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R E P O R T

**MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM
(STATE OF LOUISIANA)**

JUNE 30, 1966 AND 1967

Under provisions of state law, this report is a public document. A copy of the report has been transmitted to the auditor, as required, county and other appropriate public officials. The report is available for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

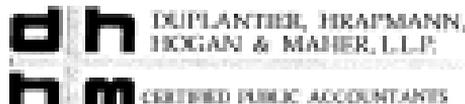
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
(STATE OF LOUISIANA)

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INDEPENDENT AUDITOR'S REPORT

August 30, 1990

Board of Trustees of the Municipal
Police Employees' Retirement System
8000 United Plaza Blvd., Room 270
Baton Rouge, Louisiana 70809

We have audited the accompanying statements of plan net assets of the Municipal Police Employees' Retirement System as of June 30, 1988 and 1987, 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 generally accepted auditing standards 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 as of June 30, 1988 and 1987 and the results of operations and changes in net assets for the years then ended in conformity with generally accepted accounting principles.

We have audited the financial statements of the System for the year ending June 30, 1988 and 1987 and issued our unqualified opinions on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 28 - 32 and the supplemental schedules on pages 15 - 18 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, 1987 - 1988 and supplemental schedules for the years ending June 30, 1988 and 1987, 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 August 31, 1999 on our consideration of the Municipal Police Employees' Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Douglas, Chapman, Hooper & Wacker LLP

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 1988 AND 1987

	1988	1987
ASSETS:		
Cash (Note 6)		
In bank	\$ 357,690	\$ 385,560
Receivables:		
Member contributions (Note 1)	790,928	771,584
Employer contributions (Note 1)	1,357,050	1,880,579
Due from merged systems (Page 17 and Note 12)	12,470,050	138,816,080
Notes receivable - State of IA (Note 9)	--	80,556,568
Investment receivable	6,682,768	7,583,088
Accrued interest and dividends	6,383,433	6,361,580
Accrued interest - State of IA (Note 9)	--	791,645
total receivables	<u>26,813,159</u>	<u>185,212,867</u>
Investments at fair value: (Notes 1 and 4) (Page 18)		
Bonds - domestic and foreign	321,773,080	323,308,434
Mutual funds - domestic	1,637,680	2,254,080
Foreign commingled trusts	121,800,585	116,504,880
Pooled Bond Fund	137,817,387	--
Marketable securities - domestic	885,918,479	327,658,572
Collateral held under securities lending program - repurchase agreement	144,508,080	140,733,800
Collateral held under securities lending program - money market account	3,008,350	4,233,859
Short-term cash equivalents - domestic	36,511,375	36,028,563
Short-term repurchase agreements	5,288,088	4,627,852
total investments at fair value	<u>1,211,209,796</u>	<u>963,339,868</u>
Property, plant and equipment: (Notes 1 and 13)		
Net of accumulated depreciation \$58,117 in 1988;		
\$95,838 in 1987	<u>81,873</u>	<u>175,328</u>
total assets	<u>1,238,465,268</u>	<u>1,104,196,398</u>
LIABILITIES:		
Accounts payable	524,898	456,743
Refunds payable - members	164,548	110,734
Deferred contributions	73,708	--
Other liabilities	4,893	2,012
Obligations under securities lending program	142,580,353	144,646,819
Investment payable	16,996,898	5,519,542
total liabilities	<u>265,274,898</u>	<u>151,041,922</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress for the plan is presented on page 21)	\$ 1,073,190,370	\$ 953,154,476

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 STATEMENTS OF CHANGES IN PLAN NET ASSETS
 FOR THE YEARS ENDING JUNE 30, 1998 AND 1997

