Ba2	10,274,904	--	--	--	10,274,904
Ba3	14,069,052	--	--	--	14,069,052
Caal	1,119,438	--	--	--	1,119,438
Not Rated	<u>1,332,835</u>	<u>33,944,632</u>	<u>18,976,146</u>	<u>1,144,985</u>	<u>55,398,598</u>
	<u>\$ 152,714,134</u>	<u>\$ 33,944,632</u>	<u>\$ 18,976,146</u>	<u>\$ 1,144,985</u>	<u>\$ 206,779,897</u>

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

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

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2005:

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

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

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

Credit Risk: (Continued)

The System invested in a pooled bond fund. As of June 30, 2006 and 2005, the market value of the fund is \$203,729,874 and \$228,570,281, respectively. Investments within the fund have the following credit ratings.

<u>Rating</u>	<u>2006 Percentage Ownership</u>
AAA	78.5%
AA	5.4
A	8.4
Below BBB	7.3

<u>Rating</u>	<u>2005 Percentage Ownership</u>
AAA	61.29%
AA	8.58
BBB	17.12
A	11.09
Below BBB	1.92

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2006 and 2005, the System is not exposed to custodial risk for investments in the amount of \$1,016,866,082 and \$920,627,042 respectively, since the investments are held in the name of the System.

At June 30, 2006 and 2005 the System has \$16,180,090 and \$58,136,012 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 \$148,491,917 as of June 30, 2006 and \$33,689,048 as of June 30, 2005. The System is exposed to custodial credit risk since the collateral is not in the name of the System.

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

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, 2006 and 2005, the System had the following investments in long-term debt securities and maturities:

2006	Fair <u>Value</u>	Less Than <u>1 Year</u>	1 - 5 <u>Years</u>	6 -10 <u>Years</u>	Greater Than <u>10 Years</u>
<u>Investment Type</u>					
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	<u>1,144,985</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,144,985</u>
	<u>\$ 206,779,897</u>	<u>\$ 4,953,093</u>	<u>\$ 40,544,947</u>	<u>\$ 95,880,842</u>	<u>\$ 65,401,015</u>

<u>2005</u>	Fair <u>Value</u>	Less Than <u>1 Year</u>	1 - 5 <u>Years</u>	6 -10 <u>Years</u>	Greater Than <u>10 Years</u>
<u>Investment Type</u>					
Corporate Bonds	\$ 153,403,791	\$ 1,159,688	\$ 23,607,510	\$ 111,640,291	\$ 13,719,032
Federal Home Loan Mortgage Corporation	31,493,225	--	--	--	31,493,225
Federal National Mortgage Association	20,357,431	--	--	--	20,357,431
Government National Mortgage Association	<u>1,957,892</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,957,892</u>
	<u>\$ 207,212,339</u>	<u>\$ 1,159,688</u>	<u>\$ 23,607,510</u>	<u>\$ 111,640,291</u>	<u>\$ 67,527,580</u>

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.



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

The System's exposure for foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2006 and 2005 as follows:

<u>Country/Currency</u>	<u>2006</u> <u>Fair Value</u>	<u>2005</u> <u>Fair Value</u>
Austrian / Euro	\$ 1,646,940	\$ 1,637,645
Australian / Dollar	10,659,504	10,250,871
Belgium / Euro	3,661,319	163,729
Hong Kong / Dollar	9,944,724	8,510,757
Finland /Euro	--	268,017
France / Euro	18,869,101	17,970,601
Malasya / Ringitt	6,015,452	5,841,461
Greece / Euro	1,873,872	1,472,041
Singapore / Dollar	11,597,030	8,439,067
Germany / Euro	12,487,448	8,056,972
Taiwan / Dollar	2,375,699	3,995,508
Ireland / Euro	6,722,433	5,460,532
Thailand / Bah	4,852,344	4,046,055
Italy / Euro	3,158,945	864,709
Switzerland / Swiss £	30,924,021	22,124,315
United Kingdom/Euro	3,749,600	--
Canada / Dollar	3,745,407	4,533,891
United Kingdom / Pounds	43,468,611	29,450,654
Netherlands /Euro/Golden	5,655,890	8,639,643
Norway / Kroner	953,042	927,055
Spain / Euro	11,618,733	12,165,035
Portugal / Euro	2,633,503	679,626
Sweden / Kroner	1,797,530	1,098,515
Brazil / Real	--	1,394,773
Chile - Colombia / Dollar	--	1,389,638
Turkey / Lira	--	412,898
India - Indonesia / Rupiah	--	2,854,998
Egypt / Egyptian L	--	934,229
Mexico / Peso	--	2,481,459
Hungary / Forint	--	478,330
Russia/ Dollar	--	308,525
S. Africa / Rand	--	730,665
S. Korea / Won	--	1,147,170
Japan / Yen	29,657,215	21,274,584
Other	<u>910,180</u>	<u>--</u>
TOTAL	<u>\$ 228,978,543</u>	<u>\$ 190,003,968</u>

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

The System's investment policy has a target of 11-19% of total investments in foreign marketable securities. At June 30, 2006 and 2005, the System's position was 16% and 14%, respectively, of the total investments

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS:

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

- A) The System purchased as an investment a golf course located in northwest Louisiana. The initial cost of the golf course was \$6,797,156. Subsequent to the purchase the System has made improvements to the golf course in the amount of \$4,137,871. During the year ending June 30, 2005, Olde Oaks transferred a portion of the land with a cost of \$48,574 and a market value of \$50,000 to Olde Oaks Development, LLC, an affiliate organization. As a result, total cost and improvements as of June 30, 2006 is \$10,886,453. The golf course was appraised, net of \$208,000 of estimated selling cost at a value of \$4,496,478 at June 30, 2006. No appraisal was performed for the year ending June 30, 2005 since no significant improvements were made, therefore no unrealized gain or loss was recorded for the year. For the year ending June 30, 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 \$159,612 as of June 30, 2006.
- B) On July 23, 2003, Municipal Police Employees' Retirement System paid \$2,901,000 to purchase, as an investment, at a Sheriff's sale a golf course in northwest Louisiana. Subsequent to the purchase the System made improvements to The Golf Club at StoneBridge in the amount of \$1,340,987. The golf course was appraised, net of \$148,000 of estimated selling cost at a value of \$3,198,764 for the year ending June 30, 2006. Since there were no significant improvements made during the year ending June 30, 2005 no appraisal was performed. Therefore no unrealized gain or loss was recorded. For the year ending June 30, 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 \$134,154 as of June 30, 2006.

