



# CORRECTIONS OFFICER

## RETIREMENT PLAN

*Nineteenth  
Comprehensive  
Annual Financial  
Report*

A PENSION TRUST FUND

OF THE STATE OF ARIZONA

19

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

APENSION TRUST FUND  
of the State of Arizona

NINETEENTH  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2005

This report was prepared by the staff of the CORP

3010 East Camelback Road, Suite 200

Phoenix, Arizona 85016

(602) 255-5575

Fax (602) 255-5572

[www.psprs.com](http://www.psprs.com)

# NINETEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

## CONTENTS

### INTRODUCTORY SECTION

Fund Managers' Report .....	3
Letter of Transmittal .....	6
Certificate of Achievement for Excellence in Financial Reporting .....	10
The Retirement Board and Administrative Organization .....	11
Organizational Chart .....	12

### FINANCIAL SECTION

Independent Auditor's Report .....	15
Management's Discussion and Analysis .....	16

#### Basic Financial Statements

Statements of Plan Net Assets .....	22
Statements of Changes in Plan Net Assets .....	23
Notes to Financial Statements (includes Summary of Plan Provisions) .....	24
(These Notes are an Integral Part of the Financial Statements)	

#### Required Supplementary Information

Schedule of Funding Progress .....	39
Schedule of Employer Contributions .....	40
Supporting Schedule of Changes in Fund Balance Reserves .....	41
Supporting Schedule of Administrative and Investment Expenses .....	42
Supporting Schedule of Payments to Consultants .....	42
Supplemental Schedule of Cash Receipts and Cash Disbursements .....	43

### INVESTMENT SECTION

Fund Objectives .....	47
Investment Performance Data .....	48
Supporting Schedule of Commissions Paid to Brokers .....	52
Summary of Changes in Investment Portfolio .....	53
Detailed List of Investments Acquired .....	54
Detailed List of Sales and Redemption of Investments .....	63
Detailed List of Investments Owned .....	70

## ACTUARIAL SECTION

Actuarial Certification Statement .....	85
Aggregate Actuarial Balance Sheet, June 30, 2005 .....	86
Summary of Valuation Methods and Assumptions .....	87
Solvency Test .....	90
Summary of Active Member Data .....	91
Summary of Inactive Member Data .....	92
Schedule of Retirants and Beneficiaries.....	92
Schedule of Experience Gain/(Loss).....	93

## STATISTICAL SECTION

Schedule of Revenues by Source and Expenses by Type.....	97
Schedule of Benefit Expenses by Type .....	98
Summary of Retired Member and Survivor Data .....	99
Summary of Benefit Increases .....	100
Participating Employers .....	102
Schedule of Changes in Employer Reserves – Year Ended June 30, 2005 And Unfunded Accrued Normal Costs at June 30, 2004 .....	103
Schedule of Changes in Refundable Member Reserves Fiscal Year Ended June 30, 2005 .....	104
Earnings Distribution, Fiscal Year Ended June 30, 2005 .....	105
Summary of Growth of the Plan .....	106

# INTRODUCTORY SECTION

## NINETEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Fund Managers' Report

Letter of Transmittal

Certificate of Achievement for  
Excellence in Financial Reporting

The Retirement Board and  
Administrative Organization

Organizational Chart

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
CORRECTIONS OFFICER RETIREMENT PLAN  
ELECTED OFFICIALS' RETIREMENT PLAN**

3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016

James A. Nielsen, C.P.A., J.D.  
Interim Administrator

TELEPHONE: (602) 255-5575  
FAX: (602) 255-5572

Tracey D. Peterson, C.P.A., CFE  
Interim Assistant Administrator

October 5, 2005

The Honorable Janet Napolitano  
Governor of the State of Arizona  
State Capitol  
Phoenix, Arizona 85007

Dear Governor Napolitano:

The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Nineteenth Comprehensive Annual Financial Report for the Corrections Officer Retirement Plan (CORP) for the fiscal year ended June 30, 2005, in accordance with the provisions of A.R.S. Section 38-883.

As of June 30<sup>th</sup>, we must report that, despite the fact that the CORP has earned above market returns over the past two years and even though it remains a well-funded Plan relative to other public retirement systems, its financial status has declined since June 30, 2001. At that point in time, the CORP funding ratio was 140.0%; at June 30, 2004, the ratio had declined to 104.8%. Now, as of June 30, 2005, the funding ratio is at 96.4%. Of course, as the Plan has moved from a position of asset surplus to one of asset deficiency, the required employer contribution rate has increased (See below for further discussion). Nevertheless, the CORP remains very well funded and the projected employer FY'07 rate remains less than the employee rate, which is set by statute at 8.5%.

To understand fully the change in the CORP financial status, some historical perspective is needed. During the 1990's, the CORP annually generated investment returns well in excess of the Plan's actuarially assumed rate of 9%. As a result, throughout most of the decade and through FY'04, the Plan was more than 100% funded. Since excess assets (just like unfunded liabilities) are expressed as a level percent of payroll and amortized over a rolling twenty year period, those excess assets had the effect of keeping the required aggregate employer contribution rate abnormally low. For example, based on the CORP FY'01 results, the computed aggregate employer contribution was only 1.71% (2.14% when the statutory minimum rate per employer was factored in). However, the employer "normal cost" (i.e., the employer share of the cost, expressed as a level percent of payroll, of the addition to liability that resulted from the covered participant group's service credit accruing during FY'01) for that year was 5.79%. The amortization of the excess assets that year had the effect of reducing the employer normal cost required contribution by 4.08% of payroll.

Now, primarily as a result of the 2001 and 2002 financial market contractions and the gradual reduction in the CORP rate of return assumption (See below for further discussion), the funding ratio/employer contribution requirement situation has reversed. Given that the Plan now has an unfunded liability, that liability (again expressed as a level percent of payroll and amortized over a twenty year rolling period) must be added to employer normal cost. This inflates the required employer contribution rate somewhat. Based on the CORP FY'05 results, the FY'07 aggregate employer contribution rate, which totals 7.01% (7.06% when the statutory minimum rate per employer is factored in), consists of the employer normal cost of 6.53% and the additional 0.48% that is necessary to amortize the Plan's unfunded liability over the twenty year period.

Unfortunately, even despite good investment performance these past two years, the near-term expectation is for further erosion in the funding ratio. In the absence of significant and financially beneficial developments or



changes, the decline in the Plan's financial condition will continue. In part, this is because the effects of the financial market contractions that occurred during Plan fiscal years 2001 and 2002 are not yet fully reflected in the Plan's actuarial value of assets. Those asset values are determined annually based on a rolling seven year average.

Another factor contributing to the funding ratio erosion relates to our having to reflect actuarially the investment environment in which we are operating. Clearly, the current investment environment is not as positive or robust as that which prevailed throughout the last half of the 1990's. In recognition of that reality, we have had to gradually reduce our actuarially assumed rate of return in one quarter of one percent increments. For FY'05, the assumed rate was 8.75%. During the current FY'06, the rate is 8.50%. We have been told by the System's actuary that every one-quarter of one percent reduction in the actuarial rate of return assumption results in a one and one-half percent increase in the employer contribution rate requirement. Although we shall likely pause to assess whether our latest assumption reasonably reflects the true rate of return experience of the Plan, it is possible that even further reductions in the assumed rate may be necessary in the future.

Still another factor that has the effect of suppressing the Plan's actuarial value of assets and its funding ratio is the way in which the CORP is statutorily required to pre-fund annual post-retirement benefit adjustments. Under current law, one-half of all System excess investment returns (i.e., investment returns in excess of 9.00%) must be allocated to the Plan's Future Benefits Increase Reserve. As such, the assets in this Reserve (\$41.4 million as of FY'05) and the earnings thereon are not included in the calculation of the Plan's actuarial value of assets, which, in turn, negatively impacts the Plan's funding ratio and, in turn, the aggregate employer contribution rate.

For FY'05, the CORP generated a 9.23 % rate of return, well above the Plan's 8.75% actuarially assumed rate of return. However, because of the required allocation to the Future Benefits Increase Reserve, only one-half of the asset value added by the return in excess of 9% is includible in the asset base that is used in calculating the Plan's funding ratio.

Of course, as the CORP funding ratio has declined, the required employer contribution rate has increased. Based on the Plan's financial status at June 30, 2001, the aggregate employer contribution for FY'03 was 1.71% (2.14% when the statutory minimum rate per employer was factored in). At the end of Plan FY'04 and based on the financial status of the CORP at that time, the FY'06 aggregate employer contribution was up to

5.47% (5.52% with the statutory employer minimum rate). Now, based on the Plan's FY'05 results, the aggregate employer contribution rate projected for FY'07 will be 7.01% (7.06% with the statutory employer minimum rate). In effect, the projected FY'07 employer rate will be 410% of what it was in FY'03. In addition, as the funding ratio declines further, the employer contribution rate will continue to rise.

At this juncture and in view of the projected FY'07 employer contribution rate increase, we have directed the PSPRS' Administrator to work with the System's actuary to try to come up with a package of changes that could potentially reduce what will otherwise be the FY'07 employer rate. Some of these may be actuarial changes that can be implemented by the Fund Manager. Others, however, may require legislative changes, and, to the extent that is the case, we are committed to doing all we can to build a consensus in support of such changes on the part of legislative policymakers and the CORP constituency organizations. Of course, under no circumstances will we recommend or consent to any changes that might impair the Plan's fiscal stability.

October 5, 2005  
Page Three

With respect to other developments within the CORP during FY'05, the following were the most significant. First, as was indicated above, the Plan's rate of return for the fiscal year was 9.23%, a rate well above the Plan's 6.32% composite weighted market (i.e., the "benchmark") return. Indeed, on a long-term basis, the CORP has continued to perform very well. For example, over the fifteen year periods ending June 30<sup>th</sup>, the annual average return for the Plan was 8.86%. This return compares favorably relative to the benchmark return of 8.61% for the same time period.

Second, with respect to expenses, benefits paid to retired members and their beneficiaries increased from \$26.62 million to \$31.10 million. Also, total administrative and investment-related expenses increased from \$632.78 thousand to \$1.04 million. In part, this comparatively large increase in expenses is the result of unforeseen litigation costs incurred by the Plan. But nevertheless, the CORP costs were only 13 basis points (i.e., .13%) relative to total assets under management, – a result that compares reasonably well with the expense ratios of other systems.

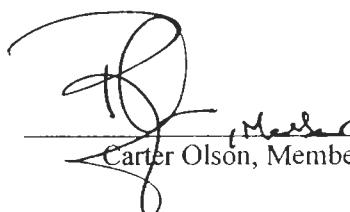
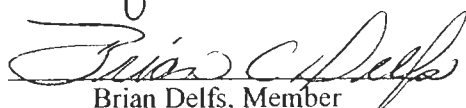

Third, since improved customer service continues to be an important priority for the System and since the number of members in the CORP and the other two plans the PSPRS administers continues to increase, we added a number of highly qualified staff and moved the PSPRS administrative offices to a larger and more secure facility. We also initiated a document-imaging project in order to have a secure and easily retrievable copy of all participant records. Additionally, we completed a governance and investment policy review that now provides the System with a written and comprehensive compilation of charters and policies governing all operations.

Finally, we completed a thorough two year national search process and selected James M. Hacking as the new PSPRS Administrator. Mr. Hacking officially joined the System on August 29, 2005. Prior to joining PSPRS, Mr. Hacking was the Executive Director of the State Universities Retirement System (SURS) of Illinois. He brings to PSPRS over twenty years of experience derived from his service as the chief executive officer of three other public retirement systems (including SURS). We envision a seamless transition under his direction.

Once we have completed our development and analysis of a package of potential changes that can provide significant relief in terms of FY'07 employer contribution rates, we shall make our recommendations in this regard known to your Office. We sincerely hope that these will meet with your approval and have your full support.

We appreciate having the opportunity to serve the State of Arizona, its political subdivisions and its CORP participants and beneficiaries and we look forward to continuing to serve as the Fund Manager for this System.

Respectfully submitted,

  
Carter Olson, Member  
Pat Cantelme, Chairman  
Billy Shields, Member  
Brian Delfs, Member  
Fritz Beesemyer, Member



**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
CORRECTIONS OFFICER RETIREMENT PLAN  
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Phoenix, Arizona 85016-4416  
www.psprs.com

James A. Nielsen, C.P.A., J.D.  
Interim Administrator

TELEPHONE: (602) 255-5575  
FAX: (602) 255-5572

Tracey D. Peterson, C.P.A., CFE  
Interim Assistant Administrator

October 5, 2005

The Fund Manager  
Public Safety Personnel Retirement System  
State of Arizona  
Phoenix, Arizona

Gentlemen:

There is presented, herewith, the Nineteenth Comprehensive Annual Financial Report of the operations and financial conditions of the Corrections Officer Retirement Plan, State of Arizona, for the fiscal year ended June 30, 2005. Incorporated in this report are the audited financial statements, Management's Discussion and Analysis and other financial data from the June 30, 2005 report of Barrows & Schatza, P.L.C., Certified Public Accountants, and our auditors for the Plan. Also included are the Actuarial Certification Statement and the Actuarial Balance Sheet from the June 30, 2005 Actuarial Valuation prepared by the Plan's actuary, Rodwan Consulting Company.

This report has been organized into five sections: (1) the Introductory Section containing general information regarding the operations of the Corrections Officer Retirement Plan (CORP); (2) the Financial Section containing the Management's Discussion and Analysis report, the independent auditors' opinion, the financial statements and notes thereto, and required supplemental information regarding the funds administered by the CORP; (3) the Investment Section containing information pertaining to the internal management of the investments of the pension trust fund, including detailed lists of the investment transactions and portfolios of the Plan, along with investment performance; (4) the Actuarial Section containing actuarial information regarding the financial condition and financial position of the plan administered by the plan, including the retained actuary's opinion; and, (5) the Statistical Section containing statistical data pertaining to the plan's participants and benefits paid by the CORP and growth of the Plan.

**TRANSFER OF ASSETS**

House Bill 2310 was passed by the 37th Legislature during the second regular session of 1986. This bill created the Corrections Officer Retirement Plan, provided for the transfer of assets into the new Plan, made the Fund Manager of the Public Safety Personnel Retirement System responsible for the investment and administration of the Plan and made all of its provisions effective July 1, 1986. The bill required the transfer of member account balances plus the matching employer account balances from the Arizona State Retirement System for all new members of the Plan. The bill did not require the transfer of unallocated investment earnings or employer contributions made on behalf of terminated employees and still on deposit in the Arizona State Retirement System. This caused the Plan to start at a distinct disadvantage (only 69% funded); but, through prudent investment over several years, this problem has been overcome, as the Plan is now 96.4% funded.

**FINANCIAL INFORMATION**

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the Plan. The financial statements were prepared in conformity with generally accepted accounting principles appropriate for government-sponsored defined benefit pension plans.

Management believes that all other financial information included in this annual report is consistent with those financial statements.

It is the Plan's policy to maintain a control-conscious environment through an effective system of accounting controls. These controls are adequate to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal control based on the recognition that the costs of such plans should be related to the benefits to be derived. Management believes the Plan's controls provide this appropriate balance.

The Plan uses the accrual basis of accounting for both revenues and expenses. Contributions to the Plan are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a rolling twenty (20) year period.