	1998	1997
ADDITIONS:		
Contributions: (Note 1)		
Members	\$ 5,624,812	\$ 8,721,597
Employer	11,980,358	18,381,511
Insurance premiums	3,041,258	3,488,487
Total contributions	20,646,428	26,611,595
Investment income: (Note 1)		
Interest - repurchase agreements	189,813	270,458
Interest - cash equivalents	2,179,848	3,085,863
Interest - notes, bonds, etc.	18,385,748	28,589,547
Interest - securities lending (Note 7)	8,930,473	5,587,255
Dividends - stock	3,524,862	2,388,563
Dividends - mutual funds	1,333,950	370,000
Foreign currency gain	894,804	--
Miscellaneous	25,706	--
Net appreciation in fair value of investments	300,715,172	76,070,964
	303,687,533	118,992,444
Less investment expenses:		
Securities lending expense (Note 7)	8,388,508	5,376,438
Custodial	88,892	175,838
Investment adviser	2,087,423	1,668,858
Foreign currency loss	--	71,738
Foreign tax withheld	82,812	--
Miscellaneous	24,820	9,606
	8,592,455	7,302,478
Net investment income	195,095,078	111,689,966
Other additions:		
Wage interest payment	7,052,442	8,179,413
Interest income - State of Louisiana note (Note 9)	9,858	781,845
Interest income - refunds	147,209	138,852
Gain on sale of assets	74	--
Miscellaneous income	2,222	86,888
Total other additions	7,211,805	9,186,998
Total additions	199,306,883	120,876,964
DEDUCTIONS:		
Benefits	46,264,583	42,032,803
Refund of contributions	1,528,487	1,529,331
Administrative expenses (Page 14)	628,354	527,137
Transfers to other systems	524,834	--
Depreciation (Note 1)	18,534	11,855
Total deductions	49,064,792	44,083,126
Net increase	150,242,091	76,793,838
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -		
BEGINNING OF YEAR	588,074,396	683,423,325
END OF YEAR	\$ 738,316,487	\$ 760,217,163

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1989 AND 1992

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).

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.

Future Contracts:

The margin account for the purchase of the futures contracts is invested in bonds and is included in that investment category in the statement of plan net assets. The changes in the market value of the contracts are reported as gains or losses in the period in which the change occurs. A receivable or liability is recorded at the effect for the change in market value.

Equipment and Fixtures:

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 depreciated using the straight-line method of depreciation over the asset's estimated useful life.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997

7. 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. There are 132 contributing municipalities. At June 30, 1998 and 1997 statewide retirement membership consists of:

	1998	1997
Active members	4,905	4,909
Regular retirees	1,805	1,749
Disability retirees	187	188
Survivors	885	883
Rested and reciprocals	108	118
Due refunds	415	465
RRP participants	148	190
RRP in active	129	88
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	8,722	7,900

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 arrests, 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 LR 11:2231-11:2253.

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 28 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 State-wide 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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1989 AND 1987

2. PLAN DESCRIPTION: (Continued)

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.

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

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 established by state statute at 8% of the employee's earnable compensation excluding overtime but including state supplemental pay. In addition, according to state statute, the System receives the difference in the actuarially required employer contribution and the estimated actual employer contributions on insurance premium tax. This tax is appropriated by the legislators each year based on an actuarial study.

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

Reserves:

Use of the term "reserves" 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:

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

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 his accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 1998 and 1997 is \$70,148,617 and \$38,138,887, 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, 1998 and 1997 is \$317,368,848 and \$305,825,482, respectively. The Pension Accumulation is fully funded.

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, 1998 and 1997 is \$628,848,671 and \$690,174,609, 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, 1998 and 1997 is \$38,868,674 and \$32,254,782, respectively. The Deferred Retirement Option Account is fully funded.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1988 AND 1987

4. ACTUARIAL COST METHOD:

The individual "Entry Age Normal" cost method was used to calculate the funding requirements of the Retirement 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 accrual 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 20 - 22.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 1988 and 1987:

	1988	1987
Deposits (bank balances)	\$ 394,766	\$ 450,512
Cash equivalents - domestic	38,311,275	38,874,583
Investments	1,174,893,121	912,486,287
	<u>\$1,721,899,162</u>	<u>\$1,383,279,382</u>

Deposits:

The System's bank deposits were entirely covered by federal depository insurance and by securities pledged. The pledged securities are held in joint custody at the Federal Reserve Bank.

