

REPORT

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

JUNE 30, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date 2-2-05

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2004 AND 2003

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 8
FINANCIAL STATEMENTS:	
Statements of Plan Net Assets	9
Statements of Changes in Plan Net Assets	10
Notes to Financial Statements.....	11 - 18
SUPPLEMENTARY INFORMATION:	
Statements of Changes in Reserve Balances	19 - 20
Schedules of Investments.....	21
Schedules of Administrative Expenses.....	22
Schedules of Per Diem and Travel Expenses to Trustees.....	23
Schedule of Contributions - Employer and Other Sources.....	24
Notes to Schedule of Contributions - Employer and Other Sources	25 - 26
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	27 - 28
SUMMARY SCHEDULE OF FINDINGS	29



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INDEPENDENT AUDITOR'S REPORT

October 1, 2004

Board of Trustees
District Attorneys' Retirement System
State of Louisiana
1645 Nicholson Drive
Baton Rouge, Louisiana 70802-8143

We have audited the statements of plan net assets of the District Attorneys' Retirement System of the State of Louisiana as of June 30, 2004 and 2003, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 District Attorneys' Retirement System of the State of Louisiana as of June 30, 2004 and 2003, and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to financial statements, the District Attorneys' Retirement System of the State of Louisiana adopted the provisions of the *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of July 1, 2003.

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 Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We have audited the financial statements of the System for the years ending June 30, 2004 and 2003, and issued our unqualified opinion 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 and the supplemental schedules listed in the foregoing index are presented for the purposes of additional analysis and are not a part of the basic financial statements. However, the required statistical information for the years ending June 30, 1999 - 2004 and supplemental schedules for the years ending June 30, 2004 and 2003, have been subjected to the auditing procedures applied in the audit 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 October 1, 2004 on our consideration of District Attorneys' Retirement System of the State of Louisiana's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts and grants. 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 audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The Management's Discussion and Analysis of the District Attorneys' Retirement System financial performance presents a narrative overview and analysis of the System's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the District Attorneys' Retirement System's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The District Attorneys' Retirement System's assets exceeded its liabilities at the close of fiscal year 2004 by \$160,875,906 which represents a increase from last fiscal year. The net assets held in trust for pension benefits increased by \$20,549,454 or 14.64%. The increase was due primarily due to the upturn in the markets.
- Contributions to the plan by members totaled \$2,657,147 an increase of \$96,080 or 3.75% over the prior year.
- Net change in the fair value of investments reflected a net increase of \$15,307,784. The increase was due primarily due to an upturn in the markets. The equity portfolios were major contributors to this increase. As interest rates will likely head even higher through the second half of 2004 and into 2005, we continue to view equities as a much more attractive asset class.
- The rate of return on the System's investments was a 13.20% based on the market value. This is more than last year's 2.80% rate of return due to a shift in investor psychology and an upturn in the market.
- Pension benefits paid to retirees and beneficiaries increased by \$435,067 or 13.43%. This increase is due to an increase in the number of retirees and their benefit amounts.
- Administrative expenses totaled \$187,548, an increase of \$3,605 or 1.96%. The cost of administering the System per member during 2004 was \$179 per individual which remained the same as in 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 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.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The statements of plan net assets report the system's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2004 and 2003.

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

FINANCIAL ANALYSIS OF THE SYSTEM

District Attorneys' Retirement System provides benefits to all eligible employees of the Louisiana Judicial districts in the State of Louisiana. Employee contributions, and earnings on investments fund these benefits.

Statement of Plan Net Assets
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash and investments	\$160,071,356	\$139,611,642
Receivables	<u>804,550</u>	<u>722,989</u>
Total assets	160,875,906	140,334,631
 Total liabilities	 <u> --</u>	 <u> 8,179</u>
 Net Assets Held in Trust For Pension Benefits	 <u>\$160,875,906</u>	 <u>\$140,326,452</u>

Plan net assets increased by \$20,549,454 or 14.64%. 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 equity markets.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF THE SYSTEM (Continued)