## **REVENUES**

Revenues to the Plan are derived from three sources: member contributions, employer contributions, and investment income. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan benefited from an investment gain this fiscal year that was further enhanced by member contributions and employer contributions. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

## **ADMINISTRATIVE AND INVESTMENT EXPENSES**

The 2004/2005 Administrative and Investment Expenses of the Administrative Office totaled \$1,042,604 compared to \$632,775 for the prior year. Our administrative and investment expenses are approximately 13 basis points of the total assets managed. This is low compared with other retirement systems. A dedicated staff and constantly improving internal expertise has allowed management to keep costs low even though our membership and assets managed have increased substantially.

## **INVESTMENTS**

Management takes a moderately conservative approach to investing. The Plan invests primarily in bonds rated A or better and blue chip common stock. A detailed summary of the investment portfolio and all investment transactions is presented in the Investment Section. At year-end, the investment portfolio on a cost basis (to comply with state law) was made up of 5.54% U. S. Government Securities, 16.88% Corporate Bonds, 6.63% Corporate Notes, 5.00% Other Investments, 0.08% insured Money Market Funds and 65.87% Common Stocks. All investments are held in trust by the Arizona subsidiary of one of the largest banks in the world.

Even with this relatively conservative investment philosophy, the fixed income portfolio has outperformed the Lehman Government/Corporate Bond Index in eleven of the last eighteen years. The equity portfolio has also outperformed the applicable Index (NYSE until 98/99, S&P 500 thereafter) in fourteen of the past eighteen years. The Plan's performance resulted in a net effective yield of 7.01% and a 15-year total rate of return of 8.86%. Graphs depicting the fund's performance and a schedule of commissions paid to investment professionals who provide services to CORP can be found in the Investment Section of this report.

## **ECONOMIC OUTLOOK**

The Fund Manager changed the averaging period for valuing assets from four years to seven years as of July 1, 2004. Effective this same date, the Fund Manager also reduced the assumed earnings rate from 9.0% to 8.75%, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. This action by the Fund Manager reflects the change in the investment environment that has occurred and the expectation that future rates of return will not be as robust as they were in the last half of the 1990's. Unfortunately, even despite good future investment performance, the near-term expectation is for

further erosion in the funding ratio and increases in employer contribution rates. A more detailed discussion of the economic outlook for CORP can be found in the Management Discussion and Analysis section of this report.

### **ACTUARIAL AND FUNDING INFORMATION**

Funding a retirement plan on a sound actuarial reserve basis involves the accumulation of substantial reserves to guarantee the payment of promised benefits. These reserves are invested and the rate of investment earnings, over time, is a major factor in determining the employer contribution requirement to meet the calculated level cost of the Plan.

There is no single all-encompassing test to measure a retirement plan's funding progress and current status. A traditional measure is the ratio of assets to unfunded accumulated normal costs, often referred to as the "percent funded." The percent funded for the Plan at June 30, 2005, is 96.4%.

The Plan is funded through a member contribution of 8.50% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the Plan. While each employer has a different contribution rate, the average for the entire Plan for the 2005/2006 fiscal year would be 5.47% of gross payroll; however, employer contributions cannot fall below 2% as a result of 2000 legislation. Effective July 1, 2006, the employer contribution rate cannot fall below 5%.

### **POST RETIREMENT BENEFIT INCREASES**

State law provides for an annual benefit increase for retirees or their survivors either two years after retirement, regardless of age, or when the retiree or survivor attains age 55 and has been retired for a year. These increases are dependent upon the production of excess earnings on a portion of the Plan's assets and are limited to four percent of the average benefit being paid.

Below is a schedule of the increase in monthly benefits granted since this program began:

July 1, 1993 - \$ 5.00
July 1, 1996 - \$10.00
July 1, 1997 - \$15.00
July 1, 1998 - \$25.00
July 1, 1999 - \$32.41
July 1, 2000 - \$38.96
July 1, 2001 - \$39.79
Cumulative total - \$166.16

July 1, 2002 - 4.0%
July 1, 2003 - 4.0%
July 1, 2004 - 4.0%
July 1, 2005 - 4.0%
July 1, 2006 - 4.0%

Effective July 1, 2002, benefit increases are limited to a maximum of 4% of the benefit being received on the preceding June 30 and contingent upon sufficient excess investment earnings for the fund. A benefit increase schedule showing how these amounts were calculated can be found in the Statistical Section.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the CORP for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the eleventh consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## SUMMARY

This report is a product of the combined efforts of the CORP staff functioning under your leadership. It is intended to provide complete and reliable information that will facilitate the management decision process; and, serve as a means for determining compliance with our governance and investment policies and legal requirements. Copies of this report are provided to the Governor, State Auditor, Legislature and all our member groups. We hope all recipients of this report find it informative and useful.

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, and other people who have worked so diligently to assure the continued successful operation of the plan. I am proud to have been a part of the plan's interim management team and I look forward to the Plan's continued success in the future.

Respectfully submitted,



James A. Nielsen  
Interim Administrator

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Corrections Officer Retirement Plan, Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director



# THE RETIREMENT BOARD AND ADMINISTRATIVE ORGANIZATION

## THE FUND MANAGER

		<u>Term Expires</u>
Pat Cantelme Retired Firefighter City of Phoenix	Chairman	January 2005
Carter Olson Pinal County Attorney	Member	January 2006
Billy Shields Retired Firefighter City of Phoenix	Member	January 2007
Fritz Beesemyer Public Member	Member	January 2008
Brian Delfs Firefighter City of Tucson	Member	January 2006

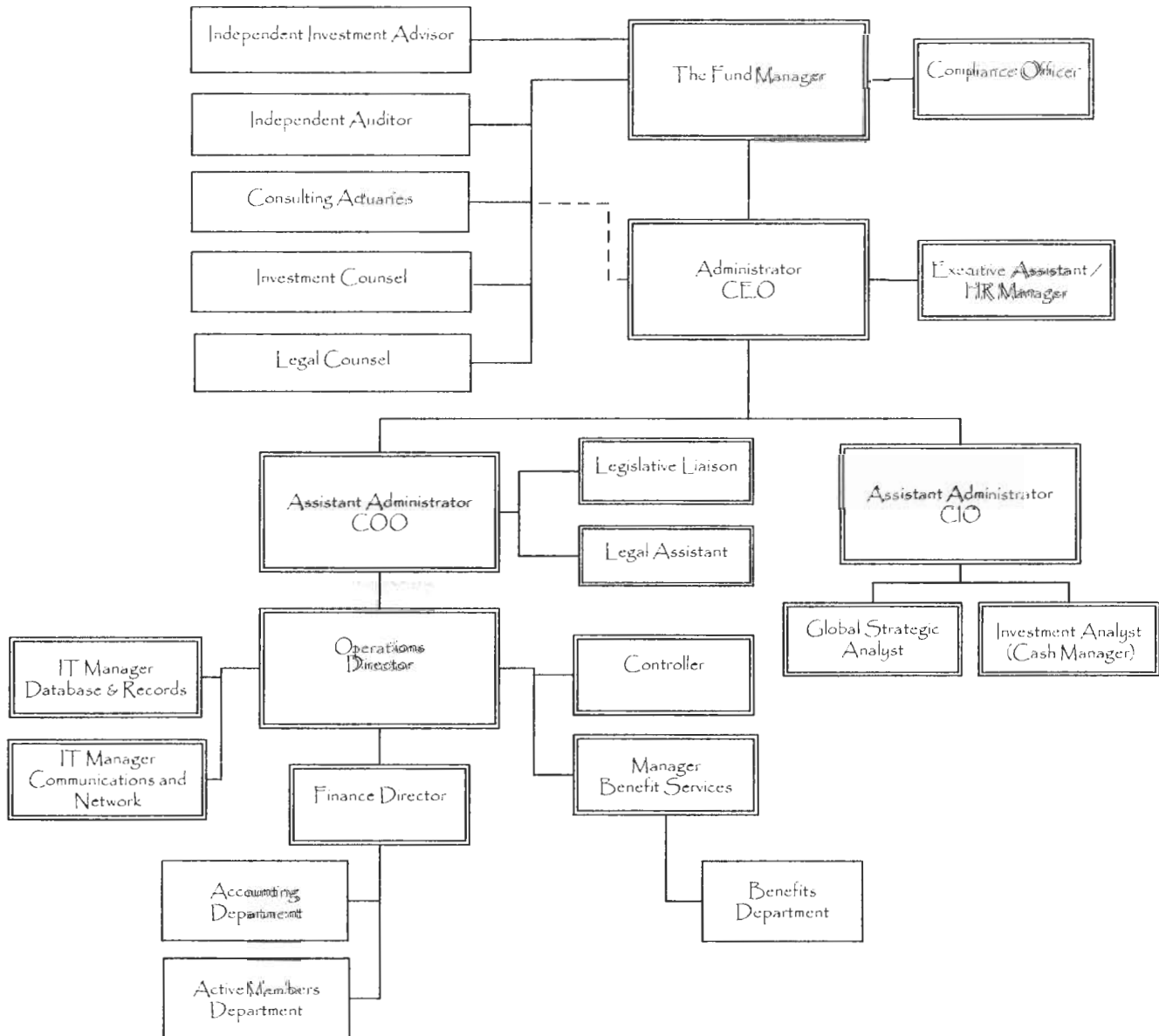
## PROFESSIONAL ADVISORS

Standard & Poor's Securities, Inc.	Investment Counsel
Stratford Advisory Group	Investment Advisor
Cortex Applied Research	Fiduciary and Governance Consultant
Rodwan Consulting Company	Consulting Actuaries
Barrows & Schatza, P.L.C.	Independent Auditors
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd.	Legal Counsel

## ADMINISTRATIVE and INVESTMENT STAFF

James A. Nielsen, CPA, JD	Interim Administrator - CIO
Tracey D. Peterson, CPA, CFE	Interim Assistant Administrator
Karen L. Lewis, CPA	Operations Director
Ryan Parham, JD	Global Strategic Analyst
Jan Holt, CPA	Finance Director
Jared A. Smout, CPA	Controller
Martin Anderson, CFA	Investment Analyst
Tom Willard	Manager of IT-Database & Records
Eileen Kelleher	Manager of Communications & Network
Gail Nova	Executive Assistant/HR Manager
Bonnie Bohman	Manager of Benefit Services
Donald B. Mineer	DROP Coordinator/Special Projects Assistant
Shellee Suber	Insurance Supervisor
LaDawn M. Snodgrass	Senior Active Member Services Specialist
Sheryl D. Saltzman	Senior Active Member Services Specialist
Deborah S. Irwin	Senior Active Member Services Specialist
Lilian L. Leung	Senior Accounting Specialist
Kathleen A. Mattoon	Office Specialist
Annette L. Jorgensen	Senior Benefits Specialist
Lon A. Boyle	Receptionist
Paul Hemmes	Insurance Specialist
Stacey Alcott	Insurance Specialist
Tony Jenkins	Active Member Services Specialist
Janette Trujillo	Benefits Specialist
Devin Delap	IT Specialist
Mark Selfridge	Part-time Investment Analyst

## ORGANIZATIONAL CHART



# FINANCIAL SECTION

## NINETEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Independent Auditor's Report
Management's Discussion and Analysis
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**INDEPENDENT AUDITOR'S REPORT**

**FUND MANAGER  
STATE OF ARIZONA PUBLIC SAFETY  
PERSONNEL RETIREMENT SYSTEM  
PHOENIX, ARIZONA**

We have audited the accompanying statements of plan net assets of the **STATE OF ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 2005 and 2004, and the related statements of changes in plan net assets for the years then ended, appearing on pages 22 and 23, respectively. These financial statements are the responsibility of the Plan'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. 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 status of the **STATE OF ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 2005 and 2004, and the results of its operations and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, Management's Discussion and Analysis, Schedule of Funding Progress and Schedule of Employer Contributions, are required by the Governmental Accounting Standards Board and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 41 to 43, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. The additional information schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Barrows & Schatza, P.L.C.*

September 22, 2005

Financial Section  
Required Supplemental Information  
Management Discussion and Analysis

The Corrections Officer Retirement Plan's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Plan's financial activity, identify changes in the Plan's financial position and identify any issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it is intended to be read in conjunction with the Transmittal Letter, Financial Statements and Notes to the Financial Statements.

### Financial Highlights

Key financial highlights for 2005 are as follows:

- The Corrections Officer Retirement Plan (CORP) had a total rate of return of 9.23% this year. Our equity portfolio had a return of 9.15%, which outperformed the stock index by over 270 basis points. Our fixed income portfolio had a return of 10.18%, which outperformed the index by over 290 basis points.
- As of the close of the fiscal year 2005, the Future Benefit Increase Reserve was \$41.4 million. This will enable another 4% post-retirement adjustment for qualifying retirees or their survivors for the twelfth consecutive year.
- Retirement benefits paid totaled \$31.1 million for the current year, compared to \$26.6 for the previous year. This represents a 17% increase from the prior year. The majority of this increase is the result of increased health insurance benefits and the cost of post-retirement adjustments paid to the retirees or their survivors of the Plan.

### Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those financial statements.

These statements are organized so the reader can understand the Plan as an operating entity.

The statements and notes then proceed to provide an increasingly detailed look at specific financial activities.

### ***The Statement of Net Assets and The Statement of Changes in Net Assets***

These statements include all assets and liabilities of the Plan using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the Plan's **net assets** and changes in them. **Net assets** are the difference between assets and liabilities, one way to measure the financial health, or **financial position**. Over time, **increases or decreases** in the net assets are one indicator of the **financial health** of the Plan.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following **The Statement of Net Assets** and **The Statement of Changes in Net Assets**.

### ***Required Supplemental Information***

The basic financial statements are followed by a section of required supplemental information. This section includes the **Schedule of Funding Progress** and the **Schedule of Employer Contributions**.

**The Schedule of Funding Progress** shows the ratio of assets as a percentage of the actuarial accrued liability (funding ratio) and the ratio of unfunded actuarial accrued liabilities to member payroll. The trend in these two ratios provides information about the **financial strength** of the Plan. Improvement is indicated when the funding ratio is increasing and the ratio of the unfunded actuarial accrued liability to payroll is decreasing.



## Financial Section

### Management Discussion and Analysis

**The Schedule of Employer Contributions** shows the Annual Required Contributions by fiscal year. The purpose of this schedule is to provide information about the required contributions of the employers and the extent to which those contributions are being made. The information should assist users in understanding the changes and possible reasons for the changes in the Plan's funding status over time.

#### Other Supplemental Information

The Other Supplemental Information Section includes the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Payments to Consultants, and the Supplemental Schedule of Cash Receipts and Cash Disbursements. The total columns and information provided on these schedules carry forward to the applicable financial statement.

Comparative Statements are included to provide additional analysis of the changes noted on those schedules.

#### Summary Comparative Statements of Plan Net Assets

	As of 6/30/2005	As of 6/30/2004	Amount of Change	Percentage Change
Cash	\$ 544,274	\$ 4,039,828	(3,495,554)	-86.53%
Receivables	3,141,350	4,617,631	(1,476,281)	-31.97%
Investments	785,706,299	710,577,775	75,128,524	10.57%
Invested securities lending collateral	183,435,997	145,653,630	37,782,367	25.94%
Capital assets	633,150	-	633,150	0.00%
<b>Total Assets</b>	<b>973,461,070</b>	<b>864,888,864</b>	<b>108,572,206</b>	<b>12.55%</b>
Payables	1,151,288	-	1,151,288	0.00%
Securities lending collateral	183,435,997	145,653,630	37,782,367	25.94%
<b>Total Liabilities</b>	<b>184,587,285</b>	<b>145,653,630</b>	<b>38,933,655</b>	<b>26.73%</b>
<b>Net Assets</b>	<b>\$ 788,873,785</b>	<b>\$ 719,235,234</b>	<b>\$ 69,638,551</b>	<b>9.68%</b>

#### Summary Comparative Statements of Plan Net Assets Analysis

The decrease in cash and receivables is attributable to normal fluctuations in investment income receivables during the year. For the year ended June 30, 2005, the month-end balance of investment income receivables ranged from a low of \$3,052,782 in November 2004 to a high of \$7,886,923 in July 2004 with an average receivable balance of \$4,910,363.