MUNICIPAL POLICE EMPLOYEES'  
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7. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

- C) On December 23, 2003, Municipal Police Employees' Retirement System paid a \$50,000 deposit to purchase, as an investment, undeveloped land surrounding one of the golf courses it owns in north Louisiana. On February 13, 2004, the System acquired the land for \$5,932,000. The land consists of 209.99 acres of undivided land and 75 lots. Subsequent to the acquisition, the System began making improvements to the infrastructure, subdivided some of the land it acquired and began to sell lots. The cost of improvements to the land as of June 30, 2006 and 2005 is \$4,283,763 and \$2,893,005, respectively. Based on the sales and sales commitments obtained as of June 30, 2006 and 2005 the market value of the land and improvements is \$9,815,986 and \$8,656,452 which resulted in an unrealized loss of \$27,089 in 2006 and an unrealized gain of \$2,064 in 2005. During the year ending June 30, 2006, 16 lots were sold which resulted in a realized gain of \$ 134,628. During the year ending June 30, 2005, 26 lots were sold which resulted in a realized gain of \$66,473. The unrealized gains or losses and realized gains are reported on these financial statements in the net appreciation in the fair market value of the investments.

The Development constructed a Sewer plant at a cost of \$1,836,925. 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 \$10,459 in revenue and incurred \$12,012 in maintenance cost.

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 Retirement System is the guarantor. The interest rate on the line of credit is 6.05% with a maturity of June 28, 2007. The balance on the line of credit at June 30 2006 is \$11,439,151.

The System has an agreement with a management company to oversee the operations of Olde Oaks Development, LLC. Municipal Police Employees' Retirement System is the sole owner of Olde Oaks Development, LLC. The net loss of the LLC has been reported as an investment expense in the amount of \$408,034 as of June 30, 2006.

8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP:

The Retirement System invested in a limited liability partnership. The purpose of the partnership is to own and develop as a first class golf and residential development a parcel of land in Gillespie County, Texas commonly known as Boot Ranch. The land was purchased during the year ended June 30, 2004 at a cost of \$15,675,588. The project is now in the development stage and has incurred \$47,512,631 in start up cost and in land development cost. The partnership has opened a line of credit in the amount of \$30,000,000 in which the Retirement System is the guarantor. The interest rate on the line of credit is 5.84% with a maturity of June 8, 2007. The balance on the line of credit as of June 30, 2006 is \$29,328,489. The collateral on the line of credit is a pooled bond fund owned by the Retirement System.

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8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP: (Continued)

During the year ending June 30, 2005, the Partnership obtained an additional line of credit in the amount of \$34,000,000 to complete Phase I of the Development. The line of credit is guaranteed by the assets of the Partnership. The acquisition of the line of credit required amendments to the partnership agreement. The interest rate on the line of credit is 8.75% with a maturity of May 17, 2007. The balance on the line of credit as of June 30, 2006 is \$27,487,347.

The Retirement System has a 35% partnership interest in the limited liability partnership. Throughout Phase I, the Retirement System will be allocated 96% of the profits or losses as long as the partnership maintains a line of credit and 60% of the profits and losses when the line of credit is paid off. Throughout Phase II, the Retirement System will be allocated 96% of the profits and losses as long as the partnership maintains a line of credit and 51% of the profits and losses when the line of credit is paid off.

During the year ending June 30, 2006, Boot Ranch Development sold 16 lots at a gain of \$7,190,756. This gain is reported as net appreciation in investments.

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.

The net assets of Boot Ranch have been consolidated with the net assets of the Retirement System and are reported as an investment on the statement of net assets. The cost and market value of the investment as of June 30, 2006 is \$63,188,219. The cost and market value of the investment as of June 30, 2005 is \$36,573,396.

9. INVESTMENT IN PARTNERSHIP:

The System has committed to invest \$24,000,000 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, 2006 was a loss of \$32,569 and is included in investment income. As of June 30, 2006, the System has invested \$11,901,068 with a market value of \$11,868,499.

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10. 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:

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Par/Cost</u> <u>(equities)</u>	<u>Market</u>	<u>Par/Cost</u> <u>(equities)</u>	<u>Market</u>
U.S. Corporate securities (bonds)	\$ 27,520,431	\$ 27,117,700	\$ 3,277,270	\$ 3,286,500
U.S. Corporate securities (stocks)	104,524,473	119,148,407	28,502,733	29,936,270
Total	<u>\$ 132,044,904</u>	<u>\$ 146,266,107</u>	<u>\$ 31,780,003</u>	<u>\$ 33,222,770</u>

MPERS has the following collateral under securities lending program:

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Par/Cost</u> <u>(equities)</u>	<u>Market</u>	<u>Par/Cost</u> <u>(equities)</u>	<u>Market</u>
Cash / Money market	\$148,491,917	\$ 148,491,917	\$25,000,000	\$25,000,000
Tri-party repurchase agreements	--	--	8,689,048	8,689,048
Totals	<u>\$ 148,491,917</u>	<u>\$ 148,491,917</u>	<u>\$33,689,048</u>	<u>\$33,689,048</u>

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at June 30, 2006 and 2005.

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11. 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, 2006, lease expense was \$176,053. The following is a schedule of future minimum lease commitments for the next five years:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2007	\$ 140,716
June 30, 2008	88,798
June 30, 2009	77,448
June 30, 2010	77,448
June 20, 2011	<u>77,448</u>
Total	<u>\$ 461,858</u>

12. CAPITAL LEASES:

In the prior years, the System purchased various equipment for Olde Oaks golf course through two capital leases. The equipment cost \$34,217. The monthly lease payments range between 48 months and 24 months in the amount of \$840 including interest. During the year ending June 30, 2004, Olde Oaks acquired a copy machine costing \$3,152 through a capital lease. The copy machine is payable in 24 monthly installments in the amount of \$152 including interest. The capital leases were paid off during the year ending June 30, 2006.

13. 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.

14. TAX QUALIFICATION:

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

15. ACCOUNTS RECEIVABLE – MERGED SYSTEMS:

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

The total accounts receivable from all merged systems as of June 30, 2006 and 2005 is \$1,537,367 and \$1,689,516, 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. The short term and long term portion of the accounts receivable as of June 30, 2005 was \$152,149 and \$1,385,218, respectively.

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16. EQUIPMENT AND FIXTURES:

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

	<u>2006</u>	<u>2005</u>
Office equipment	\$ 175,872	\$ 175,872
Computer equipment and software	201,325	196,289
Furniture	89,458	89,458
Automobile and truck	17,063	17,063
Land	614,919	614,919
Office building	<u>2,121,646</u>	<u>2,121,646</u>
	3,220,283	3,215,247
Less accumulated depreciation	<u>(580,285)</u>	<u>(485,973)</u>
Total	<u>\$ 2,639,998</u>	<u>\$ 2,729,274</u>

Depreciation expense charged to pension operations was \$94,312 for 2006 and \$96,373 for 2005. Depreciation expense charged to investment expense – Olde Oaks Golf Course operations was \$113,239 for 2006 and \$119,454 for 2005. Depreciation expense charged to investment expense - The Golf Course at StoneBridge operations was \$65,163 for 2006 and \$52,604 for 2005. Depreciation expense charged to investment expense – Olde Oaks Development was \$73,477 for 2006 and \$-0- for 2005. Depreciation expense charged to investment – Boot Ranch Development operations was \$344,545 for 2006 and \$0 for 2005.