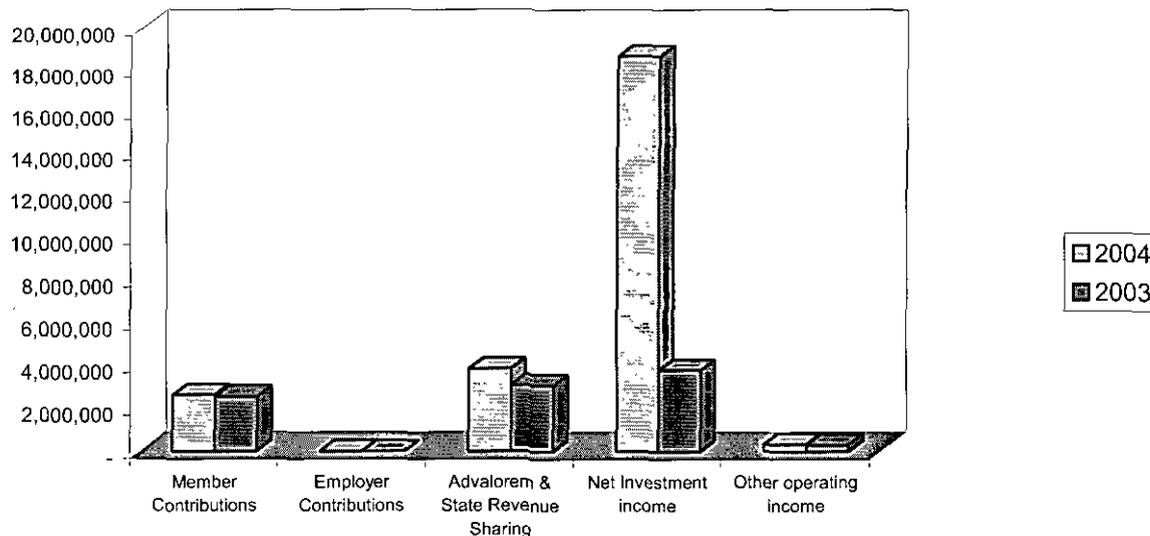
Statement of Changes in Plan Net Assets
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Additions:		
Contributions	\$ 6,517,467	\$ 5,654,574
Investment gain (net)	18,687,410	3,809,070
Other	<u>332,452</u>	<u>304,493</u>
Total additions	<u>25,537,329</u>	<u>9,768,137</u>
Total Deductions	<u>4,987,875</u>	<u>4,618,602</u>
Increase in Plan Net Assets	<u>\$ 20,549,454</u>	<u>\$ 5,149,535</u>

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member contributions, ad valorem taxes and state revenue sharing funds and investment income. The System experienced a net investment gain of \$18,687,410 as compared to \$3,809,070 in the previous year. The increase in investment income was mainly due a shift in investor psychology and an upturn in the market.

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease) Percentage</u>
Member Contributions	\$ 2,657,147	\$ 2,561,067	3.75%
Employer Contributions	1,161	--	100.00%
Ad valorem & State Revenue Sharing	3,859,159	3,093,507	24.75%
Net Investment Income	18,687,410	3,809,070	390.60%
Other Operating Revenues	<u>332,452</u>	<u>304,493</u>	9.18%
Total	<u>\$ 25,537,329</u>	<u>\$ 9,768,137</u>	



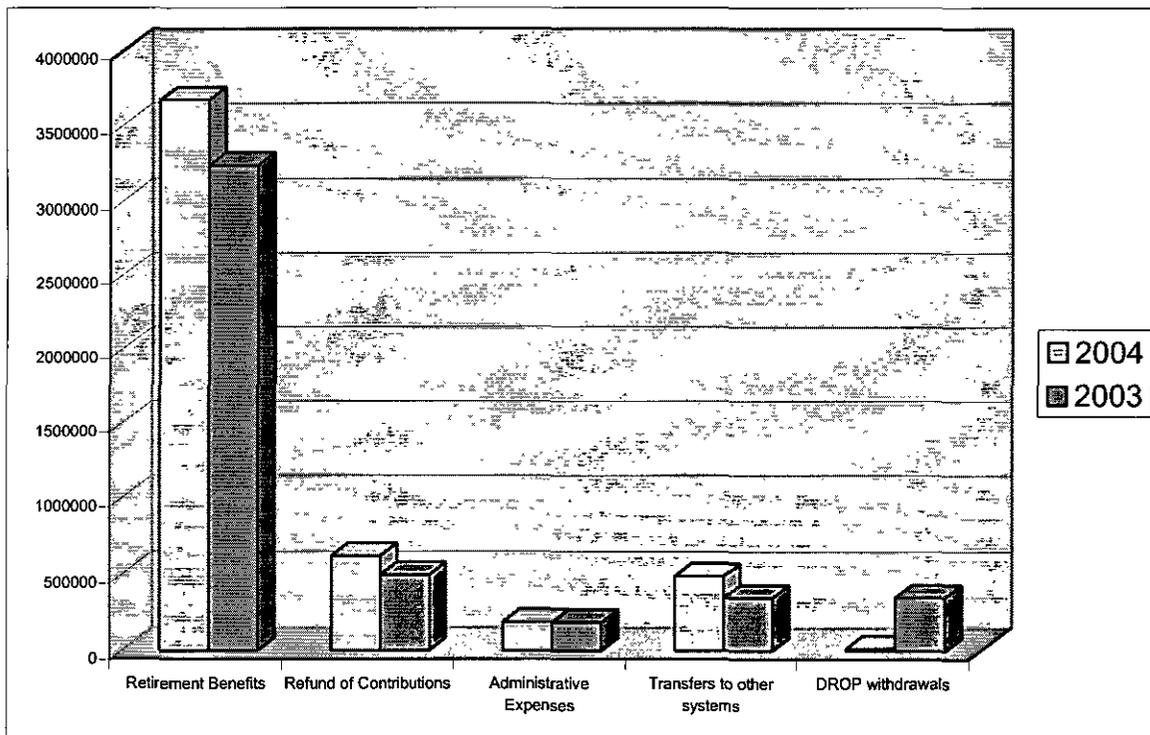
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF THE SYSEM (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits and administrative expenses and transfers to other systems. Deductions from plan net assets totaled \$4,987,875 in fiscal year 2004. The increase in retirement benefit payments to \$3,674,323 from \$3,239,256 is due largely to an increase in the number of retirees and that newer retirees earn higher benefit amounts than older retirees.