Cash Equivalents - Domestic:

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

Investments:

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1990 AND 1987

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

Investments: (Continued)

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

	1990 MARKET VALUE	1987 MARKET VALUE	CATEGORY
Repurchase agreements	\$ 5,285,908	\$ 4,877,652	1
Bonds, notes, and mortgages	279,380,932	187,933,252	1
Marketable securities - domestic	359,821,594	327,698,572	1
Foreign commingled trusts	121,907,580	109,504,880	N/A
Mutual funds - domestic	1,837,800	2,258,080	N/A
Pooled Bond Fund	137,813,200	--	N/A
Investments held by broker-dealers in which collateral may be reinvested:			
US Government Securities	381,490,568	140,458,182	N/A
Marketable securities - domestic	38,948,885	--	N/A
Collateral held under securities leading program - repurchase agreements	344,500,000	140,713,800	1
Collateral held under securities leading program - money market account	3,808,332	4,713,800	1
	<u>\$1,374,820,121</u>	<u>\$ 828,483,232</u>	

7. SECURITY LENDING AGREEMENTS:

State statutes and board of trustee policies authorize the System to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the System is allowed to lend its securities to broker - dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into a contract as of August 1986 with a company which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends the available assets such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The lending agent has flexibility to use any of the preapproved borrowers. The System approves all borrowers. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997

7. SECURITY LENDING AGREEMENTS: (Continued)

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

MPERS has the following securities on loan:

	June 30, 1998		June 30, 1997	
	Par/Cost (Inquiries)	Market	Par/Cost (Inquiries)	Market
U.S. Government Securities (notes and bonds)	\$ 96,876,000	\$100,498,960	\$128,380,000	\$140,456,182
Marketable Securities - domestic (equities)	79,517,515	38,548,880	---	---
Totals	<u>\$176,393,515</u>	<u>\$149,047,840</u>	<u>\$128,380,000</u>	<u>\$140,456,182</u>

MPERS has the following collateral under securities lending program:

	June 30, 1998		June 30, 1997	
	Par/Cost (Inquiries)	Market	Par/Cost (Inquiries)	Market
Money market	\$ 3,000,352	\$ 3,000,352	\$ 4,213,009	\$ 4,213,009
Tri-party repurchase agreements	148,508,000	146,508,000	149,773,880	149,773,880
Totals	<u>\$151,508,352</u>	<u>\$149,508,352</u>	<u>\$153,986,889</u>	<u>\$153,986,889</u>

Securities on loan at June 30, 1998 and 1997 are presented as unclassified under footnote 8. The contracts with approved borrower requires them to indemnify the System if they are in default (and if the collateral is inadequate to replace the securities lent). The System cannot pledge or sell collateral securities received unless the borrower defaults.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at June 30, 1998 and 1997.

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997**

8. OPERATING LEASE COMMITMENTS:

The Municipal Police Employees' Retirement System leases office space from the Teachers' Retirement System under an operating lease. The current lease term is for five years beginning July 1, 1996 and ending June 30, 2000. Rent expense for the years ended June 30, 1998 and 1997 is \$71,423 and \$87,100, respectively. The following is a schedule by years of the future minimum lease payments as of June 30, 1998:

<u>YEAR ENDING</u>	<u>AMOUNT</u>
JUNE 30, 1999	\$ 73,593
JUNE 30, 2000	21,593
TOTAL	<u>\$195,186</u>

9. LAWSUIT SETTLEMENT:

During the year ended June 30, 1991, the System received a judgment in its favor against the State of Louisiana for monies collected pursuant to R.S. 22:1409(A). Specifically, the court ruled that the funds are exempt from the provisions of Act 5 of the First Extraordinary Session of 1988 [R.S. 49:308.3(B)] and therefore belong to the System. The amount of the judgment in favor of the System was \$31,156,428.

The Office of the Governor, Division of Administration, under the authority granted it under R.S. 39:329 settled the claim by issuing a promissory note to the System dated June 28, 1993 in the amount of \$31,156,428 with interest at 7.5% per annum. The note is to be paid in seven equal annual installments of \$5,583,525 including interest. The first installment was due and payable on July 1, 1993 and the last payment is due and payable on July 1, 1998. The Office of the Governor is to take the necessary action annually to place the funding in the executive budget to fund the annual installments due each year. All payments due have been received and the final payment due July 1, 1998 was paid in advance on July 1, 1997.

10. 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.