17. 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, 2006 is \$335,360. The line of credit is due on December 25, 2006 and renewable for an additional year. The Retirement 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 8.25% interest rate. The balance as of June 30, 2006 is \$173,750. The balance is due on December 31, 2006 and is renewable for an additional year. The Retirement System is the guarantor of the line of credit.

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17. LINE OF CREDIT: (Continued)

Olde Oaks Development:

During the year ending June 30, 2004, Olde Oaks Development obtained a line of credit in the amount of \$13,000,000 for the acquisition and development of land in north Louisiana. The interest 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 and 2005 is \$11,439,151 and \$9,989,151, respectively. The Retirement System is the guarantor of the line of credit.

Boot Ranch:

During the year ending June 30, 2004, Boot Ranch obtained a line of credit in the amount of \$30,000,000 in which the Retirement System is the guarantor. The interest on the line of credit is 5.84% with a maturity date of June 8, 2007. The balance on the line of credit as of June 30, 2006 and 2005 is \$29,328,489 and \$30,000,000, respectively.

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 and 2005 is \$27,487,347 and \$4,634,196, respectively.

18. 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 Retirement System. Equipment is additional collateral on the note. The note bears a 5.50% interest rate and is payable in thirty-six (36) monthly installments. The balance on the note at June 30, 2006 and 2005 is \$48,697 and \$189,595, respectively.

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 balance on the note as of June 30, 2006 and 2005 is \$2,775 and \$11,242, respectively.

The Retirement 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 balance on the note at June 30, 2006 and 2005 is \$4,181 and \$8,454, respectively.



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18. NOTE PAYABLE - EQUIPMENT: (Continued)

The Club at Stonebridge:

During the year ending June 30, 2005, the Retirement 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 Retirement System is the guarantor of the note. The balance of the note at June 30, 2006 and 2005 is \$57,139 and \$88,439, respectively.

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 Retirement System is the guarantor of the note. The balance on the note at June 30, 2006 and 2005 is \$28,754 and \$57,413, respectively.

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 Retirement System is the guarantor. The balance on the note at June 30, 2006 is \$73,676.

Boot Ranch:

During the year ending 2006, the Development acquired two automobiles through notes payables. The rates are for thirty six months at interest rates of 3.5% and 7%. The balance on the two notes at June 30, 2006 is \$ 99,607.

Following is a schedule of the future payments:

<u>Year Ending</u>	<u>Olde Oaks</u>	<u>StoneBridge</u>	<u>Boot Ranch</u>	<u>Total</u>
June 30, 2007	\$ 55,653	\$ 94,836	\$ 19,895	\$ 170,384
June 30, 2008	--	58,648	79,712	138,360
June 30, 2009	--	6,085	--	6,085
June 30, 2010	--	--	--	--
	<u>\$ 55,653</u>	<u>\$ 159,569</u>	<u>\$ 99,607</u>	<u>\$ 314,829</u>

19. 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.

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CONSOLIDATED STATEMENT OF PLAN NET ASSETS  
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ASSETS	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>	<u>Total Retirement System</u>
Cash:				
Cash in bank	\$ 8,670,497	\$ 65,268	\$ 11,958	\$ 8,747,723
Cash in escrow	-	-	-	-
	<u>8,670,497</u>	<u>65,268</u>	<u>11,958</u>	<u>8,747,723</u>
Receivables:				
Member contributions	1,642,038	-	-	1,642,038
Employer contributions	3,563,391	-	-	3,563,391
Due from merger systems	1,537,367	-	-	1,537,367
Accounts receivable	-	-	-	-
Investment receivable	1,749,412	-	-	1,749,412
Accrued interest and dividends	4,315,895	-	-	4,315,895
Miscellaneous receivable	175,667	-	-	175,667
Total Receivables	<u>12,983,770</u>	<u>-</u>	<u>-</u>	<u>12,983,770</u>
Investments:				
Cash in trust	12,874,829	-	-	12,874,829
Cash equivalents	16,180,090	-	-	16,180,090
Bonds, notes, mortgages	206,779,897	-	-	206,779,897
Marketable securities - domestic	568,232,813	-	-	568,232,813
Marketable securities - international	228,978,543	-	-	228,978,543
Pooled bond fund	203,729,874	-	-	203,729,874
Real estate fund	111,280,983	-	-	111,280,983
Mutual funds	23,810,124	-	-	23,810,124
Investment in partnership	11,868,499	-	-	11,868,499
Other investments	-	-	-	-
Collateral held under securities	-	-	-	-
lending program - repurchase agreements	-	-	-	-
Collateral held under securities	-	-	-	-
lending program - Money Market	148,491,917	-	-	148,491,917
Real Estate - Boot Ranch Development	-	-	-	-
Real Estate - land and rental	604,695	-	675,821	1,280,516
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	<u>1,540,527,506</u>	<u>-</u>	<u>675,821</u>	<u>1,541,203,327</u>
Property, Plant and Equipment:				
Net of accumulated depreciation	648,272	-	1,991,726	2,639,998
TOTAL ASSETS	<u>1,562,830,045</u>	<u>65,268</u>	<u>2,679,505</u>	<u>1,565,574,818</u>
LIABILITIES				
Accounts payable	1,026,766	51,995	-	1,078,761
Accrued payroll and taxes	-	7,182	-	7,182
Refunds payable	312,477	-	-	312,477
Deferred contribution	76,999	-	-	76,999
Other liabilities	-	-	-	-
Notes payable	-	-	-	-
Notes payable Line of credit	-	-	-	-
Obligations under securities lending	148,491,917	-	-	148,491,917
Investment payable	1,417,769	-	-	1,417,769
Due to/ due (from) other funds	(3,730,756)	-	-	(3,730,756)
TOTAL LIABILITIES	<u>147,595,172</u>	<u>59,177</u>	<u>-</u>	<u>147,654,349</u>
NET ASSETS HELD IN TRUST				
FOR PENSION BENEFITS	<u>\$ 1,415,234,873</u>	<u>\$ 6,091</u>	<u>\$ 2,679,505</u>	<u>\$ 1,417,920,469</u>