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u> <u>Percentage</u>
Retirement Benefits	\$ 3,674,323	\$ 3,239,256	13.43%
Refunds of Contributions	621,917	497,079	25.11%
Administrative Expenses	187,548	183,943	1.96%
Transfers to other systems	490,288	347,325	41.16%
DROP withdrawals	<u>13,799</u>	<u>350,999</u>	(96.07%)
Total	<u>\$ 4,987,875</u>	<u>\$ 4,618,602</u>	



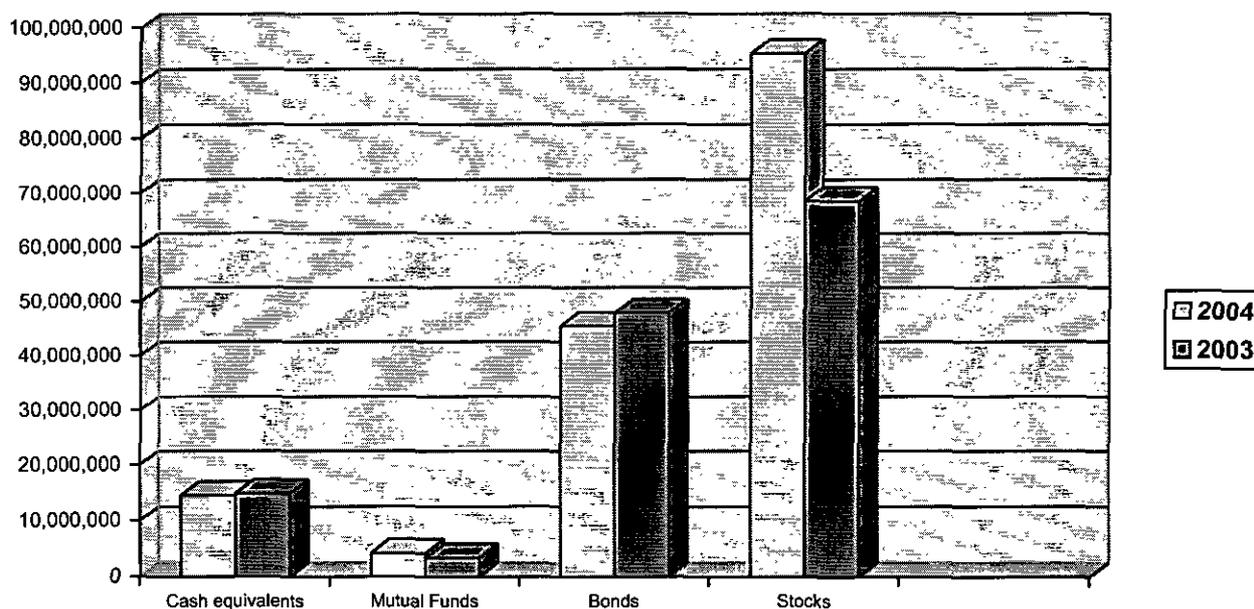
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF THE SYSTEM (Continued)

Investments

District Attorneys' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2004 amounted to \$159,516,739 as compared to \$134,754,697 at June 30, 2003, which is a increase of \$24,762,042 or 18.38%. The major contributing factor to this increase was the equity exposure in the portfolio. Again, as interest rates will likely head even higher through the second half of 2004 and into 2005, we continue to view equities as a much more attractive asset class. The System's investments in various markets at the end of the 2004 and 2003 fiscal years are indicated in the following table:

	<u>2004</u>	<u>2003</u>	Increase (Decrease) <u>Percentage</u>
Cash Equivalents	\$ 14,515,840	\$ 14,849,744	(2.25%)
Mutual Funds	4,237,288	3,371,709	25.67%
Bonds	45,489,622	47,946,565	(5.12%)
Stocks	<u>95,273,989</u>	<u>68,586,679</u>	38.91%
Total	\$ <u>159,516,739</u>	\$ <u>134,754,697</u>	



DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to E. Pete Adams, Director of District Attorneys' Retirement System, 1645 Nicholson Drive, Baton Rouge, Louisiana 70802, (225) 267-4824.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash (Note 5)	\$ <u>554,617</u>	\$ <u>4,856,945</u>
Receivables:		
Member contributions	336,135	284,116
Accrued interest and dividends	419,549	422,306
Ad valorem taxes	<u>48,866</u>	<u>16,567</u>
Total	<u>804,550</u>	<u>722,989</u>
Investments (At fair value): (Notes 1 and 5) (Page 21)		
Cash equivalents	14,515,840	14,849,744
Bonds	45,489,622	47,946,565
Stocks	95,273,989	68,586,679
Mutual funds	<u>4,237,288</u>	<u>3,371,709</u>
Total investments	<u>159,516,739</u>	<u>134,754,697</u>
Total assets	<u>160,875,906</u>	<u>140,334,631</u>
LIABILITIES:		
Accounts payable	-	7,926
Payroll taxes payable	<u>-</u>	<u>253</u>
Total liabilities	<u>-</u>	<u>8,179</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u><u>160,875,906</u></u>	\$ <u><u>140,326,452</u></u>