11. IRA QUALIFICATION:

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

12. ACCOUNTS RECEIVABLE - MERGED SYSTEMS:

Thirteen cities throughout Louisiana merged with the Municipal Police Employees' Retirement System between November 1970 and January 1984. The balances owed were amortized at 8% or 7% over periods ranging from 19 to 30 years with payments made either quarterly, semi-annually, or annually. During the year ended June 30, 1998 the City of Alexandria, the City of New Orleans, and the City of Shreveport prepaid their merger balance in the amount of \$4,256,055, \$76,364,671, and \$28,898,423, respectively. The total accounts receivable from merged systems as of June 30, 1998 and 1997 is \$12,428,050 and \$118,618,008, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1989 AND 1988

13. EQUIPMENT AND FIXTURES:

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

	1988	1987
Equipment	\$ 73,121	\$ 45,842
Computer software	18,586	159,723
Furniture	35,380	53,824
Automobile	<u>12,063</u>	<u>18,820</u>
	178,140	237,209
Less accumulated depreciation	<u>55,117</u>	<u>58,859</u>
Total	<u>\$ 123,023</u>	<u>\$178,350</u>

Depreciation expense charged to operations was \$18,634 for 1988 and \$11,855 for 1987.

14. USE OF ESTIMATES:

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

15. FUTURES CONTRACTS:

The System has entered into futures contracts for the purpose of trading. At June 30, 1988, the System had two hundred and five outstanding S&P futures contracts, all maturing September 1988. The notional value of the open contracts at June 30, 1988 was \$57,222,890. The fair value of the open contracts at June 30, 1988 was \$58,578,790.

The System is exposed to credit loss in the event of nonperformance by the other parties to the futures contracts. However, the System does not anticipate nonperformance by the counterparties. The System is exposed to market risk as a result of possible future changes in market prices. The maximum amount of credit or market risk to the Fund is the notional value of the contracts. During the year ended June 30, 1988, the System realized net gains of \$3,139,377 on futures trading. The net gains are recorded on the financial statements in net appreciation in fair value income.

The System is required to pledge a treasury note as collateral for the trading account. The System is also required to maintain a margin account. The total market value of the treasury bill pledged and the margin account balance must be greater than or equal to \$2,000,750 (the margin requirement). At June 30, 1988, a treasury note with a market value of \$2,098,808 was pledged as collateral for the trading account. At June 30, 1988, the margin account's balance was \$1,751,279.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1989 AND 1987

16. RECLASSIFICATIONS:

Certain amounts at June 30, 1987 have been reclassified to conform with the June 30, 1988 presentation.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES
YEARS ENDED JUNE 30, 1998 AND 1997

	JUNE 30, 1998				
	ANNUITY	ANNUITY	DEFERRED	PENSION	TOTAL OR
	RESERVE	RESERVE	RETIREMENT	ACCUMULATION	ACTUARIAL
	(\$1,000)	(\$1,000)	OPTION PLAN	(\$1,000)	LIABILITY
BALANCE - BEGINNING	\$ 28,208,000	\$ 41,174,000	\$ 20,794,000	\$ 171,033,000	\$ 66,209,000
REVENUES AND TRANSFERS:					
Employee contributions	9,824,000	---	---	---	---
Employer contributions	---	---	---	31,000,000	---
Insurance premiums	---	---	---	2,000,000	---
Net investment income	---	---	---	122,000,000	---
Net net interest and	---	---	---	2,000,000	---
netly earned	---	---	---	2,000,000	---
Interest income - Leverages -	---	---	---	9,000	---
"top" settlements	---	---	---	9,000	---
Income from purchase of	---	---	---	143,000	---
prior service	---	---	---	143,000	---
Net on sale of assets	---	---	---	70	---
Net miscellaneous income	---	---	---	2,772	---
Transfer from Annuity Savings	---	2,000,000	---	---	---
Reserve transferred from Annuity	---	---	2,000,000	---	---
Reserve	---	---	2,000,000	---	---
Actuarial transfer	---	11,070,000	---	---	11,070,000
	9,824,000	11,070,000	2,000,000	134,000,000	11,070,000
EXPENDITURES AND TRANSFERS:					
Reserve paid	---	41,070,000	4,000,000	---	---
Refunds to members	1,000,000	---	---	---	---
Administrative expenses	---	---	---	600,000	---
Depreciation	---	---	---	10,000	---
Transfers to other systems	---	---	---	120,000	---
Transfer to Annuity Reserve	2,000,000	---	---	---	---
Reserve transferred to ODP	---	7,000,000	---	---	---
Actuarial transfer	---	---	---	157,100,000	---
	3,000,000	48,070,000	4,000,000	157,700,000	---
NET INCREASE/DECREASE	6,824,000	(7,000,000)	(2,000,000)	(23,700,000)	(6,000,000)
BALANCE - ENDING	\$ 35,032,000	\$ 34,174,000	\$ 18,794,000	\$ 147,333,000	\$ 60,209,000