Olde Oaks Golf Course	Stonebridge Golf Course	Olde Oaks Development	Boot Ranch Development	Total
\$ 47,276	\$ 33,114	\$ 121,999	\$ 1,633,689	\$ 10,583,801
49,644	-	-	249,279	298,923
<u>96,920</u>	<u>33,114</u>	<u>121,999</u>	<u>1,882,968</u>	<u>10,882,724</u>
-	-	-	-	1,642,038
-	-	-	-	3,563,391
-	-	-	-	1,537,367
85,617	44,656	51,756	79,058	261,087
-	-	-	-	1,749,412
-	-	-	-	4,315,895
3,877	4,356	-	-	183,900
<u>89,494</u>	<u>49,012</u>	<u>51,756</u>	<u>79,058</u>	<u>13,253,090</u>
-	-	-	-	12,874,829
-	-	-	-	16,180,090
-	-	-	-	206,779,897
-	-	-	-	568,232,813
-	-	-	-	228,978,543
-	-	-	-	203,729,874
-	-	-	-	111,280,983
-	-	-	-	23,810,124
-	-	-	-	11,868,499
495,522	353,236	-	930,811	1,779,569
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	148,491,917
-	-	-	63,188,219	63,188,219
-	-	-	-	1,280,516
-	-	11,589,251	-	11,589,251
-	-	-	-	4,496,478
-	-	-	-	3,198,764
<u>495,522</u>	<u>353,236</u>	<u>11,589,251</u>	<u>64,119,030</u>	<u>1,617,760,366</u>
-	-	-	-	2,639,998
<u>681,936</u>	<u>435,362</u>	<u>11,763,006</u>	<u>66,081,056</u>	<u>1,644,536,178</u>
248,192	108,677	528,620	2,116,642	4,080,892
13,737	11,922	-	-	32,841
-	-	-	-	312,477
-	-	-	-	76,999
-	-	244,052	-	244,052
55,653	159,569	-	107,556	322,778
335,360	173,750	11,439,151	56,815,836	68,764,097
-	-	-	-	148,491,917
-	-	-	-	1,417,769
3,161,075	556,006	13,675	-	-
<u>3,814,017</u>	<u>1,009,924</u>	<u>12,225,498</u>	<u>59,040,034</u>	<u>223,743,822</u>
\$ <u>(3,132,081)</u>	\$ <u>(574,562)</u>	\$ <u>(462,492)</u>	\$ <u>7,041,022</u>	\$ <u>1,420,792,356</u>

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CONSOLIDATED STATEMENT OF CHANGES IN PLAN NET ASSETS  
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ADDITIONS:	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>	<u>Total Retirement System</u>
Contributions:				
Member contributions	\$ 16,878,085	\$ -	\$ -	\$ 16,878,085
Employer contributions	37,221,473	-	-	37,221,473
Military purchase	142,350	-	-	142,350
Insurance premium tax	12,217,914	-	-	12,217,914
	<u>66,459,822</u>	<u>-</u>	<u>-</u>	<u>66,459,822</u>
INVESTMENT INCOME				
Net appreciation in fair value of investments	80,158,672	-	-	80,158,672
Interest - Sweep Account	233,413	-	-	233,413
Interest - cash equivalents	1,470,786	-	-	1,470,786
Interest - mortgage backed bonds	13,385,063	-	-	13,385,063
Interest - securities lending	5,863,914	-	-	5,863,914
Dividends - stocks	16,461,013	-	-	16,461,013
Boot Ranch Development operations	-	-	-	-
Miscellaneous investment income	37,714	-	10,390	48,104
	<u>117,610,575</u>	<u>-</u>	<u>10,390</u>	<u>117,620,965</u>
Less investment expenses:				
Securities lending expenses	5,336,408	-	-	5,336,408
Custodial fees	256,877	-	-	256,877
Investment advisor fee	4,019,378	-	-	4,019,378
Foreign tax withheld	749,359	-	-	749,359
Miscellaneous investment expense	45,313	-	-	45,313
Olde Oaks Development	-	-	-	-
Olde Oaks Golf Course operations	-	-	-	-
The Club at Stonebridge operations	-	-	-	-
	<u>10,407,335</u>	<u>-</u>	<u>-</u>	<u>10,407,335</u>
Net investment income (loss)	<u>107,203,240</u>	<u>-</u>	<u>10,390</u>	<u>107,213,630</u>
OTHER ADDITIONS				
Merger interest payment	107,023	-	-	107,023
Interest income - refunds	177,418	-	-	177,418
Transfers (to) from other systems - employees	(59,902)	-	-	(59,902)
Transfers (to) from other systems - employers/interest	(452,049)	-	-	(452,049)
Total other additions	<u>(227,510)</u>	<u>-</u>	<u>-</u>	<u>(227,510)</u>
Total additions	<u>173,435,552</u>	<u>-</u>	<u>10,390</u>	<u>173,445,942</u>
DEDUCTIONS				
Benefits	82,988,328	-	-	82,988,328
Refund of contributions	4,660,819	-	-	4,660,819
Administrative expenses	-	806,397	85,828	892,225
Depreciation	16,649	-	77,663	94,312
Investor's interest	-	-	-	-
Total deductions	<u>87,665,796</u>	<u>806,397</u>	<u>163,491</u>	<u>88,635,684</u>
Increase (decrease) in net assets prior to transfers	85,769,756	(806,397)	(153,101)	84,810,258
Transfers to/from	<u>(16,131)</u>	<u>794,964</u>	<u>50,000</u>	<u>828,833</u>
NET INCREASE (DECREASE)	85,753,625	(11,433)	(103,101)	85,639,091
NET ASSETS HELD IN TRUST FOR				
PENSION BENEFITS:				
BEGINNING OF THE YEAR	<u>1,329,481,248</u>	<u>17,524</u>	<u>2,782,606</u>	<u>1,332,281,378</u>
END OF THE YEAR	<u>\$ 1,415,234,873</u>	<u>\$ 6,091</u>	<u>\$ 2,679,505</u>	<u>\$ 1,417,920,469</u>

Olde Oaks Golf Course	Stonebridge Golf Course	Olde Oaks Development	Boot Ranch Development	Total
\$ -	\$ -	\$ -	\$ -	\$ 16,878,085
-	-	-	-	37,221,473
-	-	-	-	142,350
-	-	-	-	12,217,914
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,459,822</u>
-	-	107,540	7,190,756	87,456,968
-	-	-	-	233,413
-	-	-	-	1,470,786
-	-	-	-	13,385,063
-	-	-	-	5,863,914
-	-	-	-	16,461,013
-	-	-	1,050,218	1,050,218
-	-	10,459	-	58,563
<u>-</u>	<u>-</u>	<u>117,999</u>	<u>8,240,974</u>	<u>125,979,938</u>
-	-	-	-	5,336,408
-	-	-	-	256,877
-	-	-	-	4,019,378
-	-	-	-	749,359
-	-	-	-	45,313
-	-	408,034	-	408,034
159,612	-	-	-	159,612
<u>-</u>	<u>134,154</u>	<u>-</u>	<u>-</u>	<u>134,154</u>
<u>159,612</u>	<u>134,154</u>	<u>408,034</u>	<u>-</u>	<u>11,109,135</u>
<u>(159,612)</u>	<u>(134,154)</u>	<u>(290,035)</u>	<u>8,240,974</u>	<u>114,870,803</u>
-	-	-	-	107,023
-	-	-	-	177,418
-	-	-	-	(59,902)
-	-	-	-	(452,049)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(227,510)</u>
<u>(159,612)</u>	<u>(134,154)</u>	<u>(290,035)</u>	<u>8,240,974</u>	<u>181,103,115</u>
-	-	-	-	82,988,328
-	-	-	-	4,660,819
-	-	-	-	892,225
-	-	-	-	94,312
-	-	-	467,556	467,556
<u>-</u>	<u>-</u>	<u>-</u>	<u>467,556</u>	<u>89,103,240</u>
(159,612)	(134,154)	(290,035)	7,773,418	91,999,875
-	-	(150,000)	(678,833)	-
(159,612)	(134,154)	(440,035)	7,094,585	91,999,875
<u>(2,972,469)</u>	<u>(440,408)</u>	<u>(22,457)</u>	<u>(53,563)</u>	<u>1,328,792,481</u>
<u>\$ (3,132,081)</u>	<u>\$ (574,562)</u>	<u>\$ (462,492)</u>	<u>\$ 7,041,022</u>	<u>\$ 1,420,792,356</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 OLDE OAKS GOLF COURSE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPERATIONS  
YEAR ENDED JUNE 30, 2006