See accompanying notes.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ADDITIONS: (Note 1)		
Contributions:		
Members - regular	\$ 2,584,497	\$ 2,451,253
Members - irregular	72,650	109,814
Employer - irregular	1,161	-
Ad valorem taxes	3,667,583	2,952,313
State revenue sharing funds	191,576	141,194
Total contributions	<u>6,517,467</u>	<u>5,654,574</u>
Investment income (expense):		
Interest income	2,481,213	2,926,854
Dividend income	1,154,402	1,013,222
Net appreciation in fair value of investments	15,803,140	495,356
Less investment expense	<u>(751,345)</u>	<u>(626,362)</u>
Net investment income	<u>18,687,410</u>	<u>3,809,070</u>
Other additions:		
Interest - other	35,030	212,626
Transfers from other retirement systems	294,539	53,962
Class action lawsuit settlements	2,883	37,905
Total other additions	<u>332,452</u>	<u>304,493</u>
Total additions	<u>25,537,329</u>	<u>9,768,137</u>
DEDUCTIONS: (Note 1)		
Benefits	3,674,323	3,239,256
DROP withdrawal	13,799	350,999
Refund of contributions	621,917	497,079
Transfers to other retirement systems	490,288	347,325
Administrative expenses (Page 22)	187,548	183,943
Total deductions	<u>4,987,875</u>	<u>4,618,602</u>
NET INCREASE	20,549,454	5,149,535
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	<u>140,326,452</u>	<u>135,176,917</u>
END OF YEAR	<u>\$ 160,875,906</u>	<u>\$ 140,326,452</u>

See accompanying notes.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

The District Attorneys' Retirement System (System) was created on August 1, 1956 by Act 56 of the 1956 session of the Louisiana Legislature, for the purpose of providing retirement allowances and other benefits for district attorneys and their assistants in each parish. The fund is administered by a Board of Trustees. Benefits, including normal retirement, early retirement, disability retirements and death benefits, are provided as specified in the plan.

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 Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and related standards. The new standard did not change the financial reporting or note disclosures required by GASB 25; it did require the inclusion of a management discussion and analysis as supplementary information.

Basis of Accounting:

The System's 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. Ad valorem taxes and revenue sharing monies are recognized in the year appropriated by the legislature.

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments.

2. PLAN DESCRIPTION:

The District Attorney's Retirement System, State of Louisiana is the administrator of a cost-sharing multiple employer defined benefit pension plan. The System was established on the first day of August, nineteen hundred and fifty-six and was placed under the management of the board of trustees for the purpose of providing retirement allowances and other benefits as stated under the provisions of R.S. 11, Chapter 3 for district attorneys and their assistants in each parish.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

2. PLAN DESCRIPTION: (Continued)

All persons who are district attorneys of the State of Louisiana, assistant district attorneys in any parish of the State of Louisiana, or employed by this retirement system and the Louisiana District Attorneys' Association except for elected or appointed officials who have retired from service under any publicly funded retirement system within the state and who are currently receiving benefits, shall become members as a condition of their employment; provided, however, that in the case of assistant district attorneys, they must be paid an amount not less than the minimum salary specified by the board for assistant district attorneys. The statewide retirement system membership consists of:

	<u>2004</u>	<u>2003</u>
Current retirees and beneficiaries	122	112
Terminated vested members not yet receiving benefits	235	235
Fully vested, partially vested, and non-vested active employees covered	683	676
DROP participants	<u>8</u>	<u>5</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>1,098</u>	<u>1,028</u>

Members who joined the System before July 1, 1990, and who have elected not to be covered by the new provisions, are eligible to receive a normal retirement benefit if they have 10 or more years of creditable service and are at least age 62, or if they have 18 or more years of service and are at least age 60, or if they have 23 or more years of service and are at least age 55, or if they have 30 years of service regardless of age. The normal retirement benefit is equal to 3% of the member's average final compensation for each year of creditable service. Members are eligible for early retirement at age 60 if they have at least 10 years of creditable service or at age 55 with at least 18 years of creditable service. Members who retire prior to age 60 with less than 23 years of service credit receive a retirement benefit reduced 3% for each year of age below 60. Members who retire prior to age 62 who have less than 18 years of service receive a retirement benefit reduced 3% for each year of age below 62. Retirement benefits may not exceed 100% of final average compensation.

Members who joined the System after July 1, 1990, or who elected to be covered by the new provisions, are eligible to receive normal retirement benefits if they are age 60 and have 10 years of service credit, are age 55 and have 24 years of service credit, or have 30 years of service credit regardless of age. The normal retirement benefit is equal to 3.5% of the member's final average compensation multiplied by years of membership service. A member is eligible for an early retirement benefit if he is age 55 and has 18 years of service credit. The early retirement benefit is equal to the normal retirement benefit reduced 3% for each year the member retires in advance of normal retirement age. Benefits may not exceed 100% of average final compensation.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

2. PLAN DESCRIPTION: (Continued)

Disability benefits are awarded to active contributing members with at least 10 years of service who are found to be totally disabled as a result of injuries incurred while in active service. The member receives a benefit equal to three percent (three and one-half percent for members covered under the new retirement benefit provisions) of his average final compensation multiplied by the lesser of his actual service (not to be less than fifteen years) or projected continued service to age sixty.