The increase in fair value of investments is primarily attributable to the favorable market conditions experienced during FY2004/05 as evidenced by the total investment return for the year of 9.23%.

Detailed information regarding the Plan's investment portfolio is included in the investment section of this report.

The increase in security lending collateral is due to normal fluctuations in the lending program. The month end collateral balances ranged from a low of \$149,413,175 in August, 2004 to a high of \$183,435,997 in June 2005 with an average balance of \$165,197,508 for the year. The investment of the collateral fluctuated in a similar manner and benefited from the market gains as well.

## Financial Section

### Management Discussion and Analysis

#### Summary Comparative Statements of Changes in Plan Net Assets

	As of 6/30/2005	As of 6/30/2004	Amount of Change	Percentage Change
Contributions	\$ 50,881,628	\$ 45,892,914	\$ 4,988,714	10.87%
Net Investment Income	66,083,580	91,046,607	(24,963,027)	-27.42%
Net Securities Lending activities	193,504	253,863	(60,359)	-23.78%
Service Transfers/Purchases	2,267,921	1,459,965	807,956	55.34%
<b>Total additions</b>	<b>119,426,633</b>	<b>138,653,349</b>	<b>(19,226,716)</b>	<b>-13.87%</b>
Pension Benefits	28,697,101	24,299,172	4,397,929	18.10%
Insurance Benefits	2,400,849	2,324,447	76,402	3.29%
Terminated Members Refunds	16,652,638	14,053,002	2,599,636	18.50%
Administrative Expenses	922,183	541,070	381,113	70.44%
Service Transfers	1,115,311	1,138,940	(23,629)	-2.07%
<b>Total deductions</b>	<b>49,788,082</b>	<b>42,356,631</b>	<b>4,397,929</b>	<b>10.38%</b>
<b>Net increase (decrease)</b>	<b>69,638,551</b>	<b>96,296,718</b>	<b>(26,658,167)</b>	<b>-27.68%</b>
<b>Net assets beginning of year</b>	<b>719,235,234</b>	<b>622,938,516</b>	<b>96,296,718</b>	<b>15.46%</b>
<b>Net assets end of year</b>	<b>\$ 788,873,785</b>	<b>\$ 719,235,234</b>	<b>\$ 69,638,551</b>	<b>9.68%</b>

#### Summary Comparative Statements of Changes in Plan Net Assets Analysis

The increase in contributions received is primarily attributable to an increase in the contribution rate for the participating employer groups from an average of 3.95% to 4.07%. Net service transfers also increased due to legislation that allows members to use qualified individual retirement accounts to purchase credited service.

Investment income decreased primarily as a result of profit taking in the previous year and high cash or cash equivalent positions at year end.

Security lending income decreased primarily due to lower interest rates.

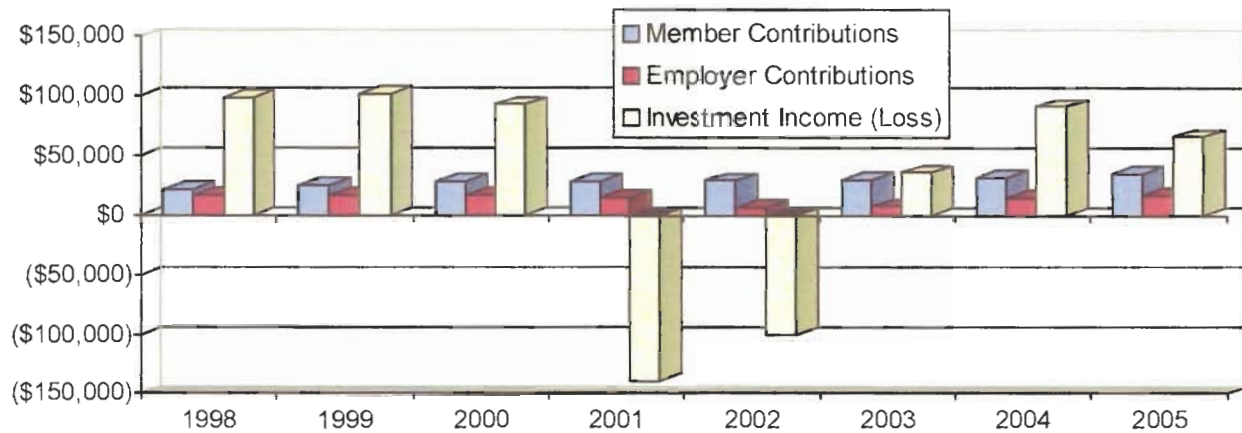
Benefit payments increased due to changes in the number of members retiring, post-retirement adjustments, and health benefits. Detailed schedules of these changes can be found in the Actuarial Section of this report.

Administrative expenses increased primarily because of a move to a more secure administrative office building last year, our undergoing a governance review and our developing new policies and procedures. Additionally, increased staffing levels contributed to the increase in costs. We increased staff in order to maintain our current customer service levels and keep pace with growth in the system.

## Financial Section

### Management Discussion and Analysis

Trends in Revenues by Type (in 000's)



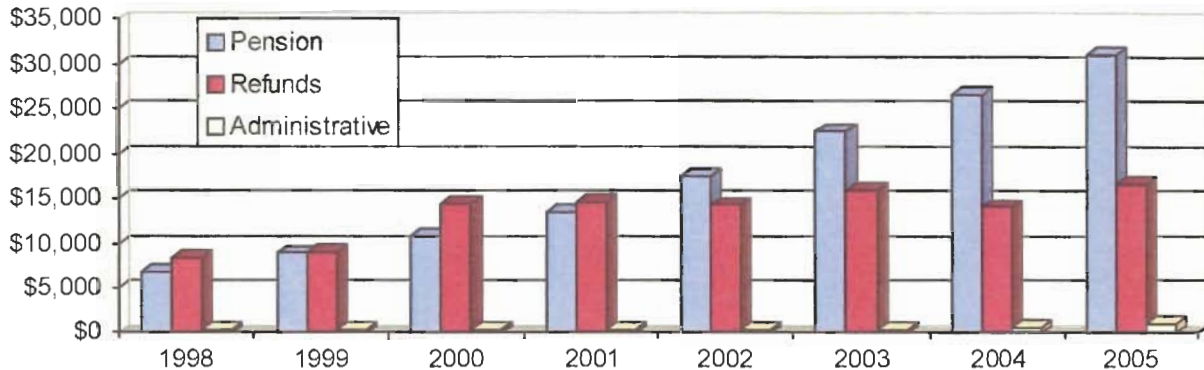
### Analysis of Trends in Revenues by Type

Revenues are derived from three sources: member contributions, employer contributions, and investment income. Member contribution rates are set by statute and are currently 8.50%. Employer contribution rates are determined annually by actuarial valuations. The valuations encompass the rate of investment earnings and the accumulation of substantial reserves to guarantee payment of promised benefits. When the plan was earning better than expected investment returns during the late 1980's and 1990's, the plan was able to provide benefits while maintaining low contribution rates. However, the contribution rates were historically low in comparison to the normal cost of the Plan.

But, the investment environment changed. As a result, the employer contribution rates are expected to increase into the future until they become more in line with the Plan's normal costs. Additionally, the increase in contribution rates is, in part, attributable to some previously lower than expected investment returns in prior years. Investment gains and losses are averaged over a seven-year period to help stabilize the employer contribution rates from year to year. These previous investment losses have not yet been fully reflected in the Plan's actuarial value of assets.

## Management Discussion and Analysis

Trends in Expenses by Type (in 000's)



## Analysis of Trends in Expenses by Type

The primary expenses of the Plan include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members who terminated employment during the year and the cost of administering the Plan. We anticipate the trend of increasing expenses to continue in the future for a number of reasons. As the Plan matures, benefit payments would normally be expected to increase. In addition, growth of the Plan will tend to increase administrative costs. In order to continue to meet our customer service goals, we need to maintain and perhaps increase our current staffing levels and invest in new technology.

**Capital Assets**

The Plan's investment in capital assets totaled \$633,150 (net of depreciation) for the current fiscal year. This investment in capital assets includes land, building and improvements. A more detailed schedule of the capital assets can be found in the Notes to the Financial Statements.

**Economic Factors, Employer Rates and Funding Levels**

The Fund Manager, the five member governing board, changed the averaging period for valuing assets from four years to seven years as of July 1, 2004. Effective this same date, the Fund Manager also reduced the assumed earnings rate from 9.0% to 8.75%, with subsequent annual reductions of one-quarter of one percent each year thereafter until the rate is reduced to 8.0%. Effective July 1, 2005, the assumed earnings rate will be 8.5%, which is consistent with the previous reductions by the Fund Manager.



### Management Discussion and Analysis

#### **Economic Factors, Employer Rates and Funding Levels (continued)**

This action by the Fund Manager reflects the change in the investment environment that has occurred and the expectation that future rates of return will not be as robust as they were in the last half of the 1990's. However, the Plan's actuary has indicated that every one quarter of one percent reduction in the actuarially assumed rate of return will result in a one and one-half percent increase in the employer contribution rate, on average.

As mentioned in the Fund Manager letter to the Governor, despite the fact that the CORP has earned above market returns over the past two years, its financial status has deteriorated markedly since June 30, 2001.

CORP has gone from a funding ratio of 140.0% on June 30, 2001 to a funding ratio of 96.4% based on the current valuation. Additionally, as the Plan has moved from a position of surplus assets to one of asset deficiency, the required aggregate employer contribution rate has increased. The employee rate, on the other hand is fixed by statute at 8.50%.

As mentioned earlier in this section, the employer contribution rates have been historically low in comparison with the normal cost of the Plan. For example, based on the June 30, 2001 results, the computed aggregate contribution rate was only 1.71%. However, the employer "normal cost" for that year was 5.79%. The amortization of the excess assets that year had the effect of reducing the required employer normal cost contribution by 4.08% of payroll.

The situation has now reversed as a result of the 2001 and 2002 financial market contractions and the gradual reductions in the assumed earnings rate. The Plan now has an unfunded liability that must be amortized over a rolling twenty year period and must be added to the employer normal cost. The results of the current valuation consists of a computed aggregate employer contribution rate of 7.01%.

The percentage is comprised of the employer normal cost of 6.53% and an additional 0.48% that is necessary to amortize the unfunded liability over the twenty year period.

Unfortunately, even despite good future investment performance, the near-term expectation is for further erosion in the funding ratio and increases in employer contribution rates.

At this juncture, management is working with the Plan's actuary to try to come up with a package of changes that could potentially reduce what will otherwise be the computed employer rates for fiscal year 2006/07. Some of these may be actuarial changes, but some may require legislative action. To the extent that is the case, we are committed to doing all we can to build a consensus in support of such changes on the part of legislative policy-makers and the Plan's constituency organizations. Of course, under no circumstances will the Fund Manager recommend or consent to any changes that might impair the Plan's fiscal stability.

Once we have completed our development and analysis of a package of potential changes that could provide significant relief in terms of the fiscal year 2006/07 employer contribution rates, we will make those recommendations known to all interested parties.

#### **Request for Information**

This report is designed to provide a general overview of the Corrections Officer Retirement Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Corrections Officer Retirement Plan, Operations Director, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016.



# STATEMENTS OF PLAN NET ASSETS

AS OF JUNE 30, 2005 AND 2004

ASSETS	2005	2004
<b>Cash and Short Term Investments</b>	\$ 544,274	\$ 4,039,828
<b>Receivables</b>		
Members' Contributions	90,063	81,931
Employers' Contributions	48,173	39,660
Interest and Dividends	3,003,114	4,496,040
<b>Total Receivables</b>	<u>3,141,350</u>	<u>4,617,631</u>
<b>Investments at Fair Value (Note 2)</b>		
U.S. Government Securities	40,643,291	26,595,917
Corporate Bonds	121,111,955	102,041,175
Corporate Notes	43,701,664	33,484,486
Corporate Stocks	547,296,117	508,338,463
Other Investments	32,953,272	40,117,734
<b>Total Investments</b>	<u>785,706,299</u>	<u>710,577,775</u>
Collateral Held in Trust for Securities on Loan	<u>183,435,997</u>	<u>145,653,630</u>
<b>Capital Assets</b>		
Land	86,588	-
Building	525,081	-
Furniture, Fixtures & Equipment	37,599	-
<b>Total Capital Assets</b>	<u>649,268</u>	<u>-</u>
Accumulated Depreciation	<u>(16,118)</u>	<u>-</u>
<b>Net Capital Assets</b>	<u>633,150</u>	<u>-</u>
<b>Total Plan Assets</b>	<u>973,461,070</u>	<u>864,888,864</u>
Administrative Expense Payable	1,151,288	-
Liability- Collateral Subject to Return to Borrower	<u>183,435,997</u>	<u>145,653,630</u>
<b>Total Plan Liabilities</b>	<u>184,587,285</u>	<u>145,653,630</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u>\$ 788,873,785</u>	<u>\$ 719,235,234</u>
<b>Net Asset Reserves</b>		
Refundable Members' Reserve	\$ 178,348,020	\$ 165,145,474
Employers' Reserve	569,110,673	508,177,135
Future Benefit Increase Reserve	41,415,092	45,912,625
<b>Total Net Asset Reserves</b>	<u>\$ 788,873,785</u>	<u>\$ 719,235,234</u>

A schedule of funding progress is presented immediately following the notes to the financial statements.  
The accompanying notes are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN PLAN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<b>Additions</b>		
Contributions		
Members' Contributions (Notes 1 and 3)	\$ 34,589,714	\$ 31,337,579
Employers' Contributions (Notes 1 and 3)	<u>16,291,914</u>	<u>14,555,335</u>
Total Contributions	<u>50,881,628</u>	<u>45,892,914</u>
Net Appreciation (Depreciation)		
in Fair Value of Investments (Note 2)	43,805,545	73,959,535
Interest	14,590,169	12,458,979
Dividends	7,808,287	4,719,798
Securities Lending Activities		
Securities Lending Income	\$ 3,849,636	\$ 2,017,527
Borrower Rebates	(3,563,094)	(1,626,998)
Agents Share of Income	<u>(93,038)</u>	<u>(136,666)</u>
Net Securities Lending Income (Note 2)	<u>193,504</u>	<u>253,863</u>
	66,397,505	91,392,175
Less Investment Expense	<u>(120,421)</u>	<u>(91,705)</u>
Net Investment Income	<u>66,277,084</u>	<u>91,300,470</u>
Amounts Transferred from Other State-Sponsored Pension Plans and Service Credits Purchased	2,267,921	1,459,965
<b>Total Additions</b>	<u>119,426,633</u>	<u>138,653,349</u>
<b>Deductions</b>		
Pension and Insurance Benefits (Note 1)	31,097,950	26,623,619
Refunds to Terminated Members (Note 1)	16,652,638	14,053,002
Administrative Expenses	922,183	541,070
Amounts Transferred to Other State-Sponsored Pension Plans	<u>1,115,311</u>	<u>1,138,940</u>
<b>Total Deductions</b>	<u>49,788,082</u>	<u>42,356,631</u>
<b>Net Increase (Decrease)</b>	69,638,551	96,296,718
<b>Net Assets Held In Trust for Pension Benefits</b>		
<b>Beginning of Year - July 1</b>	<u>719,235,234</u>	<u>622,938,516</u>
<b>End of Year - June 30</b>	<u><u>\$ 788,873,785</u></u>	<u><u>\$ 719,235,234</u></u>

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

**Note 1-Plan Description:**

**Organization-**The Corrections Officer Retirement Plan (CORP), a pension trust fund of the State of Arizona, is an agent multiple-employer public employee retirement plan established by Title 38, Chapter 5, Article 6 of the Arizona Revised Statutes, to provide benefits for prison and jail employees of certain state, county and local governments. The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) and 19 Local Boards jointly administer the CORP Plan.