REVENUE:	
Green fees	\$ 591,467
Golf cart rental	289,249
Range fees	23,660
Other golf revenue	14,765
Golf shop	212,405
Membership dues	283,267
Food and beverage revenue from operations	302,744
Other income	12,614
Total revenue	<u>1,730,171</u>
OPERATING EXPENSES:	
Advertising	27,317
Bad debt expense	7,763
Cleaning supplies	3,579
Contract labor	6,969
Cost of goods sold - golf shop	140,013
Cost of goods sold - food and beverage	116,303
Depreciation	113,239
Equipment purchases	14,450
Equipment leasing/rental	108,748
Fuel	59,043
Ground maintenance	26,845
Insurance - health	38,280
Insurance - workman's compensation	21,637
Interest and late charge	43,760
License and permits	1,122
Management fees	68,500
Miscellaneous expenses	1,195
Other employee expenses	1,882
Printing and stationary	10,107
Promotional expenses	815
Repair, maintenance and supplies	80,527
Salaries and wages	674,443
Taxes - payroll	66,819
Telephone	8,344
Tournament expenses	6,797
Utilities	55,645
Total operating expenses	<u>1,704,142</u>
OTHER EXPENSES:	
General and administrative expenses (Page 34)	44,434
Property taxes, insurance	141,207
Total other expenses	<u>185,641</u>
LOSS	<u>\$ (159,612)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
OLDE OAKS GOLF COURSE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
YEAR ENDED JUNE 30, 2006

Bank charges	\$	525
Credit card service charge		21,549
Dues and subscriptions		5,693
Education		247
Office supplies		1,205
Postage and delivery		2,223
Professional fees		8,780
Miscellaneous expense		759
Travel and entertainment		<u>3,453</u>
Total administrative expenses	\$	<u><u>44,434</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 OLDE OAKS GOLF COURSE  
 SUPPLEMENTARY INFORMATION  
 STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (159,612)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	113,239
Loss on sale of equipment	65
Bad debt expense	7,763
Expenses paid by Retirement System	166,497
Expenses paid by The Club at Stonebridge	3,684
(Increase) decrease in operating assets:	
Accounts receivable	(41,129)
Inventories	11,242
Increase (decrease) in operating liabilities:	
Accounts payable	(4,073)
Accrued payroll and taxes	(32,227)
Sales tax payable	(7,350)
Net cash provided by operating activities	<u>58,099</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(27,374)
Proceeds on sale of equipment	5,000
Net cash used by investing activities	<u>(22,374)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds on loan from The Club at Stonebridge	8,750
Proceeds from the line of credit - operating	393,400
Payment for obligation under line of credit	(264,640)
Payment for obligation under capital leases	(153,637)
Payment to the Retirement System	(37,500)
Net cash used by financing activities	<u>(53,627)</u>

NET DECREASE IN CASH (17,902)

CASH, BEGINNING OF YEAR 114,822

CASH, END OF YEAR \$ 96,920



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 THE CLUB AT STONEBRIDGE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPERATIONS  
YEAR ENDED JUNE 30, 2006

## REVENUE:

Green fees	\$ 251,254
Golf cart rental	174,779
Range fees	36,632
Other golf revenue	7,850
Golf shop	106,854
Membership dues	450,213
Food and beverage revenue from operations	280,785
Other income	4,871
Total revenue	<u>1,313,238</u>

## OPERATING EXPENSES:

Advertising	9,026
Bad debt expense	12,882
Cleaning supplies	5,338
Contract labor	1,800
Cost of goods sold - golf shop	67,449
Cost of goods sold - food and beverage	107,894
Depreciation	65,163
Equipment purchases	4,007
Equipment leasing/rental	67,305
Fuel	15,110
Ground maintenance	45,029
Insurance - health	27,550
Insurance - workman's compensation	19,056
Interest and late charge	26,364
License and permits	2,804
Management fees	37,250
Member service expense	5,567
Miscellaneous expenses	8,819
Other employee expenses	1,296
Printing and stationary	1,743
Promotional expenses	3,817
Repair, maintenance and supplies	69,974
Salaries, wages and related taxes	613,567
Telephone	6,180
Utilities	61,060
Total operating expenses	<u>1,286,050</u>

## OTHER EXPENSES:

General and administrative expenses (Page 37)	43,477
Property taxes, insurance	<u>117,865</u>
Total expenses	<u>1,447,392</u>
LOSS	<u>\$ (134,154)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
THE CLUB AT STONEBRIDGE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
YEAR ENDED JUNE 30, 2006

Bank charges	\$ 1,905
Credit card Service charge	10,110
Dues and subscriptions	6,672
Education	528
Office supplies	3,348
Postage and delivery	4,200
Professional fees	15,864
Travel and entertainment	<u>850</u>
Total administrative expenses	\$ <u><u>43,477</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 THE CLUB AT STONEBRIDGE  
 SUPPLEMENTARY INFORMATION  
 STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2006

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (134,154)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	65,163
Bad debt expense	12,882
Expenses paid by Retirement System	111,160
(Increase) decrease in operating assets:	
Accounts receivable	13,425
Inventories	10,584
Increase (decrease) in operating liabilities:	
Accounts payable	(12,888)
Accrued payroll and taxes	(15,226)
Net cash provided by operating activities	<u>50,946</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Expenses paid on behalf of Olde Oaks Golf Club	(3,684)
Loan to Olde Oaks Golf Club	(8,750)
Net cash used by investing activities	<u>(12,434)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from the line of credit	73,100
Payment on notes payable	(85,373)
Payment for obligation under line of credit	(229)
Payment for obligation under capital leases	-
Payments to Retirement System	(24,000)
Net cash used by financing activities	<u>(36,502)</u>
 NET INCREASE IN CASH	 2,010
CASH, BEGINNING OF YEAR	<u>31,104</u>
CASH, END OF YEAR	<u>\$ 33,114</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 OLDE OAKS DEVELOPMENT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPERATIONS  
YEAR ENDED JUNE 30, 2006