JUNE 30, 1997

						SURPLUS ACTUARIAL ACCUMULATED LIABILITY	
TRFMS	SAVINGS FUNDING	ANNUITY RESERVE	DEFERRED RETIREMENT OPTION PLAN	PENSION ACCUMULATION			TRFMS
\$	956,004,000	\$ 64,863,644	\$ 411,000,001	\$ 27,634,329	\$ 209,002,093	\$ 50,204,791	\$ 861,631,320
	8,004,000	8,311,000	--	--	--	--	8,321,000
	11,000,000	--	--	--	60,000,000	--	81,000,000
	1,041,000	--	--	--	1,400,000	--	1,440,000
	121,400,000	--	--	--	100,000,000	--	221,400,000
	1,000,000	--	--	--	8,000,000	--	8,000,000
	8,000	--	--	--	700,000	--	700,000
	147,000	--	--	--	100,000	--	147,000
	70	--	--	--	--	--	70
	1,000	--	--	--	60,000	--	61,000
	1,000,000	--	1,000,000	--	--	--	1,000,000
	1,000,000	--	--	8,111,000	--	--	8,111,000
	111,100,700	--	79,170,100	--	--	--	79,170,100
	111,100,100	8,111,000	80,110,100	8,111,000	110,000,000	--	111,100,100
	40,000,000	--	10,100,000	1,000,000	--	--	41,100,000
	1,000,000	1,000,000	--	--	--	--	1,000,000
	800,000	--	--	--	100,000	--	900,000
	10,000	--	--	--	10,000	--	20,000
	100,000	--	--	--	--	--	100,000
	1,000,000	1,000,000	--	--	--	--	1,000,000
	1,000,000	--	8,111,000	--	--	--	8,111,000
	111,100,700	--	--	--	70,000,000	8,000,000	79,000,700
	111,100,000	8,000,000	11,100,000	1,000,000	70,000,000	8,000,000	110,000,000
	111,100,700	8,000,000	11,100,000	1,000,000	70,000,000	8,000,000	110,000,700
\$	1,015,004,000	\$ 79,170,644	\$ 495,110,001	\$ 32,704,329	\$ 379,002,093	\$ 60,204,791	\$ 871,631,320

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 PER DIEM PAID TRUSTEES
 YEARS ENDING JUNE 30, 1998 AND 1997

The per diem paid to the trustees is an expenditure of the Expense fund. For 1998 and 1997 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, 1998 and 1997 are as follows:

TRUSTEES	NUMBER OF DAYS ATTENDANCE		AMOUNTS	
	1998	1997	1998	1997
Bill Fields	35	--	\$1,125	\$
Jeffrey Wesley	31	13	825	825
Larry Beech	31	18	825	750
Jim Dennis	--	18	--	750
Thomas Huell	34	13	1,050	875
Arthur Lawson	32	11	900	825
Melvin Dylburn	35	13	1,125	875
Willie Joe Greene	31	--	825	--
Henry Dean	7	--	525	--
Steve Pritcor	15	13	1,125	825
			<u>\$8,325</u>	<u>\$6,225</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 ACCOUNTS RECEIVABLE - MERGED SYSTEMS
 YEARS ENDED JUNE 30, 1990 AND 1991

CITY	YEAR		INTEREST	PAYMENT	PAYMENT	BALANCE	BALANCE
			RATE	TERM	AMOUNT	6-30-90	6-30-91
Alexandria	00-83	00-11	7%	Quarterly	\$ 111,808.00	\$ --	\$ 4,758,792
Beverly	11-70	03-00	8%	Half-annual	42,415.00	--	87,173
Crowley	00-84	02-12	7%	Quarterly	25,888.00	836,540	844,728
Greene	12-81	08-12	7%	Quarterly	58,242.00	2,128,194	2,251,723
Lake Charles	10-80	07-12	7%	Quarterly	50,279.00	3,488,762	3,871,878
Monroe	08-83	08-12	7%	Quarterly	82,488.00	3,511,775	3,647,382
Natchitoches	00-80	01-02	7%	Quarterly	22,792.00	547,788	431,781
New Orleans	00-80	11-12	7%	Quarterly	2,081,762.00	--	78,443,814
Opalville	01-84	02-12	7%	Quarterly	32,172.00	1,425,288	1,478,832
Sharon	00-80	04-02	7%	Quarterly	22,888.00	505,533	445,883
Shreveport	00-83	02-12	7%	Quarterly	242,112.25	--	23,808,898
Tulalaha	01-84	02-12	7%	Quarterly	5,124.00	202,841	172,189
West Monroe	02-80	04-98	6%	Annual	51,151.00	18,224	75,620
TOTAL						\$12,422,892	\$18,212,000