The Fund Manager is a five member board. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Fund Manager, who serve a fixed three-year term. The Fund Manager is responsible for the investment of the Plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the Plan, setting up records, setting up accounts for each member, paying benefits and the general protection and administration of the System. Senate Bill 1378, which was enacted August 12, 2005, requires substantial investment experience for the member of the Fund Manager that represents the state as an employer and the public member of the Fund Manager.

Each employer participating in the Plan has a five-member Local Board. The chief elected official of the organization appoints three members and two members are elected by the active members of the eligible group. In general, each member serves a fixed four-year term. Each Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, timing of benefit payments, and the amount of benefits for its eligible group of employees. The various governing bodies pay all costs associated with the administration of the Local Boards.

The addition or deletion of eligible groups does not require the approval of the other participating employers. The Fund Manager approves new eligible groups for participation. The CORP is not reported as a component unit of any other organization. The Local Boards are reported as component units of their respective sponsoring organization.

The Fund Manager of the CORP is also responsible for the investment and general administration of two other statewide retirement plans-the Elected Officials' Retirement Plan and the Public Safety Personnel Retirement System. The investments and expenses of these plans are held and accounted for separately from those of the CORP. Since none of the plans have the authority to impose their will on any of the other plans, each plan is reported as its own stand-alone government.

At June 30, 2005 and 2004, the number of participating local government employer groups was:

	<u>2005</u>	<u>2004</u>
Counties	12	12
Dispatchers	5	5
State Agencies	2	2
Total Employers	19	19

Any county or city in the State of Arizona may elect to have its eligible employees (generally, prison or jail personnel who have direct inmate contact) covered by CORP. At June 30, 2005 and 2004, statewide CORP membership consisted of:

	<u>2005</u>	<u>2004</u>
Retirees	1,733	1,536
Terminated vested employees	130	127
Current employees		
Vested	2,534	2,381
Non-vested	9,218	9,202
Total Members	13,615	13,246

## Notes to the Financial Statements

CORP provides retirement benefits as well as death and disability benefits. A summary of benefit and plan provisions follows:

**Purpose** (A.R.S. § 38-900.01.B) To provide a uniform, consistent and equitable statewide program for those eligible corrections officers as defined by the Plan.

**Eligibility** (A.R.S. §38-881)

A. For a county, a county detention officer or a non-uniformed employee of a sheriff's department whose customary employment is at least forty hours per week and whose primary duties require direct inmate contact, if the county elects to join the Plan.

B. For the State Department of Corrections, correctional service officers, state correctional program officers and certain other designated positions within the department that are prescribed by statute and whose customary employment is for at least forty hours per week.

C. For the State Department of Juvenile Corrections, youth corrections officers, youth program officers and certain other designated positions within the department that are prescribed by statute and whose customary employment is for at least forty hours per week.

D. For a city or town, a city or town detention officer whose customary employment is for at least forty hours per week, if the city or town elects to join the Plan.

E. For an employer in the Public Safety Personnel Retirement System, full-time dispatchers whose customary employment is for at least forty hours per week, if the employer elects to join the Plan.

**Contributions** (A.R.S. §38-891) Each member shall contribute 8.5% of salary to the Plan on a pre-tax basis by payroll deduction.

Each employer shall contribute a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan but not less than 4% of salary. Beginning July 1, 2006, the minimum

employer contribution rate will increase from 4% to 5%.

**Credited Service** (A.R.S. §38-881) Service in a designated position for which member contributions have been made to the Plan or transferred to the Plan from another retirement system for public employees of this state.

**Average Monthly Salary** (A.R.S. §38-881) One thirty-sixth (1/36) of aggregate salary paid a member during the highest three consecutive years out of the last ten years of service.

**Salary** (A.R.S. §38-881) The base salary, base wages, shift differential pay and holiday pay paid to a member in a designated position for personal services rendered to a participating employer that is paid on a regular monthly, semimonthly or biweekly payroll basis. Beginning July 1, 2008, if the actuarial valuation of the CORP funding ratio of the accrued assets to accrued liabilities is at least 100%, overtime pay shall be included in the definition of "salary".

**Normal Retirement Date** (A.R.S. § 38-885.B)

Commences first day of month following completion of twenty years of service, except that for a full-time dispatcher, upon completion of twenty-five years of service, a member's sixty-second birthday and completion of ten years of service, or the month where the sum of the member's age and years of credited service equals eighty.

The amount of monthly normal pension is based on credited service and average monthly salary as follows:

For retirement with twenty years of credited service but less than twenty-five years of credited service, 50% of average monthly salary for the first twenty years of credited service, plus 2% of average monthly salary for each year of credited service between twenty and twenty-five. (A.R.S. §38-885.C.1)



## Notes to the Financial Statements

For retirement with less than twenty years of credited service, 2-1/2 % of average monthly salary times the member's years of credited service. (A.R.S. §38-885.C.2)

For retirement with twenty-five or more years of credited service, 50% of average monthly salary for the first twenty years of credited service, plus 2-1/2% of average monthly salary for each year of credited service above twenty years, up to a maximum of 80% of average monthly salary. (A.R.S. §38-885.C.1)

**Accidental Disability Retirement** (A.R.S. §38-881.1) A physical or mental condition which totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department, was incurred in the performance of the employee's duties and was the result of either physical contact with inmates, responding to a confrontational situation with inmates or a job-related motor vehicle accident and was not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan.

The Local Board shall base eligibility for an accidental disability or a total and permanent disability on medical evidence and determination that such a disability exists. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability or a total and permanent disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. §38-886)

**Total And Permanent Disability Retirement** (A.R.S. §38-881.22) A physical or mental condition which totally and permanently prevents a member from engaging in any gainful employment, is the direct and proximate result of the member's performance of their duty as an employee and is not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan.

The Local Board shall base eligibility for an accidental disability or a total and permanent disability on medical evidence and determination that such a disability exists. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability or a total and permanent disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. §38-886)

### Survivor Pension

The surviving spouse of a member who dies in service or after retirement is eligible for benefits, which commence on the first day of the month following the death of the member, as follows:

Surviving spouse of retired member; Four-fifths (80%) of retired member's pension at time of death. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. §38-887)

Surviving spouse of a non-retired member; 40% of deceased member's average monthly salary. Requires two years of marriage at time of death. Terminates on death of surviving spouse. For a member killed in the line of duty, the spouse's pension is 100% of deceased member's average monthly benefit compensation. (A.R.S. §38-888)

**Death Benefits** (A.R.S. §38-904) If an active or inactive member dies and no pension is payable, the member's beneficiary is entitled to receive two times the member's contributions to the CORP.

If there is no eligible surviving spouse or if the pension of the surviving spouse is terminated, surviving unmarried children of a deceased retired or active member are entitled to a pension until age 18, or age 23 if a full-time student. A disabled child is also entitled to a pension if the disability began before age 23. The amount of the pension is an equal share of the surviving spouse's pension.



## Notes to the Financial Statements

**Termination Refund** (A.R.S. §38-884.C) Upon termination of employment, for any reason other than death or retirement, a member shall, within twenty days after filing an application with the Fund Manager, receive a lump-sum payment, equal to his accumulated contributions, as of the date of termination, less any benefits paid or any amounts owed to the Plan. A member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. If the member has 5 or more years of credited service upon termination they shall receive an additional amount according to the schedule below.

**5 to 5.9**—25% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

**6 to 6.9**—40% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

**7 to 7.9**—55% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

**8 to 8.9**—70% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

**9 to 9.9**—85% of member contributions deducted from the member's salary pursuant to ARS 38-891.B

**10 or more**—100% of member contributions deducted from the member's salary pursuant to ARS 38-891.B, plus interest at 3% if left on deposit after 30 days.

**Transfer Of Contributions** (A.R.S. §38-908) (Use Form CIA) A member who terminates employment with an employer and accepts a position with the same or another employer participating in the Plan shall have their credited service transferred to their record with the new employer if they leave their accumulated contributions on deposit with the Plan. The period not employed shall not be considered as credited service.

**Reemployment And Repayment Of Contributions** (A.R.S. §38-884.H) (Use Form CIB) A member who terminates and takes a refund of his contributions may elect only upon reemployment within two years with the same employer in a designated position, to recover the prior credited service if the member submits a written election to reinstate the forfeited credited service within 90 days after reemployment and reimburses the Plan within one year. The amount required to reinstate the credited service is the amount previously withdrawn plus interest at the rate of 9% compounded annually from the date of withdrawal to the date of repayment.

**Reemployment After Retirement** (A.R.S. §38-884.J) A retired member who becomes an employee in a designated position subsequent to retirement shall have the pension suspended during reemployment in a designated position and shall not make contributions to the Plan nor accrue credited service during such reemployment.

**Transfer Into Or Out Of Plan** (A.R.S. §38-901) A member, who changes employment or transfers or is assigned to a non-eligible position, because of a change in duties or otherwise, may elect one of the following options:

1. Leave service credits and contributions on account with the CORP.
2. Apply for a refund of accumulated member contributions (forfeiting all service credits and membership rights).
3. Transfer all service credits to the Arizona retirement system or plan applicable to the new position pursuant to the requirements for transfer between Arizona state retirement systems.

A member who begins employment with a participating employer in this Plan and who has credited service from a different Arizona state retirement system may transfer or redeem prior service to this Plan pursuant to the requirements for transfer between Arizona state retirement systems.

## Notes to the Financial Statements

**Redemption Of Prior Service** (A.R.S. §38-909 and §38-884.1) (Use Form COSS) Active members who previously contributed to the Plan but who refunded their contributions thereby forfeiting credited service under the Plan may redeem some or all of this credited service. The member must pay the actuarial present value of the increase of credited service resulting from the purchase of forfeited time in order to redeem this service (Use Form C2). Additionally, active members who had previous service in this state as an employee with an employer now covered by the plan or who had previous service with an agency of the U.S. Government, a state of the U.S. or a political subdivision of a state of the U.S. as a full-time paid corrections officer or full-time paid certified peace officer may elect to redeem any part of the prior service by paying into the plan any amounts required under A.R.S. §38-909.B if the prior service is not on account with any other retirement system.

**Purchase Of Prior Active Military Service** (A.R.S. §38-907) (Use Form 18) A member may purchase up to four years of prior active military time even if the member will receive a military pension. The member must pay the actuarial present value of the increase of credited service resulting from this purchase.

**Transfer Between State Retirement Systems** (A.R.S. §38-921 and §38-922) (Use Form U-2) Members of any of the four Arizona state retirement systems or plans who have credited service under another Arizona state retirement system or plan may transfer or redeem the credited service to their current Arizona state retirement system or plan by paying or transferring the full actuarial present value of the credited service into their current Arizona retirement system or plan with approval of the Fund Manager or retirement boards involved. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan.

**Cola Benefit Increases** (A.R.S. §38-905) Effective July 1 of each year, each retired member or survivor of a retired member may be entitled to a permanent benefit increase in their base benefit.

The maximum amount of the increase is four percent (4%) of the benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

**Health Insurance Premium Subsidy** (A.R.S. §38-906) For CORP retirees or survivors who have elected group health and accident insurance coverage provided and administered by this state or another CORP employer, the CORP will pay up to the following amounts.:

Single coverage: \$150.00; Medicare eligible \$100.00

Family coverage: \$260.00; one Medicare eligible \$215.00; all Medicare eligible \$170.00

Until June 30, 2005, a retiree or survivor who lives in a non-service area receives up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A non-service area is defined as an area in this state where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible.

The subsidy consists of up to the following amounts:

Single coverage: \$300.00 after \$125.00 paid out-of-pocket; Medicare eligible \$170.00 after \$100.00 paid out-of-pocket.

Family coverage: \$600.00 after \$425.00 paid out-of-pocket; all Medicare eligible \$350.00 after \$200.00 paid out-of-pocket; one Medicare eligible \$470.00 after \$400.00 paid out-of-pocket.

## Notes to the Financial Statements

Effective July 1, 2005 through June 30, 2007, only a Medicare eligible retiree or survivor who lives in a non-service area would receive up to the following amounts in addition to the subsidy listed above after they have paid an out-of-pocket expense as set forth below. A non-service area is defined as an area in this state where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible.

The subsidy consists of up to the following amounts:

Single coverage Medicare eligible: \$170.00 after \$100.00 paid out-of-pocket

Family coverage Medicare eligible with one dependent Medicare eligible: \$350.00 after \$200.00 paid out-of-pocket

Family coverage member Medicare eligible; \$470.00 after \$400.00 paid out-of-pocket

**State Taxation Of CORP Benefits** (A.R.S. §38-852 and §43-1022) Effective tax year commencing January 1, 1989, all CORP retirement benefits in excess of \$2500 annually will be subject to Arizona state tax.

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

#### **Basis of Accounting**

CORP financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Furniture, fixtures and equipment purchases costing \$5,000 or more, when acquired, are capitalized at cost. Improvements, which increase the useful life of the property, are also capitalized.

Investment income net of administrative and investment expenses is allocated to each employer group based on the average relative fund size for each employer group for that year.

The Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosure, issued in March 2003. This pronouncement requires additional disclosures presented in these notes but has no impact on the plan's net assets. These disclosures address deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Additionally, Statement No. 40 requires disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

The Plan had previously implemented Statement No. 25 of the Governmental Accounting Standards Board (GASB) for Fiscal Year End 1997. As such, the Plan reports assets on a Fair Value Basis. Certain cost information is provided for reference only and to comply with state law.

The Plan had previously implemented GASB Statement No. 34 for the Fiscal Year End 2002. The purpose of Statement No. 34 was to enhance the understandability and usefulness of state and local government financial reports. To accomplish this, Statement No. 34 requires supplemental information titled Management's Discussion and Analysis (MDA), which precedes the basic financial statements. The MDA provides an analytical overview of the government's financial activities.

Other GASB Statements were required to be implemented in conjunction with GASB Statement No. 34. Therefore, the Plan has also implemented the following GASB Statements: Statement No. 37 – Basic Financial Statements – and MDA for State and Local Governments-Omnibus; and, Statement No. 38 – Certain Financial Statement Note Disclosures.

## Notes to the Financial Statements

By state statute, the Plan is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gains (Losses) used in this calculation totaled \$20,740,576 for FYE 2005 and \$6,040,343 for FYE 2004.

### Cash

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan's deposits may not be returned. The deposits are held in one financial institution with a balance of up to \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). The Plan mitigates custodial credit risk for deposits by requiring the financial institution to pledge securities from an acceptable list in an amount at least equal to 102% of the aggregate amount of the deposits on a daily basis.

In addition to the FDIC insurance coverage on the operating and money market accounts of CORP, Wells Fargo pledged the following security to CORP on June 30, 2005, as collateral:

\$25,000,000 FNMA Pool #782910 Maturity Date 06/01/34.

All monies shall be secured by the depository in which they are deposited and held to the same extent and in the same manner as required by the general depository law of the state.