## REVENUE:

Gain on the sale of lot	\$ 134,629
Net depreciation in fair value of investment	<u>(27,089)</u>
Total appreciation of investment	107,540
 Sewer plant income	 <u>10,459</u>
Total revenue	<u>117,999</u>

## OPERATING EXPENSES:

Advertising	50,000
Depreciation and amortization expense	75,932
Interest expense	131,616
Maintenance	113,579
Miscellaneous expenses	859
Sewer plant maintenance	<u>12,012</u>
Total operating expenses	<u>383,998</u>

## OTHER EXPENSES:

Insurance expense	4,749
Real estate taxes	<u>5,568</u>
Total other expenses	<u>10,317</u>

## ADMINISTRATIVE EXPENSES:

Bank charges	43
Professional fees	<u>13,676</u>
Total administrative expenses	<u>13,719</u>

Total expenses	<u>408,034</u>
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LOSS	<u>\$ (290,035)</u>
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 OLDE OAKS DEVELOPMENT  
 SUPPLEMENTARY INFORMATION  
 STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (290,035)
Adjustments to reconcile change in net assets to net cash used by operations:	
Net depreciation in fair value of investments	27,089
Depreciation and amortization expense	75,931
Expenses paid by retirement system	13,676
Gain on sale of land	(134,629)
(Increase) decrease in operating assets:	
Accounts receivable	3,967
Prepaid expenses	2,472
Increase (decrease) in operating liabilities:	
Accounts payable	6,444
Interest payable	162,328
Other liabilities	<u>(29,370)</u>
Net cash used by operating activities	<u>(162,127)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Construction of Sewer Plant	(56,154)
Improvements	(1,609,720)
Proceeds from the sale of land	639,423
Net cash used by investing activities	<u>(1,026,451)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Distribution to Retirement System	(150,000)
Proceeds from line of credit	<u>1,450,000</u>
Net cash provided by financing activities	<u>1,300,000</u>
NET INCREASE IN CASH	111,422
CASH, BEGINNING OF YEAR	<u>10,577</u>
CASH, END OF YEAR	<u>\$ 121,999</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 BOOT RANCH DEVELOPMENT, LP  
 SUPPLEMENTARY INFORMATION  
 CONSOLIDATED SCHEDULE OF OPERATIONS  
YEAR ENDED JUNE 30, 2006

Net Appreciation in Fair Value of Investments	
Gain on sale of lots	\$ <u>7,190,756</u>
Total Net Appreciation	<u>7,190,756</u>
OPERATING INCOME	
Boot Ranch Golf Club operations (Page 42)	2,011,765
OTHER REVENUE	
Miscellaneous income	<u>280,476</u>
Total operating revenue	<u>2,292,241</u>
OPERATING EXPENSES:	
Depreciation	344,545
Insurance	70,121
Office supplies	405,694
Repair, maintenance and supplies	<u>421,663</u>
Total operating expenses	<u>1,242,023</u>
NET INCOME FROM OPERATIONS	<u>1,050,218</u>
Investor's interest	<u>(467,556)</u>
TOTAL INCREASE IN NET ASSETS	<u>\$ <u>7,773,418</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 BOOT RANCH GOLF CLUB LP  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPERATIONS  
YEAR ENDED JUNE 30, 2006

## REVENUE:

Membership income	\$ 2,440,000
Membership dues	324,000
Golf shop	57,145
Other golf revenue	4,170
Food and beverage revenue from operations	1,668
Total revenue	<u>2,826,983</u>

## OPERATING EXPENSES:

Advertising	722
Cleaning supplies	5,821
Contract services	10,415
Cost of goods sold - golf shop	33,608
Cost of goods sold - food and beverage	1,346
Equipment purchases	30,891
Equipment leasing/rental	204,441
Fuel	32,254
Ground maintenance	141,185
Insurance - health	3,883
Insurance - workman's compensation	4,522
License and permits	7,605
Management fees	784
Member service expense	2,005
Miscellaneous expenses	109,658
Other employee expenses	22,949
Printing and stationary	3,261
Maintenance and supplies	34,275
Salaries, wages and related taxes	107,678
Utilities	45,199
Total operating expenses	<u>802,502</u>

## OTHER EXPENSES:

General and administrative expenses (Page 43)	<u>12,716</u>
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Total expenses	<u>815,218</u>
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TOTAL OPERATING INCOME	<u>\$ 2,011,765</u>
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
BOOT RANCH GOLF CLUB LP  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
YEAR ENDED JUNE 30, 2006

Dues and subscriptions	\$ 1,087
Education	450
Office supplies	10,558
Postage and delivery	211
Professional fees	<u>410</u>
Total administrative expenses	\$ <u><u>12,716</u></u>



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 BOOT RANCE DEVELOPMENT  
 SUPPLEMENTARY INFORMATION  
 STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2006

## CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 7,773,418
Adjustments to reconcile change in net assets to net cash provided by operations:	
Increase (decrease) in liabilities:	
Non cash memberships	(875,000)
Depreciation	344,545
Gain on sale of lots	(7,190,756)
Accounts receivable	(79,058)
Inventory	(205,155)
Deferred revenue	300,000
Accounts payable	(143,298)
Deposits on lots	(33,450)
Net cash provided by operating activities	<u>(108,754)</u>

## CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(552,281)
Proceeds from sale of lots	9,797,589
Land	(1,378,047)
Startup cost	(3,344,696)
Club house	(11,853,828)
Infrastructure	(6,946,882)
Golf course	(5,476,105)
Net cash used by investing activities	<u>(19,754,250)</u>

## CASH FLOWS FROM FINANCING ACTIVITIES:

Distributions to investors	(663,832)
Payment on line of credit	(9,905,582)
Proceeds from the line of credit	32,087,221
Proceeds on note payable	110,633
Payment on note payable	(44,539)
Net cash provided by financing activities	<u>21,583,901</u>

NET DECREASE IN CASH 1,720,897

CASH, BEGINNING OF YEAR 162,071

CASH, END OF YEAR \$ 1,882,968

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES  
YEARS ENDED JUNE 30, 2006 AND 2005