Upon the death of a member with less than 5 years of creditable service, his accumulated contributions and interest thereon are paid to his surviving spouse, if he is married, or to his designated beneficiary, if he is not married. Upon the death of any active, contributing member with 5 or more years of service or any member with 23 years of service who has not retired, automatic option 2 benefits are payable to the surviving spouse. These benefits are based on the retirement benefits accrued at the member's date of death with the option factors used as if the member had continued in service to earliest normal retirement age. If a member has no surviving spouse, the surviving minor children under 18 or disabled children are paid 80% of the member's accrued retirement benefit divided into equal shares. If a member has no surviving spouse or children, his accumulated contributions and interest are paid to his designated beneficiary. In lieu of periodic payments, the surviving spouse or children may receive a refund of the member's accumulated contributions with interest.

Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions upon request. Receipt of such a refund cancels all accrued rights in the system.

The Board of Trustees is authorized to grant retired members and widows of members who have retired an annual cost of living increase of 3% of their original benefit, (not to exceed sixty dollars per month) and all retired members and widows who are sixty-five years of age and older a 2% increase in their original benefit. In lieu of other cost of living increases the board may grant an increase to retirees in the form of "Xx(A&B)" where "A" is equal to the number of years of credited service accrued at retirement or death of the member or retiree and "B" is equal to the number of years since death of the member or retiree to June 30 of the initial year of increase and "X" is equal to any amount available for funding such increase up to a maximum of \$1.00. In order for the board to grant any of these increases, the System must meet certain criteria detailed in the statute related to funding status and interest earnings.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

2. PLAN DESCRIPTION: (Continued)

In lieu of terminating employment and accepting a service retirement allowance, any member in the New Plan who is eligible for normal retirement or any member of the Old Plan who is eligible for unreduced benefits may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. Upon commencement of participation in the plan, membership in the System continues and the member's status changes to inactive. During participation in the plan, employer contributions are payable but employee contributions are reduced to one-half of one percent. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP account. This fund does not earn interest while a person is participating in the DROP. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan may receive, at his option, a lump sum from the account equal to the payments into the account or systematic disbursements from his account in any manner approved by the board of trustees. The monthly benefits that were being paid into the deferred retirement option plan fund will begin to be paid to the retiree. If a participant dies during the participation in the plan, a lump sum equal to his account balance in the plan fund is paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the plan fund cease and the person resumes active contributing membership in the System. All amounts which remain credited to the individual's sub-account after termination of participation in the plan earn interest at the portfolio rate of return less one-half of one percent.

The System issues an annual, publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the District Attorneys' Retirement System of Louisiana, 1645 Nicholson Drive, Baton Rouge, Louisiana 70808.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

The fund is financed by employee contributions established by state statute at 7% of salary for active members, and .5% of salary for DROP participants. In addition, the fund receives revenue sharing funds as appropriated by the legislature and ad valorem taxes as determined by the Public Retirement Systems' Actuarial Committee up to a maximum of .2% of the ad valorem taxes shown to be collected. According to state statute, in the event that the contributions from ad valorem taxes and revenue sharing funds are insufficient to provide for the gross employer actuarially required contribution, the employer is required to make direct contributions as determined by the Public Retirement Systems' Actuarial Committee. For the fiscal year ended June 30, 2003, there was no direct employer actuarially required contribution. Although the direct employer actuarially required contribution for fiscal year 2004 is 3.36%, the actual employer contribution rate for fiscal year 2004 is zero, since state statutes require that employer rates be set one year in advance. Due to the shortfall, the minimum direct employer contribution will be 3.75% for fiscal year 2005.

Administrative costs of the fund are financed through employer contributions.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves:

Use of the term "reserve" by the System indicates that a portion of the net assets are legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the reserve from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve. The Pension Reserve balance as of June 30, 2004 and 2003 was \$35,864,196 and \$32,202,218, respectively, and was fully funded for both years.

B) 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. When a member retires, the amount of his accumulated contributions is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance as of June 30, 2004 and 2003 was \$25,852,068 and \$24,683,559, respectively, and was fully funded for both years.

C) 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 is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance as of June 30, 2004 and 2003 was \$85,616,725 and \$86,494,441, respectively. The balance was fully funded for the year ended June 30, 2004 and 94% funded for the year ended June 30, 2003.