Cash balances represent both operating and cash accounts held by the bank and investment cash on deposit with the investment custodian. All deposits are carried at cost plus accrued interest.

The following table is a schedule of the aggregate book and bank balances of all cash accounts as of June 30, 2005:

	Reported Amount	Bank Balance
Insured	-	628,447
Collateralized	544,274	543,456
Uninsured	-	-
Uncollateralized	-	-
Total Deposits	544,274	1,171,903

### Investments

CORP investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at Fair Value, which approximates Cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Directed real estate and venture capital investments are reported at cost. Investment income is recognized as earned.

Statutes enacted by the Arizona Legislature authorize the Fund Manager to make investments in accordance with the "Prudent Man" rule. The Fund Manager is not limited to so-called "Legal Investments for Trustees."



## Notes to the Financial Statements

In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

- 1) That not more than seventy percent of the pension fund shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five percent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States Government.
- 3) That not more than five percent of the voting stock of any one corporation shall be owned.
- 4) That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, are either:
  - A) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
  - B) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811)
  - C) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or

- D) Listed or approved on issuance for listing on an exchange registered of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten percent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation. A.R.S. §38-848.D

The System's investment portfolio is in compliance with state law.

### Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the System. As of June 30, 2005, the Plan's fixed income assets that were not government guaranteed represented 95.77% of the fixed income portfolio.

Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individuals quality tiers, and the average credit quality of the overall portfolios. According to those guidelines, the fixed income portfolio must have a minimum weighted average quality rating of A3/A-. Fixed income securities must have a minimum quality rating of Baa3/BBB- at the time purchased.

The portion of the bond portfolio in securities rated Baa3/BBB- through Baa1/BBB+ must be 20% or less of the fair value of the fixed income portfolio.



## Notes to the Financial Statements

Included in the fixed income portfolio is cash equivalents or commercial paper.

Commercial Paper must have a minimum quality rating of A-1/P-1 at the time of purchase.

Investments in derivatives are limited to collateralized mortgage obligations (CMO), collateralized bond obligations (CBO), collateralized debt obligations (CDO), and asset-backed securities (ABS).

In preparing this report, collateral for securities lending has been excluded because it is invested in a securities lending collateral investment pool.

The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities.

### Average Credit Quality and Exposure Levels of Non-government Guaranteed Securities

<b>Fixed Income Security Type</b>	<b>Fair Value June 30, 2005</b>	<b>% of All Fixed Income Assets</b>	<b>Weighted Avg Credit</b>	<b>Dispersion Requiring Further Exposure</b>
Corporate bonds	107,613,226	45.14%	A	See below
Mortgages	800,000	0.34%	AAA	None
Agencies	30,569,731	12.82%	AAA	None
CBO	4,380,052	1.84%	A	See below
CDO	8,318,677	3.49%	A	See below
Commercial Paper	43,701,663	18.33%	A1P1	See below
Directed Real Estate	32,953,273	13.82%	None	None
Total	228,336,622	95.77%		

### Ratings Dispersion Detail

<b>Credit Rating Level</b>	<b>Corporate Bonds</b>	<b>CBO</b>	<b>CDO</b>	<b>Commercial Paper</b>
AAA	8,300,764			
AA	9,702,692			
A	52,743,415	4,380,052	7,248,000	43,701,663
BBB	36,866,355		1,070,677	
BB				
Not rated				
Total	107,613,226	4,380,052	8,318,677	43,701,663

## Notes to the Financial Statements

**Concentration of credit risk**

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Other than bonds used as direct obligations of and fully guaranteed by the U.S. Government, not more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency or corporation.

**Interest rate risk**

Interest rate risk is the risk that changes in interest

rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using segmented time distributions. It is widely used in the management of fixed income portfolios in that it quantifies the risk of interest rate changes. The Plan does invest in fixed income securities with floating rates that contain coupon adjustment mechanisms in a rising interest rate environment.

The following tables quantify, to the fullest extent possible, the interest rate risk of the Plan's fixed income assets.

## Segmented Time Distribution by Security Type (including Government Guaranteed Securities)

<b>Fixed Income</b>		<b>Investment Maturities (in Years)</b>					
<b>Security Type</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>11-15</b>	<b>16-20</b>	<b>More than 20</b>
Corporate bonds	108,413,226	6,506,395	20,416,083	18,377,893	14,493,872	11,346,993	37,271,991
Agencies	40,643,291			6,935,736	16,208,291	8,823,849	8,675,414
CBO	4,380,052				840,751		3,539,301
CDO	8,318,677			3,750,000			4,568,677
Commercial Paper	43,701,663	43,701,663					
<b>Total</b>	<b>205,456,909</b>	<b>50,208,058</b>	<b>20,416,083</b>	<b>29,063,629</b>	<b>31,542,914</b>	<b>20,170,842</b>	<b>54,055,383</b>

## Callable Bonds by Security Type (including Government Guaranteed Securities)

<b>Fixed Income Security Type</b>	<b>Fair Value June 30, 2005</b>	<b>% of All Fixed Income Assets</b>
Corporate bonds	34,147,712	14.32%
Agencies	9,482,208	3.98%
CBO	2,400,000	1.01%
CDO	1,070,677	0.45%
<b>Total</b>	<b>47,100,597</b>	<b>19.76%</b>

## Notes to the Financial Statements

## Interest Rate Exposure by Security Type

Interest Rate Terms	Corporate			% of All Fixed	
	Bonds	CDO	CBO	Total	Income Assets
Annual US LIBOR flat variable quarterly	2,773,750			2,773,750	1.16%
Quarterly US LIBOR + 80 bps variable quarterly	2,102,919			2,102,919	0.88%
Monthly US CPI YO + 118 variable monthly	3,688,763			3,688,763	1.55%
Monthly US CPI YO + 200 variable monthly	647,745			647,745	0.27%
Quarterly US LIBOR + 375 bps variable quarterly	800,000			800,000	0.34%
Quarterly US LIBOR + 230 bps variable quarterly		1,070,677		1,070,677	0.45%
Quarterly US LIBOR + 125 bps variable quarterly	1,847,470			1,847,470	0.77%
Monthly US CPI YO + 140 variable monthly	1,110,709			1,110,709	0.47%
Monthly US CPI YO + 150 variable monthly	3,703,500			3,703,500	1.55%
Monthly US CPI YO + 100 variable monthly	936,244			936,244	0.39%
Quarterly US LIBOR + 175 bps variable quarterly			2,400,000	2,400,000	1.01%
Quarterly US LIBOR + 27 bps variable quarterly	4,403,476			4,403,476	1.85%
Six month US LIBOR + 125 bps variable semi-annually	3,750,000			3,750,000	1.57%
<b>Total</b>	<b>25,764,576</b>	<b>1,070,677</b>	<b>2,400,000</b>	<b>29,235,253</b>	<b>12.26%</b>

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Because it has no international holdings, CORP does not have any foreign currency risk exposure.

**Security Lending Program**

The Plan is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The Plan requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value.

As of June 30, 2005 and 2004 the fair value of securities on loan was \$177,943,025 (consisting of Stocks-\$128,476,447, Corporate Bonds-\$19,361,489 and Treasuries and Agencies-\$30,105,09) and \$142,268,281 (consisting of Stocks-\$114,233,093, Corporate Bonds-\$5,490,944 and Treasuries and Agencies-\$22,544,779), respectively. The Plan receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent.

The Plan participates in a collateral investment pool. All security loans may be terminated on demand by either the lender or the borrower.

## Notes to the Financial Statements

All matched loans shall have matched collateral investments.

The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. And, at least 20% of total collateral investments shall be invested on an overnight basis. At June 30, 2005, the weighted average maturity was 20 days

for all investments purchased with cash collateral from unmatched loans. The Plan has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the Plan. Under this program, the Plan has not experienced any defaults or losses on these loans.

Investments as of June 30, 2005

<b>Type of Investment</b>	<b>Investment at Cost</b>	<b>Investment at Fair Value*</b>
<b>Equities</b>		
Out on Loan	107,023,063	128,476,447
Not on securities loan	327,505,014	418,819,670
<b>Total</b>	<b>434,528,077</b>	<b>547,296,117</b>
<b>Treasury bonds</b>		
Out on Loan	6,973,830	10,189,362
Not on securities loan		
<b>Total</b>	<b>6,973,830</b>	<b>10,189,362</b>
<b>Government bonds</b>		
Out on Loan	10,449,916	19,915,727
Not on securities loan	19,163,526	10,654,004
<b>Total</b>	<b>29,613,442</b>	<b>30,569,731</b>
<b>Corporates</b>		
Out on Loan	17,837,925	19,361,489
Not on securities loan	93,482,442	101,750,466
<b>Total</b>	<b>111,320,367</b>	<b>121,111,955</b>
<b>Total Investments</b>		
<b>Out on Loan</b>	<b>142,284,734</b>	<b>177,943,025</b>
<b>Not on securities loan</b>	<b>440,150,981</b>	<b>531,224,140</b>
<b>Total</b>	<b>582,435,715</b>	<b>709,167,165</b>

\*Fair values provided by the custodial bank for securities lending includes accrued interest.

## Notes to the Financial Statements

**Capital Assets**

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2005 and 2004 was \$16,118 and \$-0-, respectively. A new office facility located at 3010 E. Camelback Road was purchased in June of 2004. The property consists of a two-story building, the bottom floor of which is fully leased.

The administrative staff of the Plan moved into the new office facility in July 2004 and occupies the second floor. The administrative staff previously occupied property located at 1020 E. Missouri, which was sold in September 2004.

The table below is a schedule of the capital asset account balances as of June 30, 2004, and June 30, 2005, and changes to those account balances during the year ended June 30, 2005.

## Schedule of Capital Asset Account Balances

<u>Capital Assets</u>	<u>Land</u>	<u>Building and Improvements</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Total Capital Assets</u>
Balance June 30, 2004	-	-	-	-
Additions	86,588	525,081	37,599	649,268
Deletions	-	-	-	-
Balance June 30, 2005	<b>86,588</b>	<b>525,081</b>	<b>37,599</b>	<b>649,268</b>
<b>Accumulated Depreciation</b>				
Balance June 30, 2004	-	-	-	-
Additions	-	12,977	3,141	16,118
Deletions	-	-	-	-
Balance June 30, 2005	<b>-</b>	<b>12,977</b>	<b>3,141</b>	<b>16,118</b>
Net capital assets June 30, 2005	<b>86,588</b>	<b>512,104</b>	<b>34,458</b>	<b>633,150</b>



## Notes to the Financial Statements

**NOTE 3 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

The Retirement System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a rolling twenty (20) year period. Beginning with fiscal year 2005-2006, the employer contribution rate shall not be less than four per cent of compensation. Beginning July 1, 2006, the minimum employer contribution rate will increase from 4% to 5%.

During the year ended June 30, 2005, contributions totaling \$50,881,628 (\$16,291,914 employer and \$34,589,714 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2003. The employer contributions consisted of approximately \$22,976,803 for normal cost less (\$6,684,889) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 4.07% of covered payroll. [5.74% for normal costs and (1.67)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 8.50% of covered payroll and are attributable to normal costs.

During the year ended June 30, 2004, contributions totaling \$46,717,913 (\$14,555,335 employer and \$32,162,578 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2002. The employer contributions consisted of approximately \$25,692,224 for normal cost less (\$11,136,889) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 3.95% of covered payroll. [6.79% for normal costs and (2.84)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contribu-

tions represented 8.50% of covered payroll and are attributable to normal costs.

**NOTE 4 - OTHER BENEFITS**

The PSPRS adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Fund Manager, PSPRS, the Elected Officials' Retirement Plan and the CORP. The employees of any of these eligible groups must make an election to participate within two years after the employee first meets the eligibility requirements to participate in the plan. The election to participate is irrevocable and continues for the remainder of the employee's employment with the employer. If an employee elects to participate, the employee must contribute at least 1% of the employee's gross compensation. The IRS maintains that Employers designate the amounts contributed by each employee. All amounts contributed are subject to the discretion and control of the Employer. Employee contributions and earnings to the plan are immediately vested. Employer contributions, if any, are vested based on the following schedule:

Less than one year of service	0%
One year but less than two	20%
Two years but less than three	40%
Three years but less than four	60%
Four years but less than five	80%
Five years or more	100%

## Notes to the Financial Statements

PSPRS administers the supplemental defined contribution plan through a third party administrator. All contributions are sent directly to the third party administrator from the participating employer groups.

### **NOTE 5 – PLAN TERMINATION**

CORP and its related plans are administered in accordance with Arizona statutes. These statutes do provide for termination of the plans under A.R.S. 41-3006.02. The plans are scheduled to terminate on July 1, 2006, pending the results of a sunset review by the legislature and the auditor general's office.

### **NOTE 6 – CONTINGENCIES**

Some of our real estate partners in the investments categorized as "other investments" have obtained third party financing, which is secured by real property. The Plan has entered into Capital Call Agreements with regards to these third party financing arrangements. The Capital Call Agreements, in the unlikely event of default, limit the Plan to the amount of the defaulted payment or the original terms of the investment approved by the Fund Manager, whichever is less.

### **NOTE 7 – REQUIRED SCHEDULES**

The Schedule of Funding Progress and the Schedule of Employer Contributions are presented immediately following the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF FUNDING PROGRESS

While not any one or two numeric indices can fully describe the financial condition of a retirement plan, the ratio of unfunded actuarial accrued liabilities to active member payroll is significant. The ratio of unfunded actuarial accrued liabilities to member payroll is a relative index of condition where inflation is present in both items. Observation of the ratio over a period of years gives an indication of funding achievement. The smaller the index, the stronger the plan's condition. Shown below is a Comparative Schedule (\$ in thousands) since legislation was enacted in 1987, setting up a 40-year amortization schedule. Effective June 30, 1997, Unfunded (Excess) Actuarial Accrued Liabilities are being amortized on a level percent method over a rolling twenty (20) year period.

Actuarial Valuation Date	Actuarial Value of Assets (a) <sup>2</sup>	Actuarial Accrued Liability (AAL) at Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-88	\$ 69,842	\$ 76,884	\$ 7,042	90.8%	\$ 117,234	6.0%
6-30-89 <sup>1</sup>	\$ 88,756	\$ 99,113	\$ 10,357	89.6%	\$ 134,520	7.7%
6-30-90 <sup>1</sup>	\$ 108,973	\$ 122,578	\$ 13,605	88.9%	\$ 136,693	10.0%
6-30-91 <sup>1</sup>	\$ 138,901	\$ 146,300	\$ 7,399	94.9%	\$ 153,351	4.8%
6-30-92	\$ 168,553	\$ 163,640	\$ (4,913)	103.0%	\$ 156,257	-3.1%
6-30-93	\$ 198,692	\$ 184,299	\$ (14,393)	107.8%	\$ 166,831	-8.6%
6-30-94 <sup>1</sup>	\$ 223,902	\$ 221,487	\$ (2,415)	101.1%	\$ 177,717	-1.4%
6-30-95	\$ 265,006	\$ 254,189	\$ (10,817)	104.3%	\$ 198,603	-5.4%
6-30-96	\$ 319,255	\$ 290,518	\$ (28,737)	109.9%	\$ 224,686	-12.8%
6-30-97 <sup>1</sup>	\$ 393,904	\$ 355,590	\$ (38,314)	110.8%	\$ 249,203	-15.4%
6-30-98	\$ 484,956	\$ 410,531	\$ (74,425)	118.1%	\$ 261,700	-28.4%
6-30-99	\$ 592,152	\$ 443,676	\$ (148,476)	133.5%	\$ 305,478	-48.6%
6-30-00	\$ 704,991	\$ 501,323	\$ (203,668)	140.6%	\$ 339,440	-60.0%
6-30-01	\$ 776,177	\$ 554,387	\$ (221,790)	140.0%	\$ 339,783	-65.3%
6-30-02	\$ 782,446	\$ 632,238	\$ (150,208)	123.8%	\$ 330,428	-45.5%
6-30-03	\$ 758,579	\$ 709,298	\$ (49,281)	106.9%	\$ 358,161	-13.8%
6-30-04	\$ 833,621	\$ 795,775	\$ (37,846)	104.8%	\$ 381,942	-9.9%
6-30-05	\$ 872,981	\$ 906,025	\$ 33,044	96.4%	\$ 404,156	8.2%

\* One-time cost-of-living adjustments for retired members and survivors, effective July 1 were included in this valuation. Future increases for retirees and their survivors are dependent upon excess earnings created by the Plan.