	JUNE 30, 2006					
	<u>Annuity Savings</u>	<u>Annuity Reserve</u>	<u>Deferred Retirement Option Plan</u>	<u>Initial Benefit Option Plan</u>	<u>Pension Accumulation</u>	<u>Unfunded Actuarial Accrued Liability</u>
BALANCE - BEGINNING	\$ 126,546,245	\$ 869,065,768	\$ 56,944,007	\$ 738,415	\$ 499,190,288	\$ (223,692,242)
REVENUES AND TRANSFERS:						
Employee contributions	17,020,435	-	-	-	-	-
Employer contributions	-	-	-	-	37,221,473	-
Insurance premium tax	-	-	-	-	12,217,914	-
Net investment income (loss)	-	-	-	-	114,870,803	-
Merger interest and penalty payment	-	-	-	-	107,023	-
Income from purchase of prior service	-	-	-	-	-	-
Interest income - refunds	-	-	-	-	177,418	-
Transfers (to) from other systems	(59,902)	-	-	-	(452,049)	-
Transfer from Annuity Savings	-	8,694,309	-	-	-	-
Pensions transferred from						
Annuity Reserve	-	-	8,712,797	319,336	-	-
Actuarial transfer	-	126,174,102	-	-	-	-
	<u>16,960,533</u>	<u>134,868,411</u>	<u>8,712,797</u>	<u>319,336</u>	<u>164,142,582</u>	<u>-</u>
EXPENDITURES AND TRANSFERS:						
Pensions paid	-	75,606,322	6,778,899	603,107	-	-
Refunds to members	4,660,819	-	-	-	-	-
Administrative expenses	-	-	-	-	892,225	-
Depreciation	-	-	-	-	94,312	-
Miscellaneous	-	-	-	-	467,556	-
Transfer to Annuity Reserve	8,694,309	-	-	-	-	-
Pensions transferred to Initial Benefit Option Plan	-	319,336	-	-	-	-
Pensions transferred to DROP	-	8,712,797	-	-	-	-
Actuarial transfer	-	-	-	-	119,603,060	6,570,952
	<u>13,355,128</u>	<u>84,638,455</u>	<u>6,778,899</u>	<u>603,107</u>	<u>121,057,153</u>	<u>6,570,952</u>
NET INCREASE (DECREASE)	<u>3,605,405</u>	<u>50,229,956</u>	<u>1,933,898</u>	<u>(283,771)</u>	<u>43,085,429</u>	<u>(6,570,952)</u>
BALANCE - ENDING	<u>\$ 130,151,650</u>	<u>\$ 919,295,724</u>	<u>\$ 58,877,905</u>	<u>\$ 454,644</u>	<u>\$ 542,275,717</u>	<u>\$ (230,263,194)</u>

JUNE 30, 2005

<u>Total</u>	<u>Annuity Savings</u>	<u>Annuity Reserve</u>	<u>Deferred Retirement Option Plan</u>	<u>Initial Benefit Option Plan</u>	<u>Pension Accumulation</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Total</u>
\$ 1,328,792,481	\$ 120,457,023	\$ 870,349,868	\$ 54,522,208	\$ 516,768	\$ 515,893,458	\$ (335,356,375)	\$ 1,226,382,950
17,020,435	16,136,038	-	-	-	-	-	16,136,038
37,221,473	-	-	-	-	46,680,522	-	46,680,522
12,217,914	-	-	-	-	11,539,000	-	11,539,000
114,870,803	-	-	-	-	114,037,277	-	114,037,277
107,023	-	-	-	-	116,779	-	116,779
-	48,631	-	-	-	-	-	48,631
177,418	-	-	-	-	54,145	-	54,145
(511,951)	2,188	-	-	-	(300,161)	-	(297,973)
8,694,309	-	7,532,494	-	-	-	-	7,532,494
9,032,133	-	-	12,332,076	678,992	-	-	13,011,068
126,174,102	-	76,124,652	-	-	-	111,664,133	187,788,785
<u>325,003,659</u>	<u>16,186,857</u>	<u>83,657,146</u>	<u>12,332,076</u>	<u>678,992</u>	<u>172,127,562</u>	<u>111,664,133</u>	<u>396,646,766</u>
82,988,328	-	71,930,178	9,910,277	457,345	-	-	82,297,800
4,660,819	2,565,141	-	-	-	-	-	2,565,141
892,225	-	-	-	-	935,506	-	935,506
94,312	-	-	-	-	96,373	-	96,373
467,556	-	-	-	-	10,068	-	10,068
8,694,309	7,532,494	-	-	-	-	-	7,532,494
319,336	-	678,992	-	-	-	-	678,992
8,712,797	-	12,332,076	-	-	-	-	12,332,076
126,174,012	-	-	-	-	187,788,785	-	187,788,785
<u>233,003,694</u>	<u>10,097,635</u>	<u>84,941,246</u>	<u>9,910,277</u>	<u>457,345</u>	<u>188,830,732</u>	<u>-</u>	<u>294,237,235</u>
91,999,965	6,089,222	(1,284,100)	2,421,799	221,647	(16,703,170)	111,664,133	102,409,531
<u>1,420,792,446</u>	<u>\$ 126,546,245</u>	<u>\$ 869,065,768</u>	<u>\$ 56,944,007</u>	<u>\$ 738,415</u>	<u>\$ 499,190,288</u>	<u>\$ (223,692,242)</u>	<u>\$ 1,328,792,481</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULES OF PER DIEM PAID TO TRUSTEES  
YEARS ENDED JUNE 30, 2006 AND 2005

The per diem paid to the trustees is an expenditure of the Expense Fund. For 2006 and 2005 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, 2006 and 2005 are as follows:

	NUMBER OF DAYS		AMOUNTS	
	<u>ATTENDING</u>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Henry Dean	13	13	\$ 975	\$ 975
Bill Fields	-	6	-	450
Jeffrey Wesley	11	11	825	825
Larry Reech	9	11	675	825
Thomas Buell	10	11	750	825
Willie Joe Greene	13	12	975	900
Joe Bourgeois	-	13	-	975
Kelly Gibson	13	-	975	-
Mike Halphen	9	12	675	900
Christopher Nassif	12	6	900	450
Francis Campbell	12	12	900	900
			<u>\$ 7,650</u>	<u>\$ 8,025</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULES OF ACCOUNTS RECEIVABLE - MERGED SYSTEMS  
YEARS ENDED JUNE 30, 2006 AND 2005

<u>City</u>	<u>Term</u>		<u>Interest Rate</u>	<u>Payment Term</u>	<u>Payment Amount</u>	<u>Balance 6-30-06</u>	<u>Balance 6-30-05</u>
Crowley	01-84	12-13	7%	Quarterly	21,644	\$ 513,555	\$ 564,380
Opelousas	01-84	10-13	7%	Quarterly	37,773	896,254	984,954
Tallulah	01-84	10-13	7%	Quarterly	5,376	<u>127,558</u>	<u>140,182</u>
TOTAL						\$ <u>1,537,367</u>	\$ <u>1,689,516</u>

MUNICIPAL POLICE EMPLOYEES  
RETIREMENT SYSTEM AND SUBSIDIARY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENTS  
YEAR ENDED JUNE 30, 2006