D) Deferred Retirement Option Plan Account:

The Deferred Retirement Option Plan (DROP) Account receives and holds the monthly retirement benefits deposited on behalf of DROP participants while they continue to work. At termination, a participant may receive a lump sum payment of the DROP deposits or systematic disbursements approved by the board of trustees. The DROP account balance as of June 30, 2004 and 2003 was \$2,827,815 and \$2,357,785, respectively, and was fully funded for both years.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

4. ACTUARIAL COST METHOD:

The Aggregate Actuarial Cost Method was used to calculate the funding requirements of the District Attorneys' Retirement System for the fiscal years ended June 30, 2004 and 2003 valuations. This funding method allocates pension costs as a level percentage of payroll over the future working lifetime of current members. The Aggregate Actuarial Cost Method produces no unfunded accrued liability. Under the Aggregate Actuarial Cost Method, actuarial gains and losses are spread over future normal costs. Any experience more favorable than the actuarial assumptions will reduce future normal costs; any experience less favorable than assumptions will increase future normal costs. Changes in plan benefits as well as changes in actuarial assumptions are also funded over future normal costs.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

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

	<u>2004</u>	<u>2003</u>
Cash (bank balance)	\$ 636,901	\$ 4,871,297
Cash equivalents	14,515,840	14,849,744
Investments	<u>145,000,899</u>	<u>119,904,953</u>
	<u>\$ 160,153,640</u>	<u>\$ 139,625,994</u>

Deposits:

The System's bank deposits were fully covered by federal depository insurance and pledged securities held in the name of the System.

Cash Equivalents:

Cash equivalents are held by a sub-custodian, are managed by a separate money manager and are in the name of the System.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

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

Investments:

Statutes authorize the System 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 the system to act with care, skill, prudence and diligence under the circumstances prevailing that a prudent 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. Act 379 of the 1999 Legislative session temporarily authorized the System to invest up to sixty-five percent of its portfolio in equity securities as part of a pilot program as long as at least ten percent of the total equity portfolio is in one or more index funds that seek to replicate the performance of the chosen index. The program automatically phased out after July 1, 2003. For the year ended June 30, 2004, the System shall not invest more than fifty-five percent of the total portfolio in common stock.

The System's investments are categorized 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 agent 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.

	<u>2004</u>		<u>2003</u>	
	<u>Market Value</u>	<u>Category</u>	<u>Market Value</u>	<u>Category</u>
Bonds:				
U. S. Government and Agency Issues	\$ 33,000,234	1	\$ 36,412,894	1
Corporate bonds	8,947,367	1	7,820,195	1
Other Bonds	3,542,021	1	3,713,476	1
Stocks	95,273,989	1	68,586,679	1
Mutual Funds	<u>4,237,288</u>	N/A	<u>3,371,709</u>	N/A
TOTAL	<u>\$ 145,000,899</u>		<u>\$ 119,904,953</u>	

At June 30, 2004 and 2003, all investments are held in safekeeping by Fidelity Investments in Cincinnati, Ohio.

There were no investments in any one organization which represented 5% of Plan Net Assets at June 30, 2004 or 2003.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

6. 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.

7. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 24-26.

8. OFFICE LEASING:

The System leases office space on a month-to-month basis. Monthly rent was \$2,000 for each of the years ended June 30, 2004 and 2003. Total rent expense for the years ended June 30, 2004 and 2003 was \$24,202 and \$24,000, respectively.

9. TRANSACTIONS WITH RELATED ORGANIZATION:

The System shares certain common functions and costs with the Louisiana District Attorney's Association (LDAA). The LDAA provides office space, office equipment, administrative and accounting services for the System. The System incurred \$99,941 and \$90,871 during the years ended June 30, 2004 and 2003, respectively, in costs associated with the LDAA.

10. LITIGATION:

The System is a defendant in a lawsuit filed by an assistant district attorney. The time frame of her employment and her actual membership in the System is at issue in the case. There are no dollar amounts specified at this time. The System's management is vigorously contesting the plaintiff's claims. Legal counsel for the System is unable to form an opinion relative to the outcome of the lawsuit at this time.