1. Reflects significant Plan amendments or assumption changes.

2. A smoothed market value of assets was used for the June 30, 2004 valuation. This method spreads the difference between actual and expected investment return over seven years. Prior to the June 30, 2003 valuation (and after June 30, 1995), the difference was spread over four years.

AAL is calculated using the entry-age normal method. Significant assumptions used in determining AAL include: (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually; and (b) projected salary increases of 6.00% per year compounded annually, attributable to an assumed inflation rate of 5.00% and other across-the-board factors of 1.0%; and (c) additional projected salary increases ranging from 0.0% to 3.0% per year, depending on age, attributable to seniority/merit.

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contributions	Percentage Contributed
1990	\$8,250,984	100.00%
1991	\$9,764,220	100.00%
1992	\$9,492,656	100.00%
1993	\$10,099,143	100.00%
1994	\$10,032,668	100.00%
1995	\$10,565,831	100.00%
1996	\$14,371,254	100.00%
1997	\$16,704,445	100.00%
1998	\$17,063,015	100.00%
1999	\$17,109,704	100.00%
2000	\$16,876,163	100.00%
2001	\$14,927,396	100.00%
2002	\$7,101,112	100.00%
2003	\$7,397,595	100.00%
2004	\$14,555,335	100.00%
2005	\$16,291,914	100.00%

# SUPPORTING SCHEDULE OF CHANGES IN FUND BALANCE RESERVES

**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
<b>Balance - June 30, 2003</b>	<b>\$ 152,453,715</b>	<b>\$ 439,775,618</b>	<b>\$ 30,709,183</b>
<b>Distribution of Revenues and Expenses</b>			
Members' Contributions	31,337,579		
Employers' Contributions		14,555,335	
Earnings (Loss) on Investments Net of Investment Expenses		91,300,470	
Pension and Insurance Benefits		(26,623,619)	
Refunds to Terminated Members	(10,983,071)	(3,069,932)	
Administrative Expenses		(541,070)	
<b>Distribution of Transfers</b>			
Excess Investment Earnings to be used for Future Benefit Increases		(18,478,098)	18,478,098
Earnings (Loss) on Excess Investment Earnings Account Assets		(4,536,053)	4,536,053
Amount Utilized by Benefit Increases Granted		7,810,709	(7,810,709)
Net Transfers from (to) Other State-Sponsored Pension Plans and Purchase of Service Credits	577,993	(256,967)	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(8,240,742)	8,240,742	
<b>Balance - June 30, 2004</b>	<b>\$ 165,145,474</b>	<b>\$ 508,177,135</b>	<b>\$ 45,912,625</b>
<b>Distribution of Revenues and Expenses</b>			
Members' Contributions	34,589,714		
Employers' Contributions		16,291,914	
Earnings (Loss) on Investments Net of Investment Expenses		66,277,084	
Pension and Insurance Benefits		(31,097,950)	
Refunds to Terminated Members	(12,633,535)	(4,019,103)	
Administrative Expenses		(922,183)	
<b>Distribution of Transfers</b>			
Excess Investment Earnings to be used for Future Benefit Increases		(810,817)	810,817
Earnings (Loss) on Excess Investment Earnings Account Assets		(4,237,276)	4,237,276
Amount Utilized by Benefit Increases Granted		9,545,626	(9,545,626)
Net Transfers from (to) Other State-Sponsored Pension Plans and Purchase of Service Credits	919,850	232,760	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(9,673,483)	9,673,483	
<b>Balance - June 30, 2005</b>	<b>\$ 178,348,020</b>	<b>\$ 569,110,673</b>	<b>\$ 41,415,092</b>



SUPPORTING SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES  
SUPPORTING SCHEDULE OF PAYMENTS TO CONSULTANTS

FOR THE YEAR ENDED JUNE 30, 2005

	Administrative	Investment	Total
Accounting and Auditing Services	\$ 5,250	\$ -	\$ 5,250
Actuarial Services	18,500	-	18,500
Computer Equipment	19,481	1,149	20,630
Contractual Services	2,152	127	2,279
DC ER Match	15,337	4,641	19,978
Depreciation Expense	3,473	205	3,678
Educational Expenses	17,430	7,029	24,459
Fund Manager Initiatives	143,210	8,445	151,655
Furniture and Equipment	576	34	610
Investment Expenses	-	442	442
Occupancy Expenses	6,624	391	7,015
Office Supplies	7,509	443	7,952
Payroll Taxes and Fringe Benefits	102,062	15,470	117,532
Postage Expenses	18,372	1,083	19,455
Printing, Publications and Subscriptions	9,325	440	9,765
Professional Services	45,598	2,697	48,295
Salaries and Wages	499,251	77,351	576,602
Telephone Expenses	6,643	392	7,035
Travel Expenses	1,390	82	1,472
	<u>\$ 922,183</u>	<u>\$ 120,421</u>	<u>\$ 1,042,604</u>

**Consultants**

	Fees Paid
Rodwan & Nichols - Consulting Actuaries	22,525
Barrows & Schatza, P.L.C. - Auditors	5,250
Cortex Applied Research Inc.	60,500
Stratford Advisory Group, Inc.	31,828
Mercer Consulting	18,745
Alliance Resource Consulting	10,205
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd. - Legal Counsel	103,787
	<u>252,840</u>

# SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

FOR THE YEARS ~~ENDED~~ JUNE 30, 2005 AND 2004

	2005	2004
<b>RECEIPTS</b>		
Members' Contributions	\$ 34,581,583	\$ 31,350,288
Employers' Contributions	16,283,402	14,541,416
Interest	16,138,259	12,435,288
Dividends	7,755,174	4,602,807
Real Estate Income (Net)	6,195	-
Securities Lending Income	191,453	261,513
Amounts Transferred from Other		
State-Sponsored Pension Plans	2,267,921	1,459,965
and Purchase of Service Credits		
Due to Other Pension Plan	1,151,288	-
Maturities and Sales of		
U.S. Government Securities	7,037,077	21,915,192
Corporate Bonds	28,054,821	55,993,456
Corporate Notes	1,421,973,769	1,175,357,828
Other Investments	36,773,589	8,840,559
Common Stock	141,089,051	67,763,398
Net Decrease in Money Market Fund	3,504,681	-
<b>Total Receipts</b>	<b>1,716,808,263</b>	<b>1,394,521,710</b>
<b>DISBURSEMENTS</b>		
Pension Benefits	31,097,950	26,623,619
Refunds to Terminated Members	16,652,638	14,053,002
Investment and Administrative Expenses	1,038,926	632,775
Amounts Transferred to Other		
State-Sponsored Pension Plans	1,115,311	1,138,940
Acquisitions of		
U.S. Government Securities	20,775,034	-
Corporate Bonds	41,988,608	40,170,359
Corporate Notes	1,432,190,947	1,168,209,065
Other Investments	27,505,938	10,799,061
Common Stock	143,784,515	130,396,533
Real Estate Property	649,269	-
Net Increase in Money Market Fund	-	2,498,356
<b>Total Disbursements</b>	<b>1,716,799,136</b>	<b>1,394,521,710</b>
<b>INCREASE IN CASH</b>	<b>9,127</b>	<b>-</b>
<b>BEGINNING CASH BALANCE - July 1</b>	<b>-</b>	<b>-</b>
<b>ENDING CASH BALANCE - June 30</b>	<b>\$ 9,127</b>	<b>\$ -</b>

# INVESTMENT SECTION

## NINETEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Fund Objectives

Investment Performance Data

Supporting Schedule of Commissions Paid to Brokers

Summary of Changes in Investment Portfolio

Detailed List of Investments Acquired

Detailed List of Sales and Redemption of Investments

Detailed List of Investments Owned

## FUND OBJECTIVES

As adopted by the Fund Manager Motion 05-37-05

- The objective of the Fund is to ensure the integrity of the Public Safety Personnel Retirement System in order to adequately fund benefit levels for members as stated in Title 38, Chapter 5, articles 3, 4 and 6 of the Arizona Revised Statutes and as amended from time to time by the Legislature. To achieve the objective, the Fund will do the following:
  1. Maintain a goal for the Fund's assets to be equal to the Fund's liabilities within any twenty-year period;
  2. Annually adjust the employer contribution rates based on the recommendations made by the annual actuarial valuations;
  3. Determine a reasonable contribution rate necessary to fund benefits approved by the legislature and then reduce the variation in the employer contribution rate over time to the Fund;
  4. Preserve and enhance the capital of the Fund through effective management of the portfolio in order to take advantage of attractive opportunities various markets and market sectors have to offer;
  5. Provide the opportunity for increased benefits for retirees as the legislature may from time to time enact through systematic growth of the investments of the fund.
- Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:
  1. Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term,
  2. Consistent with these policies and the direction of the Fund Manager, strategically allocating within asset classes and investment styles in order to enhance investment returns. This strategic allocation must at all times be within ranges set forth in these Policies.
  3. Regularly reviewing the status of investments,
  4. Regularly assessing the need to adjust the mix, type and composition of the investment classes within the allocation ranges.
- The possibility of short-term declines in the market value of the Fund or the Fund's assets is a recognized consequence of achieving potentially higher long-term investment returns.
- The time horizon for evaluating total fund investment performance shall be long-term.

# STANDARD & POOR'S

## Standard & Poor's Investment Advisory Services LLC

55 Water Street, 42nd Floor  
New York, NY 10041-0003  
212 438 3737 Tel  
212 438 3929 Fax

September 1, 2005

The Fund Manager  
Corrections Officer Retirement Plan  
of the State of Arizona  
3010 E. Camelback Road Ste. 200  
Phoenix, Arizona 85016

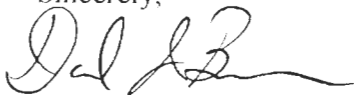
Dear Sirs:

The attached charts and tables depict the investment performance for the Corrections Officer Retirement Plan of the State of Arizona. The performance results shown are based entirely on data provided by the plan's staff and does not constitute an audit on Standard & Poor's part. We note that Standard & Poor's has assumed that all data that has been supplied by the staff is accurate and complete and that Standard & Poor's has not taken steps to verify same. We also note that the performance was calculated under the assumption that cash inflows and outflows take place uniformly throughout each month.

The performance data include realized and unrealized capital gains and losses, as well as interest and dividend income earned by the fund. We believe these computations were performed in accordance with accepted CFA Institute procedures.

Based on the foregoing, during the past fiscal year, the stock portfolio outperformed the NYSE and S&P 500 indices, while the bond portfolio outperformed the Lehman Government/Credit Index. The overall fund outperformed a custom benchmark, using bond and stock indices weighted in a fixed proportion. The overall fund has attained a rate of return over the past eighteen years (since inception) that compares favorably with this custom index.

Sincerely,

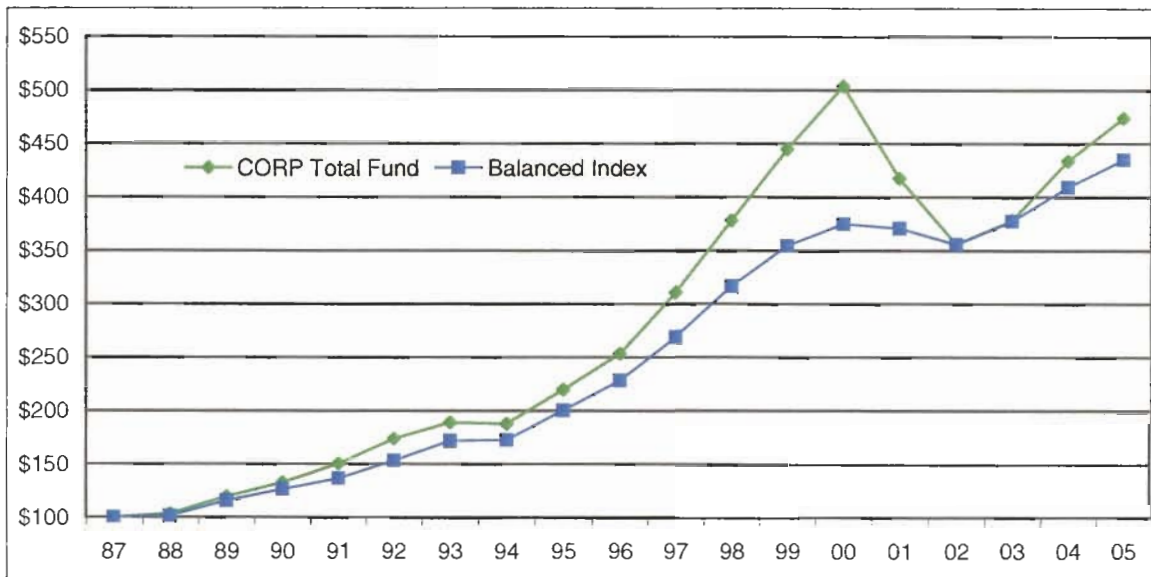


David J. Braverman  
Vice President



# Investment Performance Data

## Cumulative Return - Total Fund



FYE	Fair Value	Contribution	Total Return	Balanced Index*
06-30-05	\$ 786,241,446	\$ 5,226,340	9.23%	6.32%
06-30-04	\$ 714,617,603	\$ 4,770,301	14.77%	8.38%
06-30-03	\$ 618,455,126	\$ (4,167)	6.15%	6.18%
06-30-02	\$ 582,690,201	\$ 3,569,034	-14.73%	-4.13%
06-30-01	\$ 679,572,838	\$ 15,092,575	-17.07%	-1.07%
06-30-00	\$ 803,140,980	\$ 20,812,944	13.22%	5.75%
06-30-99	\$ 689,508,750	\$ 19,793,597	17.60%	11.94%
06-30-98	\$ 567,501,186	\$ 22,020,935	21.68%	17.66%
06-30-97	\$ 446,443,126	\$ 21,510,046	22.74%	17.87%
06-30-96	\$ 344,052,534	\$ 17,224,177	15.30%	13.98%
06-30-95	\$ 282,566,544	\$ 13,323,271	17.11%	16.30%
06-30-94	\$ 228,725,251	\$ 12,344,638	-0.70%	0.25%
06-30-93	\$ 218,076,361	\$ 14,234,677	8.79%	12.26%
06-30-92	\$ 186,696,553	\$ 14,047,050	15.67%	12.12%
06-30-91	\$ 148,567,837	\$ 18,448,295	13.23%	8.32%
06-30-90	\$ 113,343,482	\$ 12,540,673	11.24%	9.21%
06-30-89	\$ 90,034,663	\$ 11,245,876	15.21%	13.98%
06-30-88	\$ 67,462,178	\$ 17,014,108	3.40%	1.19%
06-30-87	\$ 48,123,723			