	<u>Par Value</u>	<u>Original Cost</u>	<u>Market Value</u>
<b>BONDS:</b>			
Federal Home Loan Mortgage Corporation	\$ 34,364,599	\$ 35,382,021	\$ 33,944,632
Federal National Mortgage Association	19,149,100	19,577,706	18,976,146
Government National Mortgage Association	1,152,523	1,191,323	1,144,985
Corporate Bonds	<u>153,130,306</u>	<u>158,353,888</u>	<u>152,714,134</u>
<b>TOTAL BONDS</b>	<b>\$ <u>207,796,528</u></b>	<b>\$ <u>214,504,938</u></b>	<b>\$ <u>206,779,897</u></b>
<b>MUTUAL FUNDS AND POOLED FUNDS:</b>			
Pooled Bond Fund		\$ 170,623,079	\$ 203,729,874
Mutual fund - foreign		17,131,361	23,810,124
Mutual fund - domestic		<u>82,412,000</u>	<u>111,280,983</u>
<b>TOTAL MUTUAL FUNDS</b>		<b>\$ <u>270,166,440</u></b>	<b>\$ <u>338,820,981</u></b>
<b>DOMESTIC STOCKS</b>		<b>\$ <u>495,824,437</u></b>	<b>\$ <u>568,232,813</u></b>
<b>INVESTMENT IN PARTNERSHIP</b>		<b>\$ <u>11,901,068</u></b>	<b>\$ <u>11,868,499</u></b>
<b>INTERNATIONAL STOCKS</b>		<b>\$ <u>181,964,618</u></b>	<b>\$ <u>228,978,543</u></b>
<b>REAL ESTATE - LAND AND RENTAL</b>		<b>\$ <u>1,276,857</u></b>	<b>\$ <u>1,280,516</u></b>
<b>REAL ESTATE - OLDE OAKS GOLF COURSE</b>		<b>\$ <u>10,886,453</u></b>	<b>\$ <u>4,496,478</u></b>
<b>REAL ESTATE - THE CLUB AT STONEBRIDGE</b>		<b>\$ <u>4,241,987</u></b>	<b>\$ <u>3,198,764</u></b>
<b>REAL ESTATE - OLDE OAKS DEVELOPMENT</b>		<b>\$ <u>11,341,921</u></b>	<b>\$ <u>11,589,251</u></b>
<b>REAL ESTATE - BOOT RANCH DEVELOPMENT</b>		<b>\$ <u>63,188,219</u></b>	<b>\$ <u>63,188,219</u></b>
<b>OTHER INVESTMENT</b>		<b>\$ <u>1,779,569</u></b>	<b>\$ <u>1,779,569</u></b>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
ACTUAL AND BUDGET  
YEAR ENDED JUNE 30, 2006

	<u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
<b>EXPENSE FUND</b>			
Personal Services:			
Staff salaries	\$ 274,710	\$ 308,880	\$ 34,170
Group insurance	77,041	77,000	(41)
Retirement	28,730	55,000	26,270
Board member - Per diem	7,775	8,525	750
Professional Services:			
Accountant	40,558	64,000	23,442
Actuarial	60,000	60,000	-
Computer services	20,292	22,000	1,708
Risk management	5,148	5,200	52
Legal	171,559	230,000	58,441
Medical Board	5,457	7,000	1,543
Retirement Association fees	340	1,280	940
Communications:			
Postage, printing and supplies	32,028	38,000	5,972
Telephone	11,027	15,000	3,973
Travel	11,217	17,000	5,783
Other:			
Advertising	56	100	44
Equipment rental and repair	24,828	25,000	172
Election expenses	9,573	7,000	(2,573)
Board expenses	17,284	17,000	(284)
Microfilm	2,528	-	(2,528)
Miscellaneous	480	3,000	2,520
Uniforms	3,866	5,000	1,134
Medicare expense	1,900	3,000	1,100
Total expenses budgeted	<u>806,397</u>	<u>968,985</u>	<u>162,588</u>
<b>BUILDING FUND</b>			
Association dues	2,160	2,200	40
Maintenance	38,939	41,945	3,006
Office supplies	1,812	5,000	3,188
Security	4,669	6,425	1,756
Utilities	38,248	42,240	3,992
Total building fund	<u>85,828</u>	<u>97,810</u>	<u>11,982</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u>\$ 892,225</u>	<u>\$ 1,066,795</u>	<u>\$ 174,570</u>
<b>CAPITAL OUTLAYS</b>	<u>\$ 5,036</u>	<u>\$ 8,000</u>	<u>\$ 2,964</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES  
JUNE 30, 2001 THROUGH 2006

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Actuarial Required Contribution Other Sources</u>	<u>Percent Contributed Employer</u>	<u>Percent Contributed Other Sources</u>
2001	\$ 9,738,895	\$ --	170.63 %	-- %
2002	16,568,497	4,806,272	97.90	115.17
2003	29,220,618	8,689,205	61.23	100.00
2004	43,501,552	10,135,228	73.99	100.00
2005	44,267,740	11,539,650	105.45	100.00
2006	34,138,070	11,914,460	109.03	102.54

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

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



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2001 THROUGH 2006

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Of of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(Surplus) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage of Covered Payroll</u>
June 30, 2001	\$ 1,275,127,921	\$ 1,261,056,748	\$ (14,071,173)	\$ 101.12	\$ 181,737,834	\$ --
June 30, 2002	1,189,425,521	1,384,605,589	195,180,068	85.90	187,567,901	96.1
June 30, 2003	1,076,306,000	1,455,791,000	379,485,000	73.90	197,254,000	192.4
June 30, 2004	1,138,387,070	1,561,739,325	423,352,255	72.90	208,756,800	202.7
June 30, 2005	1,233,572,172	1,552,332,283	318,760,111	79.47	215,638,892	147.8
June 30, 2006	1,371,981,645	1,651,055,550	279,073,905	83.10	223,213,661	125.0

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND  
 SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2001 THROUGH 2006

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, 2006
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 \$69,715,607 which was due to an investment gain.



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

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112

(504) 586-8866

FAX (504) 525-5888

cpa@dhhmcpa.com

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

ANN M. HARGES, C.P.A.  
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

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

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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

September 28, 2006

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, 2006, and have issued our report thereon dated September 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipal Police Employees Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal over financial reporting and its operation that we consider to be material weaknesses. However, we noted an other matter that we have reported to management of Municipal Police Employees' Retirement System in a separate letter dated September 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Police Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Municipal Police Employees' Retirement System in a separate letter dated September 28, 2006.

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

*Duplantier, Krapmann, Hogan & Maher, LLP*



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

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (504) 525-5888

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September 28, 2006

Legislative Auditor  
Engagement Processing  
Post Office Box 94397  
Baton Rouge, Louisiana 70804

SCHEDULES AND DATA COLLECTION FORM  
SECTION 1: SUMMARY OF AUDITOR'S REPORT

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the general-purpose financial statements of Municipal Police Employees' Retirement System as of June 30, 2006 and have issued our report thereon dated September 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit as of June 30, 2006 resulted in an unqualified opinion.

B. REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS:

Internal Control:

Material weakness – None noted  
Reportable conditions – None noted

Compliance: - none noted

C. FEDERAL AWARDS: N/A

D. MANAGEMENT LETTER COMMENTS:

See findings – 06-01 to 06-02