11. ENGAGEMENT APPROVAL:

The audit engagement of the System has been approved by the Legislative Auditor of the State of Louisiana, in accordance with state statutes.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	Pension Reserve	Annuity Savings	DROP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JULY 1, 2003	\$ 32,202,218	\$ 24,683,559	\$ 2,357,785	\$ 86,494,441	\$ (5,411,551)	\$ 140,326,452
REVENUES AND TRANSFERS:						
Contributions:						
Member	-	2,657,147	-	-	-	2,657,147
Employer	-	-	-	1,161	-	1,161
Ad valorem taxes and						
state revenue sharing funds	-	-	-	3,859,159	-	3,859,159
Transfers from annuity savings	1,160,492	-	-	-	-	1,160,492
Transfers from other systems	-	45,765	-	248,774	-	294,539
Pensions transferred from						
pension reserve	-	-	483,829	-	-	483,829
Interest on accumulated savings	-	374,222	-	-	-	374,222
Net gain from investments						
and other sources	-	-	-	18,537,775	-	18,537,775
Actuarial transfers	6,659,638	-	-	-	16,126,653	22,786,291
Total revenues and transfers	<u>7,820,130</u>	<u>3,077,134</u>	<u>483,829</u>	<u>22,646,869</u>	<u>16,126,653</u>	<u>50,154,615</u>
EXPENSES AND TRANSFERS:						
Retirement allowances paid	3,674,323	-	13,799	-	-	3,688,122
Refunds to members	-	621,917	-	-	-	621,917
Transfers to pension reserve	-	1,160,492	-	-	-	1,160,492
Transfers to other systems	-	126,216	-	364,072	-	490,288
Pensions transferred to DROP	483,829	-	-	-	-	483,829
Interest transferred to						
annuity savings	-	-	-	374,222	-	374,222
Actuarial transfer	-	-	-	22,786,291	-	22,786,291
Total expenses and transfers	<u>4,158,152</u>	<u>1,908,625</u>	<u>13,799</u>	<u>23,524,585</u>	<u>-</u>	<u>29,605,161</u>
NET INCREASE (DECREASE)	<u>3,661,978</u>	<u>1,168,509</u>	<u>470,030</u>	<u>(877,716)</u>	<u>16,126,653</u>	<u>20,549,454</u>
BALANCES - JUNE 30, 2004	<u>\$ 35,864,196</u>	<u>\$ 25,852,068</u>	<u>\$ 2,827,815</u>	<u>\$ 85,616,725</u>	<u>\$ 10,715,102</u>	<u>\$ 160,875,906</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Pension Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>Pension Accumulation</u>	<u>Unfunded Actuarial Liability</u>	<u>Total</u>
BALANCES, JULY 1, 2002	\$ 26,006,272	\$ 22,839,450	\$ 2,022,598	\$ 102,411,125	\$ (18,102,528)	\$ 135,176,917
REVENUES AND TRANSFERS:						
Contributions:						
Member	-	2,561,067	-	-	-	2,561,067
Employer	-	-	-	-	-	-
Ad valorem taxes and state revenue sharing funds	-	-	-	3,093,507	-	3,093,507
Transfers from annuity savings	525,430	-	-	-	-	525,430
Transfers from other systems	-	14,989	-	38,973	-	53,962
Pensions transferred from pension reserve	-	-	686,186	-	-	686,186
Interest on accumulated savings	-	363,800	-	-	-	363,800
Net gain from investments and other sources	-	-	-	3,875,658	-	3,875,658
Actuarial transfers	9,595,958	-	-	-	12,690,977	22,286,935
Total revenues and transfers	<u>10,121,388</u>	<u>2,939,856</u>	<u>686,186</u>	<u>7,008,138</u>	<u>12,690,977</u>	<u>33,446,545</u>
EXPENSES AND TRANSFERS:						
Retirement allowances paid	3,239,256	-	350,999	-	-	3,590,255
Refunds to members	-	497,079	-	-	-	497,079
Transfers to pension reserve	-	525,430	-	-	-	525,430
Transfers to other systems	-	73,238	-	274,087	-	347,325
Pensions transferred to DROP	686,186	-	-	-	-	686,186
Interest transferred to annuity savings	-	-	-	363,800	-	363,800
Actuarial transfer	-	-	-	22,286,935	-	22,286,935
Total expenses and transfers	<u>3,925,442</u>	<u>1,095,747</u>	<u>350,999</u>	<u>22,924,822</u>	<u>-</u>	<u>28,297,010</u>
NET INCREASE (DECREASE)	<u>6,195,946</u>	<u>1,844,109</u>	<u>335,187</u>	<u>(15,916,684)</u>	<u>12,690,977</u>	<u>5,149,535</u>
BALANCES - JUNE 30, 2003	<u>\$ 32,202,218</u>	<u>\$ 24,683,559</u>	<u>\$ 2,357,785</u>	<u>\$ 86,494,441</u>	<u>\$ (5,411,551)</u>	<u>\$ 140,326,452</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
JUNE 30, 2004 AND 2003

	<u>2004</u>		
	<u>PAR VALUE</u>	<u>MARKET VALUE</u>	<u>ORIGINAL COST</u>
Bonds:			
U. S. Government and Agency Issues	\$ 53,049,454	\$ 33,000,234	\$ 32,622,022
Corporate bonds	10,225,000	8,947,367	9,146,321
Other bonds	<u>3,845,000</u>	<u>3,542,021</u>	<u>3,115,437</u>
	<u>\$ 67,119,454</u>	<u>\$ 45,489,622</u>	<u>\$ 44,883,780</u>
Stock		<u>\$ 95,273,989</u>	<u>\$ 79,112,068</u>
Cash equivalents		<u>\$ 14,515,840</u>	<u>\$ 14,508,256</u>
Mutual funds		<u>\$ 4,237,288</u>	<u>\$ 4,442,129</u>

	<u>2003</u>		
	<u>PAR VALUE</u>	<u>MARKET VALUE</u>	<u>ORIGINAL COST</u>
Bonds:			
U. S. Government and Agency Issues	\$ 50,947,934	\$ 36,412,894	\$ 34,248,169
Corporate bonds	7,898,157	7,820,195	7,534,376
Other bonds	<u>3,845,000</u>	<u>3,713,476</u>	<u>3,159,672</u>
	<u>\$ 62,691,091</u>	<u>\$ 47,946,565</u>	<u>\$ 44,942,217</u>
Stock		<u>\$ 68,586,679</u>	<u>\$ 65,065,357</u>
Cash equivalents		<u>\$ 14,849,744</u>	<u>\$ 14,842,957</u>
Mutual funds		<u>\$ 3,371,709</u>	<u>\$ 3,847,523</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Auditing and legal	\$ 10,500	\$ 10,000
Computer services	2,400	2,400
Dues	400	100
Expense of board meetings	5,209	2,074
Miscellaneous	388	705
Office supplies and printing	1,268	1,480
Postage	865	1,429
Rent	24,202	24,000
Retainer fees	21,000	21,000
Salaries and fringe benefits	115,988	108,919
Surety bond	250	7,926
Telephone	771	778
Travel - convention and conference	<u>4,307</u>	<u>3,132</u>
TOTAL	\$ <u>187,548</u>	\$ <u>183,943</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF PER DIEM AND TRAVEL EXPENSES TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