Annualized Returns	1-year	9.23%	6.32%
	2-year	11.97%	7.35%
	3-year	9.99%	6.96%
	5-year	-1.21%	3.02%
	10-year	7.99%	8.06%
	15-year	8.86%	8.61%

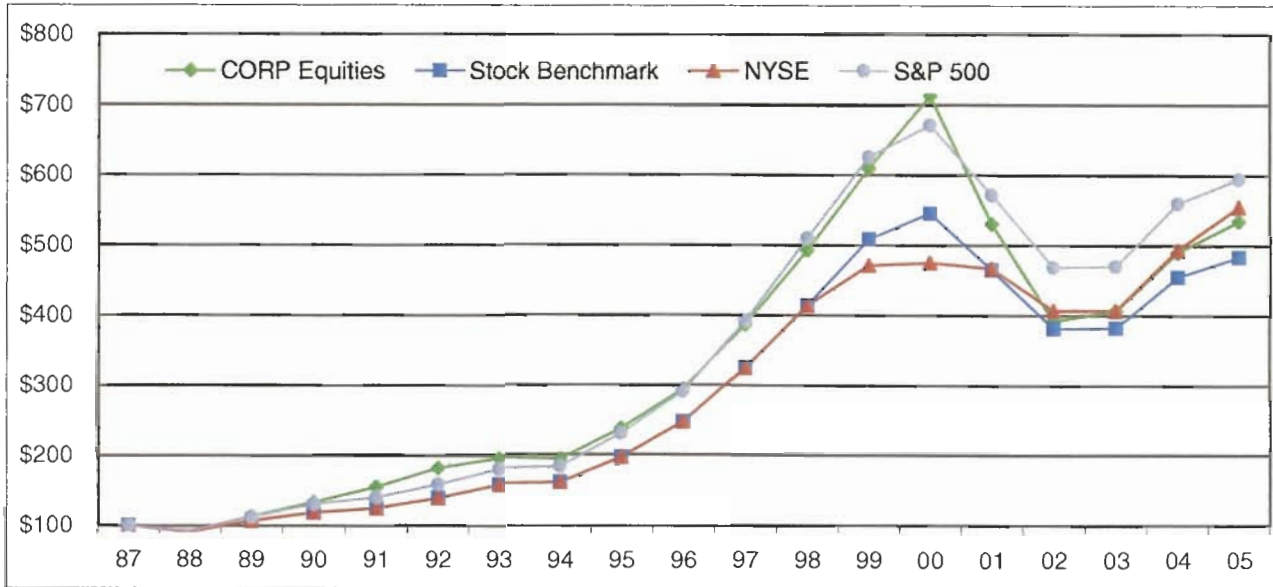
\*The Balanced Index is calculated using the following formula: 45% Stock Benchmark + 45% Lehman Government/Credit + 10% 91 Day T-bill.

Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter. The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

# Investment Performance Data

## Cumulative Return - Domestic Equities



FYE	Fair Value	Contribution	Total Return	Stock* Benchmark	NYSE Index	S&P 500
06-30-05	\$ 547,296,117	\$ (5,112,823)	9.15%	6.31%	12.46%	6.31%
06-30-04	\$ 508,338,463	\$ 57,913,337	20.71%	19.11%	21.28%	19.11%
06-30-03	\$ 367,493,574	\$ 14,569,963	3.63%	0.25%	-0.05%	0.25%
06-30-02	\$ 341,648,828	\$ 5,214,130	-26.10%	-17.99%	-12.80%	-17.99%
06-30-01	\$ 455,399,449	\$ (12,369,993)	-25.59%	-14.83%	-1.77%	-14.83%
06-30-00	\$ 626,591,339	\$ 28,405,378	16.94%	7.25%	0.84%	7.25%
06-30-99	\$ 509,408,904	\$ 17,401,223	23.69%	22.76%	13.86%	22.76%
06-30-98	\$ 393,669,809	\$ 33,176,239	27.37%	27.29%	27.29%	30.16%
06-30-97	\$ 282,295,331	\$ 24,635,056	31.78%	31.51%	31.51%	34.71%
06-30-96	\$ 192,410,171	\$ 19,911,538	23.35%	25.91%	25.91%	26.00%
06-30-95	\$ 136,792,031	\$ (8,954,375)	22.83%	22.40%	22.40%	26.06%
06-30-94	\$ 120,009,219	\$ 9,254,903	-1.14%	1.24%	1.24%	1.23%
06-30-93	\$ 112,232,875	\$ 35,940,119	7.38%	13.32%	13.32%	13.52%
06-30-92	\$ 88,979,250	\$ 19,472,103	17.42%	11.59%	11.59%	13.45%
06-30-91	\$ 58,385,625	\$ 13,099,368	16.47%	5.50%	5.50%	7.39%
06-30-90	\$ 38,044,750	\$ 12,336,990	18.39%	11.25%	11.25%	16.44%
06-30-89	\$ 21,228,125	\$ (430,650)	21.75%	16.81%	16.81%	20.53%
06-30-88	\$ 17,925,000	\$ 4,678,349	-7.46%	-8.57%	-8.57%	-6.92%
06-30-87	\$ 14,739,500					

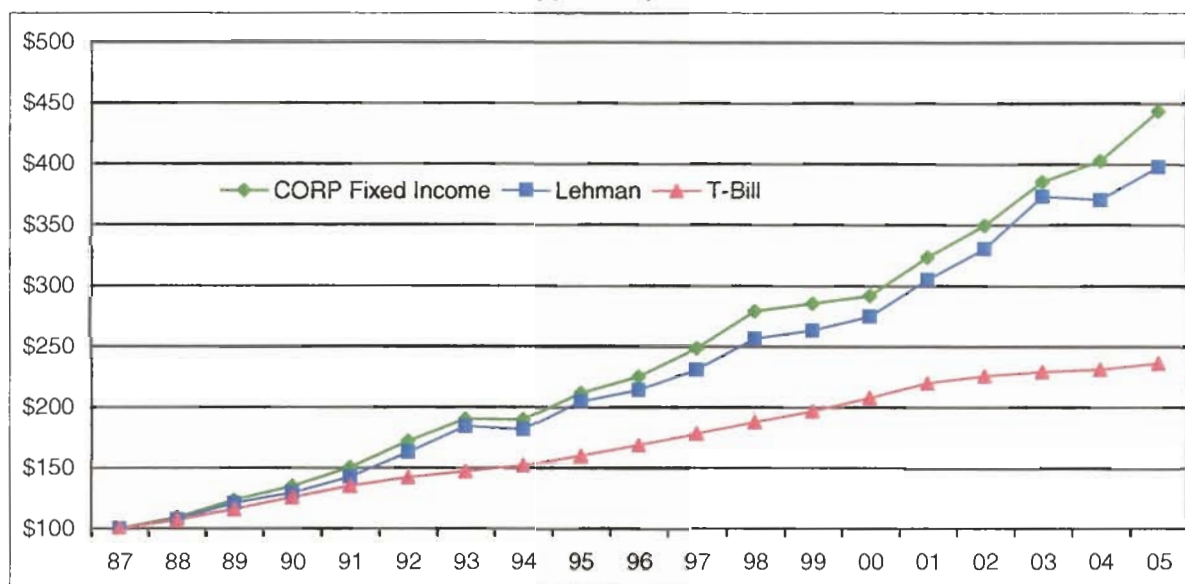
Annualized Returns	1-year	9.15%	6.31%	12.46%	6.31%
	2-year	14.78%	12.53%	16.78%	12.53%
	3-year	10.94%	8.28%	10.88%	8.28%
	5-year	-5.57%	-2.38%	3.15%	-2.38%
	10-year	8.44%	9.42%	10.95%	9.94%
	15-year	9.70%	9.81%	10.82%	10.63%

\*Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

# Investment Performance Data

## Cumulative Return - Fixed Income



FYE	Fair Value	Contribution	Total Return**	Lehman*	91-Day T-Bill
06-30-05	\$ 238,945,330	\$ 10,339,163	10.18%	7.26%	2.15%
06-30-04	\$ 206,279,140	\$ (53,143,036)	4.40%	-0.71%	0.98%
06-30-03	\$ 250,961,552	\$ (14,574,131)	10.38%	13.14%	1.53%
06-30-02	\$ 241,041,374	\$ (1,645,095)	8.10%	8.24%	2.57%
06-30-01	\$ 224,173,388	\$ 27,462,568	10.78%	11.14%	5.89%
06-30-00	\$ 176,549,641	\$ (7,592,434)	2.28%	4.29%	5.53%
06-30-99	\$ 180,099,846	\$ 2,392,374	2.25%	2.69%	4.90%
06-30-98	\$ 173,831,382	\$ (11,155,304)	12.30%	11.08%	5.28%
06-30-97	\$ 164,147,795	\$ (3,125,010)	10.32%	7.76%	5.43%
06-30-96	\$ 151,642,363	\$ (2,687,361)	6.26%	4.65%	5.52%
06-30-95	\$ 145,774,513	\$ 22,277,646	11.71%	12.75%	5.52%
06-30-94	\$ 108,716,032	\$ 3,089,735	-0.21%	-1.45%	3.37%
06-30-93	\$ 105,843,386	\$ (7,458,392)	10.45%	13.15%	3.37%
06-30-92	\$ 97,717,303	\$ (5,425,053)	14.54%	14.17%	5.19%
06-30-91	\$ 90,182,212	\$ (5,348,927)	11.55%	10.21%	7.55%
06-30-90	\$ 75,298,732	\$ 203,683	9.01%	7.11%	8.50%
06-30-89	\$ 68,806,538	\$ 11,676,526	13.18%	12.33%	8.47%
06-30-88	\$ 49,537,189	\$ 12,335,759	9.18%	7.47%	6.75%
06-30-87	\$ 33,384,223				

Annualized Returns	1-year	10.18%	7.26%	2.15%
	2-year	7.25%	3.20%	1.56%
	3-year	8.28%	6.41%	1.55%
	5-year	8.74%	7.71%	2.61%
	10-year	7.67%	6.88%	3.96%
	15-year	8.27%	7.78%	4.30%

\*The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more and rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

\*\*The Fixed Income Portfolio is comprised of all Bonds, Notes, Other Investments and Money Market securities. The total return for the Fixed Income Portfolio can be broken down as follows: Government Bonds -- 8.79%; Corporate Bonds -- 11.98%; Directed Real Estate/Other -- 16.26%; Cash -- 2.30%

## SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS

**FISCAL YEAR ENDED JUNE 30, 2005**

<b>Broker</b>	<b>Number of Shares Traded</b>	<b>Average Commission</b>	<b>Commissions</b>
BNY Brokerage	188,000	0.050	\$ 9,400.00
Greenberg Financial Group	961,340	0.047	\$ 45,472.00
Investors Capital Corporation	283,500	0.050	\$ 14,100.00
ISI Group, Inc.	654,842	0.049	\$ 32,072.10
Merrill Lynch	613,300	0.048	\$ 29,248.00
Morgan Stanley Dean Witter	665,400	0.050	\$ 33,270.00
Salomon Smith Barney--Phoenix	468,250	0.050	\$ 23,412.50
Salomon Smith Barney--Scottsdale	594,250	0.047	\$ 27,816.50
Samco Financial Services, Inc.	744,366	0.049	\$ 36,458.30
Standard & Poor's Securities	905,635	0.050	\$ 45,001.75
U.S. Financial Investments Inc.	546,810	0.050	\$ 27,340.50
UBS/Paine Webber	780,350	0.048	\$ 37,611.50
<b>Total Commissions</b>	<b>7,406,043</b>	<b>0.049</b>	<b>\$ 361,203.15</b>

The Plan typically pays \$ .05 per share traded plus SEC charges on sale transactions. Over the Counter stocks are typically traded net of commissions. The firms with an average commission of less than \$.05 have traded Over the Counter net of commissions for the Plan.

The Plan participates in a soft dollar arrangement with the following brokers. The Plan directs transactions to these brokers in exchange for brokerage and research services.

- (1) Standard & Poor's Securities, Inc., the value of these services is approximately \$96,250
- (2) ISI Group, Inc., the value of these services is approximately \$52,500
- (3) Investors Capital Corporation, the value of these services is approximately \$22,750
- (4) Merrill Lynch, the value of these services is approximately \$7,350
- (5) UBS Paine Webber, the value of these services is approximately \$10,850



# SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Description	Percent at Fair Value	Balance June 30, 2004		Acquisitions	Maturities and Sales	(Premium) Discount	Balance June 30, 2005		Percent at Fair Value
		Fair Value	Book Value				Fair Value	Book Value	
U.S. Treasury Obligations	1.3%	9,374,070.00	6,971,721.79	-	-	2,297.23	10,073,560.00	6,974,019.02	1.3%
Federal Agency Obligations	2.4%	17,221,846.54	15,877,781.45	20,775,034.47	7,069,947.30	30,572.91	30,569,731.35	29,613,441.53	3.9%
<b>Total U.S. Government Securities</b>	<b>3.7%</b>	<b>26,595,916.54</b>	<b>22,849,503.24</b>	<b>20,775,034.47</b>	<b>7,069,947.30</b>	<b>32,870.14</b>	<b>40,643,291.35</b>	<b>36,587,460.55</b>	<b>5.2%</b>
Corporate Bonds	14.3%	102,041,174.98	94,679,925.83	41,988,607.92	25,284,115.24	(64,051.29)	121,111,955.22	111,320,367.22	15.4%
<b>Total Bond Portfolio</b>	<b>18.0%</b>	<b>128,637,091.52</b>	<b>117,529,429.07</b>	<b>62,763,642.39</b>	<b>32,354,062.54</b>	<b>(31,181.15)</b>	<b>161,755,246.57</b>	<b>147,907,827.77</b>	<b>20.6%</b>
Corporate Notes	4.7%	33,484,486.11	33,484,486.11	1,432,190,946.79	1,421,973,769.46		43,701,663.44	43,701,663.44	5.6%
Common Stock	71.1%	508,338,462.93	415,906,766.62	143,784,514.56	125,163,204.51		547,296,116.59	434,528,076.67	69.5%
Other Investments	5.6%	40,117,734.25	40,117,734.25	27,505,937.98	34,670,399.65		32,953,272.58	32,953,272.58	4.2%
Money Market Account	0.6%	4,039,827.95	4,039,827.95		3,504,680.71		535,147.24	535,147.24	0.1%
<b>Total Portfolio</b>	<b>100.0%</b>	<b>714,617,602.76</b>	<b>611,078,244.00</b>	<b>1,666,245,041.72</b>	<b>1,617,666,116.87</b>	<b>(31,181.15)</b>	<b>786,241,446.42</b>	<b>659,625,987.70</b>	<b>100.0%</b>