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENTS
 YEARS ENDED JUNE 30, 1999 AND 2002

	JUNE 30, 1999		JUNE 30, 2002		JUNE 30, 1999		JUNE 30, 2002	
	FUND VALUE	NET ASSETS						
STOCKS								
U.S. Treasury Notes and Bonds	\$ 26,321,000	\$ 26,479,419	\$ 25,892,000	\$ 25,892,000	\$ 142,285,000	\$ 142,314,100	\$ 201,783,494	\$ 201,783,494
Federal Home Loan Mortgage Corporation	26,750,000	27,024,490	25,783,279	25,783,279	14,021,472	14,021,472	14,000,000	14,000,000
Federal National Mortgage Association	17,442,399	17,444,318	16,893,218	16,893,218	13,255,128	13,116,728	10,100,412	10,100,412
Government National Mortgage Association	4,275,000	4,140,022	41,283,442	41,283,442	13,173,768	13,114,760	8,190,918	8,190,918
U.S. Government Notes and Paragraphs	3,000,000	3,018,140	3,100,000	3,100,000	1,000,000	900,000	50,000	50,000
Corporate Bonds	148,713,116	149,449,726	171,567,112	171,567,112	126,170,100	126,302,311	125,100,000	125,100,000
Foreign Bonds	3,000,000	3,023,042	3,429,000	3,429,000	11,318,458	11,300,984	11,188,182	11,188,182
TOTAL STOCKS	\$ 250,805,515	\$ 251,377,036	\$ 231,172,099	\$ 231,172,099	\$ 378,026,000	\$ 378,315,665	\$ 211,769,418	\$ 211,769,418
MUTUAL FUNDS AND ROLLOVER FUNDS:								
Fidelity Bond Fund		\$ 28,441,700	\$ 27,457,207	\$ 27,457,207				
Investic Partners Mutual Fund		4,000,000	3,650,000	3,650,000				
TOTAL MUTUAL FUNDS		\$ 32,441,700	\$ 31,107,207	\$ 31,107,207				
DOMESTIC BONDS		\$ 302,248,736	\$ 302,279,306	\$ 302,279,306				
DOMESTIC STOCKS		\$ 282,213,240	\$ 288,319,309	\$ 288,319,309				
DOMESTIC COMBINED TOTALS		\$ 584,461,976	\$ 590,598,615	\$ 590,598,615				
DOMESTIC COMBINED TOTALS		\$ 584,461,976	\$ 590,598,615	\$ 590,598,615				

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
Supplementary Information
SCHEDULE OF ADMINISTRATIVE EXPENSES
ACTUAL AND BUDGET
PERIOD ENDING JUNE 30, 1998 AND 1997