2004					
<u>Trustee</u>	<u>Number of Meetings Attended</u>	<u>Number of Meetings Paid</u>	<u>AMOUNTS PAID</u>		
			<u>Meetings</u>	<u>Travel</u>	<u>Total</u>
Edwin Ware	4	4	\$ 375	\$ 822	\$ 1,197
John Rowley	4	-	-	-	-
Houston Gascon	4	4	375	-	375
John Sinquefield	4	4	375	132	507
Darryl Bubrig	4	3	300	-	300
Anthony Falterman	3	3	300	-	300
Lambert Boissiere	-	-	-	-	-
Pete Schneider	-	-	-	-	-
			<u>\$ 1,725</u>	<u>\$ 954</u>	<u>\$ 2,679</u>

2003					
<u>Trustee</u>	<u>Number of Meetings Attended</u>	<u>Number of Meetings Paid</u>	<u>AMOUNTS PAID</u>		
			<u>Meetings</u>	<u>Travel</u>	<u>Total</u>
Edwin Ware	4	4	\$ 300	\$ 1,176	\$ 1,476
John Rowley	3	-	-	-	-
Houston Gascon	4	4	300	-	300
John Sinquefield	4	4	300	7	307
Darryl Bubrig	4	4	300	-	300
Anthony Falterman	4	4	300	-	300
Lambert Boissiere	-	-	-	-	-
Pete Schneider	-	-	-	-	-
			<u>\$ 1,500</u>	<u>\$ 1,183</u>	<u>\$ 2,683</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 1999 THROUGH 2004

<u>Fiscal Year</u>	<u>Actuarial Required Contributions Employer</u>	<u>Actuarial Required Contributions Other Sources</u>	<u>Percent Contributed Employer</u>	<u>Percent Contributed Other Sources</u>
1999	\$ -	\$ 2,023,879	- %	99.86 %
2000	-	1,757,555	-	99.84
2001	-	1,456,313	-	100.64
2002	-	1,589,898	-	100.31
2003	-	3,084,295	-	100.30
2004	1,224,961	3,866,663	0.00	99.81

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS –
EMPLOYER AND OTHER SOURCES
JUNE 30, 1999 THROUGH 2004

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

Valuation Date	June 30, 2004
Actuarial Cost Method	The Aggregate Actuarial Cost Method with allocation based on earnings. (This method does not identify and separately amortize unfunded actuarial liabilities.)
Asset Valuation Method:	The actuarial value of assets is based on the market value of investment securities adjusted to smooth realized and unrealized capital gains over a three year period by deferring one-third of such gains accrued in the prior fiscal year and two thirds of such gains accrued in the current fiscal year.
Actuarial Assumptions:	
Investment Rate of Return	8% (Net of Investment Expense)
Projected Salary Increases	6.75% (3.25% Inflation, 3.5 Merit)
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. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Actuarial Required Contributions-Employer	State statute requires that employer rates be set one year in advance, based on current actuarial assumptions. To the extent that prospective experience differs from that assumed, adjustments are made to subsequent contribution levels to account for previous contribution excesses or shortages. Accordingly, actual contributions for a certain fiscal period may not correlate to required amounts, but the difference is adjusted in the subsequent period.

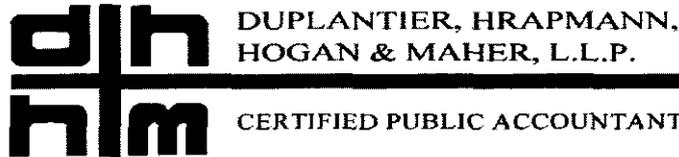
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS –
EMPLOYER AND OTHER SOURCES
JUNE 30, 1999 THROUGH 2004

Change in Actuarial Assumptions

None

Change in Normal Costs

The System incurred an increase in normal cost by \$1,050,128 for the year ending June 30, 2004 due to the decline in investment markets in prior years. The increase was offset by a decrease in normal cost due to favorable liability experience in the amount of \$235,781. The effect of the change in normal cost for years ending subsequent to June 30, 2004 has not been determined.



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

October 1, 2004

Board of Trustees
District Attorneys' Retirement System
State of Louisiana
1645 Nicholson Drive
Baton Rouge, Louisiana 70802-8143

We have audited the financial statements of the District Attorneys' Retirement System of the State of Louisiana for the year ended June 30, 2004 and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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.

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

Duplantier, Hrapmann, Hogan & Maher, LLP

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of District Attorneys' Retirement System State of Louisiana for the year ended June 30, 2004 was unqualified.
2. Internal Control
Material weaknesses: none noted
Reportable conditions: none noted
3. Compliance
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

None

SUMMARY OF PRIOR YEAR FINDINGS:

None