	JUNE 30, 1998		JUNE 30, 1997		VARIANCE FUNDALS (ADVERSE)
	ACTUAL	BUDGET	ACTUAL	BUDGET	
SUBJECTS EMPLOYEES:					
Personal Services:					
Staff salaries	50,115	50,000	4,452	17,000	(12,548)
Group insurance	31,285	31,200	362	26,752	6,453
Retirement	11,900	14,000	3,105	13,340	41
Board member - Per die	5,000	15,000	1,400	5,000	35
Professional Services:					
Accountant	38,400	38,000	3,007	28,871	9,529
Attorney	34,712	34,000	(1,288)	30,000	4,712
Accounting	2,007	2,000	32	309	(277)
Computer services	30,254	65,347	31,000	18,319	12,681
Risk management	3,205	3,000	100	3,000	—
Legal	45,735	44,415	3,717	62,207	(18,490)
National Board	5,015	5,000	(12)	5,012	18
Retirement Investment Exp.	310	315	(5)	315	5
Consultations:					
Outrage, printing and supplies	44,700	45,000	5,770	32,717	12,013
Telephone	31,000	34,000	(4,100)	15,332	18,668
Taxes	11,000	37,000	(14,000)	31,000	14,000
Other:					
Lease on computer software	10,000	—	(149,581)	—	139,581
Taxes - miscellaneous/retirement fees	1,000	1,000	761	2,000	(1,000)
Retirement audit and repair	10,440	7,000	14,000	2,700	(11,300)
Food/Travel	910	1,000	500	5,000	(4,500)
Public Functions (Expenses)	5,000	2,000	—	17,000	(12,000)
Net:	11,400	11,400	—	62,000	(50,600)
Inflators	2,000	2,000	120	2,000	—
Retirement funds payment	6,500	6,500	—	700	(5,800)
Retirement PISA	2,000	2,000	50	174	(124)
Health retirement	500	300	200	1,214	(714)
Total retirement budgeted	303,314	319,200	(146,733)	303,314	16,980
CAPITAL OUTLAYS	0,000	0,000	(33,000)	0,000	33,000

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY CONTRIBUTION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
 JUNE 30, 1993 THROUGH 1996

FISCAL YEAR	ACTUARIAL REQUIRED CONTRIBUTION EMPLOYER	ACTUARIAL REQUIRED CONTRIBUTION OTHER SOURCES	PERCENT CONTRIBUTED EMPLOYER	PERCENT CONTRIBUTED OTHER SOURCES
1993	\$ 8,942,617	\$2,822,166	99.94%	100.00%
1994	9,838,721	2,793,788	100.42	100.00
1995	8,943,381	3,568,869	103.28	100.00
1996	9,157,489	5,909,328	104.64	100.00
1997	9,547,353	1,498,487	108.64	100.00
1998	11,258,388	3,947,138	108.33	100.00

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2003 THROUGH 2008

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF FUND	ACTUARIAL ACCRUED LIABILITY (FALL ENTRY)	(EXCESS) IMPROVED PLAN LIABILITY (FALL)	FUNDED PERCENT	COVERED PAYROLL	PERCENTAGE OF COVERED PAYROLL
June 30, 1993	\$696,677,739	\$608,507,873	\$17,858,866	90.00%	\$7,507,983	--
June 30, 1994	739,380,293	736,396,281	(3,046,184)	100.48	96,185,573	--
June 30, 1995	768,385,030	772,983,748	6,618,658	96.14	100,404,979	6.89
June 30, 1996	809,238,664	812,078,238	(27,159,124)	101.36	104,741,407	--
June 30, 1997	860,844,233	911,681,710	(14,182,203)	101.09	123,965,876	--
June 30, 1998	1,038,368,244	990,227,811	(68,196,643)	107.17	131,838,882	--

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 1991 THROUGH 1990

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, 1990
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	12 years
Asset valuation method:	
Equities	4 year smoothed market
Bonds	Amortized cost
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	Technical paper No. 16 "Present Value of Estimated Lifetime Earnings". These rates are increased by 2% during the first ten years of employment.
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON A FINANCIAL STATEMENT AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 1988**

August 31, 1988

Board of Trustees of the
Municipal Police Employees'
Retirement System
9481 United Plaza Blvd., Room 370
Baton Rouge, Louisiana 70809

We have audited the financial statements of Municipal Police Employees' Retirement System as of and for the year ended June 30, 1988, and have issued our report thereon dated August 31, 1988. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

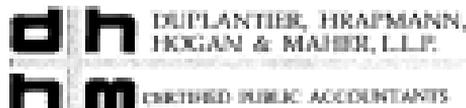
As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated August 31, 1988.

This report is intended for the information of management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Debra L. Hays, CPA



MICHAEL J. CHANDLER, C.P.A.
WILLIAM G. STANLEY, C.P.A.
FRANKLIN J. COOPER, III, C.P.A.

DAVID L. ANDREWS, C.P.A.
GORDON D. GARDNER, C.P.A.
JOHN L. BARNARD, C.P.A.
BENJAMIN S. BARNARD, C.P.A.
DAVID W. BARNARD, C.P.A.
MATTHEW W. FARRINGTON, C.P.A.

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MEMBER OF THE
AICPA

AS FURTHER AFFIRMED BY THE
AICPA 1988
AND AS RECOGNIZED BY THE
AICPA 1988
NATIONAL BOARD OF C.P.A.
(1988)

MEMBER
OF THE INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF THE STATE OF LOUISIANA

August 31, 1990

To the Board of Trustees of the
Municipal Police Employees'
Retirement System
8180 United Plaza Blvd., Room 210
Baton Rouge, Louisiana 70809

In planning and performing our audit of the financial statements of Municipal Police Employees' Retirement System for the year ended June 30, 1990 we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors 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 control and its operations that we consider to be material weaknesses as defined above.

We noted other matters involving the internal control over financial reporting during the course of the audit which are not considered material weaknesses; however, we felt these matters should be presented to management.

DISBURSEMENTS:

During examination of invoices, it was noted that the director did not approve non-recurring invoices before payment was made. It appears that a change in policy occurred during the current audit period relating to approval of non-recurring invoices. We recommend that the director reevaluate the policy of approving non-recurring invoices and credit card bills before payment is rendered.

FIXED ASSETS:

During our testing of fixed asset additions, it was noted that the board of directors is not approving most purchases of fixed assets. The board of directors should approve the purchase of fixed assets on all purchases over a dollar amount to be determined by the board. The board of directors passed a resolution in the October 1988 board meeting requiring board approval prior to purchase of any new assets.

August 31, 1990

CHECK SIGNING PROCEDURES:

During the audit it was discovered that a signature stamp is used on operating checks and regular refund and miscellaneous checks. The signature stamp is locked in a cabinet where the checks are located. It is our understanding that all employees know where the key is kept for the cabinet. For all operating and regular refund and miscellaneous checks, only one signature is required.

In addition, it was discovered that a signature plate is released to an agency that generates all benefit checks. The signature plate is picked up from the System's offices, used in processing the benefit checks, and returned once all checks are written.

We recommend that the check signing procedures for all checks be evaluated to ensure adequate internal control over disbursements. The procedures should include safeguards to protect the signature stamp from any unauthorized use. Lastly, the System should evaluate the check signing procedures on benefit checks to ensure proper security is maintained.

This report is intended for the information of the Board of Trustees, management, and the Legislative Auditor.

Very truly yours,

DUPLANTIER, BRAPPAN, HOGAN & BAKER, LLP



William S. Stamm, CPA
Partner

MBS/djt

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

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November 24, 1998



MEMBERS & BOARD

Director
 Virginia S. Eckert

Member at Large
 Jimmy

Member at Large
 Bernard Bourne

BOARD OF TRUSTEES

Member at Large
 Governor
 Frank Landry
 Governor P. S.

Member at Large
 Mayor
 Robert Landry
 Mayor P. S.

Member at Large
 Mayor
 Robert Landry
 Mayor P. S.

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 Robert Landry
 Mayor P. S.

Member at Large
 Mayor
 Robert Landry
 Mayor P. S.

STAFF

Executive Director
 Virginia S. Eckert
 Executive Director

Member at Large
 Mayor
 Robert Landry
 Mayor P. S.

Dr. Daniel C. Kyle
 Legislative Auditor
 P.O. Box 96387
 Baton Rouge, Louisiana 70804-2387

Dear Dr. Kyle:

In regard to a management letter issued by Duplander, Hageman, Hogan & Maher on August 31, 1998, we would like to inform you of our corrective action plan regarding the findings.

- 06-1. During examination of invoices, it was noted that the director did not approve non-recurring invoices before payment was made. Our auditors recommend approval of non-recurring invoices and credit card bills before payment is rendered. We intend to implement this recommendation immediately.
- 06-2. During testing the fixed asset additions, our auditors noted that the board of trustees has not approving most purchases of fixed assets. The board of trustees has taken action on this issue, by approving the following resolution. All non-budgeted fixed assets with a value greater than \$500.00 must have board approval.
- 06-3. During the audit it was discovered that the System should provide additional controls over a signature stamp and a signature plate. Our auditors recommend that the signature stamp be used only in emergency situations and be kept locked with access limited. All checks signed with a signature stamp will be subsequently approved to the director. In addition, the System is investigating purchasing of a check signer to replace the signature plate. Prior to the purchase, an employee will supervise the use of the signature plate at all times. We intend to implement this recommendation immediately.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Virginia S. Eckert

Virginia S. Eckert
 Director