# INVESTMENTS ACQUIRED BONDS ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 1 of 2

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
<b>FEDERAL AGENCY OBLIGATIONS</b>									
FNMA 4.40 12/25/12	4.400	12/25/12	99.57812	1,457,172.87	1,451,025.42	6,147.45	4,808.67	1,455,834.09	4.42%
FNMA 4.45 08/25/12	4.450	08/25/12	99.53125	2,870,789.57	2,857,332.74	13,456.83	7,097.23	2,864,429.97	4.47%
FNMA 5.00 11/15/12	5.000	11/15/12	100.00000	270,000.00	270,000.00	-	337.5	270,337.50	5.00%
FNMA 5.00 11/25/21	5.000	11/25/21	99.21875	750,000.00	744,140.63	5,859.37	2,187.50	746,328.13	5.04%
FNMA 5.00 12/30/10 (Reclass)	5.000	12/30/10	100.00000	1,110,024.88	1,110,024.88	-	-	1,110,024.88	5.00%
FNMA 6.00 05/24/19	6.000	05/24/19	99.93000	5,100,000.00	5,096,430.00	3,570.00	57,800.00	5,154,230.00	6.00%
FNMA FNR 2003-42 EP	4.000	11/25/22	97.78125	2,212,014.22	2,162,935.15	49,079.07	4,178.25	2,167,113.40	4.09%
FNMA FNR 2005-27 AB	5.500	02/25/34	100.37500	500,000.00	501,875.00	(1,875.00)	2,138.89	504,013.89	5.48%
FNMA FNR 2005-27 AC	5.500	08/25/34	100.31250	1,037,000.00	1,040,240.63	(3,240.63)	4,436.06	1,044,676.69	5.48%
FNMA FNR 2005-45 BG	4.500	06/25/25	96.09375	1,637,000.00	1,573,054.69	63,945.31	5,320.25	1,578,374.94	4.68%
FREDDIE MAC 5.000 07/02/2018 (Reclass)	5.000	07/02/18	90.26100	1,362,035.33	1,362,035.33	-	-	1,362,035.33	5.00%
FREDDIE MAC 5.000 08/10/2012	5.000	08/10/12	100.00000	2,000,000.00	2,000,000.00	-	277.78	2,000,277.78	5.00%
FREDDIE MAC 5.250 11/05/2012	5.250	11/05/12	100.99000	600,000.00	605,940.00	(5,940.00)	2,187.50	608,127.50	5.20%
<b>TOTAL FEDERAL AGENCY OBLIGATIONS</b>				<b>20,906,036.87</b>	<b>20,775,034.47</b>	<b>131,002.40</b>	<b>90,769.63</b>	<b>20,865,804.10</b>	<b>5.06%</b>
<b>CORPORATE BONDS</b>									
AMERICAN AIRLINES	7.858	10/01/11	101.00000	800,000.00	808,000.00	(8,000.00)	18,335.33	826,335.33	7.78%
BAYERISCHE LANDESBANK	11.000	09/27/11	100.00000	1,400,000.00	1,400,000.00	-	-	1,400,000.00	11.00%
BEAR STEARNS CO INC	9.500	09/22/11	100.00000	1,400,000.00	1,400,000.00	-	-	1,400,000.00	9.50%
CBO HOLDINGS SPIRIT 2004-3A	6.500	06/01/19	99.00000	900,000.00	891,000.00	9,000.00	-	891,000.00	6.57%
CONTINENTAL AIRLINES INC	7.918	05/01/10	99.60000	2,000,000.00	1,992,000.00	8,000.00	36,070.89	2,028,070.89	7.95%
DAIMLER CHRYSLER FLOATER	3.890	09/26/05	100.25000	2,100,000.00	2,105,250.00	(5,250.00)	8,622.83	2,113,872.83	3.88%
FORD MOTOR CO	6.625	10/01/28	76.00000	750,000.00	570,000.00	180,000.00	8,281.25	578,281.25	8.72%
HARTFORD LIFE GLOBAL FDG TRUST	4.450	03/15/10	99.25000	3,750,000.00	3,721,875.00	28,125.00	-	3,721,875.00	4.48%
HUTCHISON WHAMPOA FINANCIAL	7.450	08/01/17	110.51200	350,000.00	386,792.00	(36,792.00)	9,126.25	395,918.25	6.74%
JPM CAPITAL TRUST I	7.540	01/15/27	107.35000	1,000,000.00	1,073,500.00	(73,500.00)	27,437.22	1,100,937.22	7.02%
LEHMAN BROS HDLGS FLOAT 05/14	4.970	05/12/14	100.00000	650,000.00	650,000.00	-	2,124.16	652,124.16	4.97%
MMCAPS FUNDING I LTD/INC	8.030	06/15/31	110.00000	335,782.16	369,360.38	(33,578.22)	4,044.50	373,404.88	7.30%
MMCAPS FUNDING I LTD/INC	8.030	06/15/31	114.47000	617,246.63	706,562.22	(89,315.59)	5,782.57	712,344.79	7.01%
MMCAPS FUNDING I LTD/INC	8.030	06/15/31	114.47000	740,695.95	847,874.65	(107,178.70)	7,104.30	854,978.95	7.01%
MMCAPS FUNDING I LTD/INC	8.030	06/15/31	111.97000	1,185,113.52	1,326,971.61	(141,858.09)	30,928.50	1,357,900.11	7.17%
MORGAN STANLEY	4.750	04/01/14	96.75000	1,900,000.00	1,838,250.00	61,750.00	5,264.58	1,843,514.58	4.91%
NORTH STREET 2001-3A CTFS	6.480	04/30/31	86.25000	800,000.00	690,000.00	110,000.00	4,608.00	694,608.00	7.51%
PACIFIC SHORES CDO	4.860	07/03/37	91.75000	1,077,248.37	988,375.38	88,872.99	6,253.43	994,628.81	5.30%

# INVESTMENTS ACQUIRED BONDS ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 2 of 2

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
<b>CORPORATE BONDS (Continued)</b>									
PETROLIAM NASIONAL BERHD PETROL 144A	7.625	10/15/26	112.75000	150,000.00	169,125.00	(19,125.00)	3,717.19	172,842.19	6.76%
PETROLIAM NASIONAL BERHD PETROL 144A	7.625	10/15/26	112.75000	750,000.00	845,625.00	(95,625.00)	18,585.94	864,210.94	6.76%
PREMAT ACA TRUST SERIES 1	4.230	03/11/10	100.00000	440,000.00	440,000.00	-	2,016.30	442,016.30	4.23%
PREMAT ACA TRUST SERIES 1	4.230	03/11/10	100.00000	1,400,000.00	1,400,000.00	-	493.5	1,400,493.50	4.23%
PRINCIPAL LIFE INC FDG FRN	4.650	03/01/12	97.62500	1,135,810.00	1,108,834.51	26,975.49	4,051.57	1,112,886.08	4.76%
PROTECTIVE LIFE CPI+150	4.150	05/10/10	100.00000	3,750,000.00	3,750,000.00	-	-	3,750,000.00	4.15%
REG DIVERSIFIED FUNDING SR NOTES	9.250	03/15/30	113.50000	2,062,450.76	2,340,881.61	(278,430.85)	80,550.16	2,421,431.77	8.15%
TOYOTA MTR CREDIT FLTR	3.970	10/27/08	100.00000	950,000.00	950,000.00	-	-	950,000.00	3.97%
TRAINER WORTHAM FIRST REP CBO	4.360	04/10/37	62.12500	2,400,000.00	1,491,000.00	909,000.00	14,242.67	1,505,242.67	7.02%
US CELLULAR CORP	6.700	12/15/33	98.15400	600,000.00	588,924.00	11,076.00	8,486.67	597,410.67	6.83%
WASHINGTON MUTUAL INC	3.480	11/03/05	100.10960	4,400,000.00	4,404,822.40	(4,822.40)	11,909.33	4,416,731.73	3.48%
WESTINGHOUSE ELECTRIC	7.875	09/01/23	117.42200	2,328,000.00	2,733,584.16	(405,584.16)	74,859.75	2,808,443.91	6.71%
<b>TOTAL CORPORATE BONDS</b>				<b>42,122,347.39</b>	<b>41,988,607.92</b>	<b>133,739.47</b>	<b>392,896.89</b>	<b>42,381,504.81</b>	<b>5.93%</b>
<b>TOTAL BONDS ACQUIRED</b>				<b>63,028,384.26</b>	<b>62,763,642.39</b>	<b>264,741.87</b>	<b>483,666.52</b>	<b>63,247,308.91</b>	<b>5.64%</b>

# INVESTMENTS ACQUIRED SHORT TERM INVESTMENTS MATURED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 1 of 2

Description	Cost	Amount of Interest	Maturity Value
AIR LIQUIDE US	4,986,250.00	13,750.00	5,000,000.00
ALCON CAPITAL CORPORATION	4,994,666.67	5,333.33	5,000,000.00
ALTAMIRA FUNDING	4,995,177.78	4,822.22	5,000,000.00
AMSTERDAM FUNDING CORP	12,485,771.95	14,228.05	12,500,000.00
ARCHER DANIELS MIDLAND	1,703,858.00	142.00	1,704,000.00
ASSET ONE SECURITIZATION	26,472,856.54	26,782.35	26,499,638.89
ATLANTIS ONE FUNDING	6,240,729.17	9,270.83	6,250,000.00
AUSTRA CORP	6,490,627.36	9,372.64	6,500,000.00
AUTOBAHN FUNDING CORP	42,862,858.18	37,141.82	42,900,000.00
BARTON CAPITAL CORP	18,292,590.99	7,409.01	18,300,000.00
BAVARIA UNIVERSAL FUNDING	3,994,088.89	5,911.11	4,000,000.00
BEETHOVEN FUNDING CORPORATION	59,617,189.08	82,696.48	59,699,885.56
BELLSOUTH CORPORATION	12,391,433.39	8,503.36	12,399,936.75
BNP PARIBAS	5,992,500.00	7,500.00	6,000,000.00
BRYANT PARK FUNDING LLC	5,489,916.67	10,083.33	5,500,000.00
CARGILL INC	14,298,863.30	1,136.70	14,300,000.00
CDC COMMERCIAL PAPER PROGRAM	13,299,099.53	900.47	13,300,000.00
CENTRICA PLC	7,993,840.00	6,160.00	8,000,000.00
CHARTA LLC	12,373,476.83	26,523.17	12,400,000.00
CHECK POINT CHARLIE INC	5,490,598.06	9,401.94	5,500,000.00
CLIPPER RECEIVABLES	2,999,567.50	432.50	3,000,000.00
CRC FUNDING LLC	2,993,700.00	6,300.00	3,000,000.00
EDISON ASSET SECURITIZATION	4,999,826.39	173.61	5,000,000.00
EXPORT DEVELOPMENT CORP	15,496,462.92	3,537.08	15,500,000.00
GALLEON CAPITAL	44,496,539.72	3,460.28	44,500,000.00
GIRO FUNDING (US)	5,099,567.92	432.08	5,100,000.00
GOTHAM FUNDING	11,394,612.33	5,387.67	11,400,000.00
GREYHAWK FUNDING LLC	5,494,837.64	5,162.36	5,500,000.00
HANNOVER FUNDING	22,173,144.84	26,855.16	22,200,000.00
INTESSA FUNDING	22,093,665.67	6,334.33	22,100,000.00
IXIS COMM PAPER	999,916.39	83.61	1,000,000.00
KFW INTERNATIONAL FINANCE	4,996,443.06	3,556.94	5,000,000.00
LEXINGTON PARKER CAPITAL CORP	4,499,618.75	381.25	4,500,000.00
LIBERTY STREET FUNDING	27,214,847.78	35,152.22	27,250,000.00
MARKET STREET FUNDING	14,672,780.02	27,219.98	14,700,000.00
MARSH & MCLENNAN	999,440.00	560.00	1,000,000.00
MAXIMILIAN CAPITAL CORP	8,387,475.67	12,524.33	8,400,000.00
MCGRAW HILL COMPANY	5,599,533.33	466.67	5,600,000.00
MERRILL LYNCH & CO, INC.	33,374,453.89	25,364.78	33,399,818.67
NATIONAL AUSTRALIA FUNDING	16,989,115.00	10,885.00	17,000,000.00
NEPTUNE FUNDING	16,969,607.22	30,392.78	17,000,000.00
NORDDEUTSCHE LANDESBANK	36,860,025.29	39,974.71	36,900,000.00
PARADIGM FUNDING	49,053,620.73	46,379.27	49,100,000.00
PEPSICO	8,996,142.22	3,857.78	9,000,000.00
PUBLIC SQUARE FUNDING II	154,384,207.54	15,792.46	154,400,000.00
REGENCY MARKETS NO. 1	34,841,152.34	57,235.16	34,898,387.50
SAINT GERMAIN HOLDINGS LTD	5,291,203.47	8,796.53	5,300,000.00
SBC COMMUNICATIONS	4,999,575.00	425.00	5,000,000.00
STARBIRD FUNDING CORPORATION	103,885,962.43	14,037.57	103,900,000.00

# INVESTMENTS ACQUIRED SHORT TERM INVESTMENTS MATURED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 2 of 2

Description	Cost	Amount of Interest	Maturity Value
STEAMBOAT FUNDING	42,686,392.86	13,607.14	42,700,000.00
SUNBELT FUNDING CORP	1,995,566.67	4,433.33	2,000,000.00
SWEDBANK	5,586,642.44	13,357.56	5,600,000.00
TASMAN FUNDING	3,494,992.08	5,007.92	3,500,000.00
TELSTRA CORP LIMITED	4,697,249.19	2,750.81	4,700,000.00
THREE CROWNS FUNDING	20,154,971.59	45,028.41	20,200,000.00
THUNDER BAY FUNDING	6,396,328.89	3,671.11	6,400,000.00
TOTAL CAPITAL SA	33,992,405.17	7,594.83	34,000,000.00
TRANSAMERICA ASSET FUNDING	14,460,793.75	39,206.25	14,500,000.00
TRIPLE A-1 FUNDING	11,490,627.50	9,372.50	11,500,000.00
UBS AMERICAS INC	117,039,374.10	10,625.90	117,050,000.00
UBS FINANCE (DELAWARE)	80,938,451.64	61,548.36	81,000,000.00
UNILEVER CAPITAL	6,999,690.83	309.17	7,000,000.00
UNITED HEALTHCARE	3,095,947.78	4,052.22	3,100,000.00
UNITED TECH CORP	4,496,218.75	991.25	4,497,210.00
USAA CAPITAL CORP	5,998,770.00	1,230.00	6,000,000.00
VICTORY REC CORP	3,696,713.17	3,286.83	3,700,000.00
WELLS FARGO & COMPANY	34,883,239.78	16,760.22	34,900,000.00
WESTPAC TRUST NZ	7,496,250.00	3,750.00	7,500,000.00
WINDMILL FUNDING CORPORATION	4,185,906.67	14,093.33	4,200,000.00
WORLD OMNI VEHICLE LEASING	49,970,619.29	29,380.71	50,000,000.00
YORKSHIRE BUILDING SOCIETY	4,999,011.11	988.89	5,000,000.00
YORKTOWN CAPITAL LLC	12,494,168.75	5,831.25	12,500,000.00
<b>TOTAL SHORT TERM INVESTMENTS MATURED</b>	<b>1,421,973,769.46</b>	<b>975,107.91</b>	<b>1,422,948,877.37</b>



# INVESTMENTS ACQUIRED COMMON STOCK ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 1 of 3

Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
ABBOTT LABORATORIES	4,400	1.10	4,840.00	2.42%	45.50	200,188.00
ABERCROMBIE & FITCH	16,100	0.50	8,050.00	1.30%	38.40	618,228.00
AETNA INC	15,900	0.04	636.00	0.05%	83.31	1,324,623.00
AFFILIATED COMPUTER SERVICES	36,500	-	-	0.00%	56.87	2,075,636.73
AIRGAS INC	10,000	0.24	2,400.00	0.97%	24.80	247,950.84
ALBERTO CULVER CO	1,400	0.46	644.00	0.85%	54.18	75,852.00
ALCAN INC	20,000	0.60	12,000.00	1.50%	39.96	799,262.16
ALCOA INC	1,000	0.60	600.00	2.03%	29.53	29,530.00
ALLSTATE CORPORATION	4,500	1.28	5,760.00	2.44%	52.38	235,710.00
ALPHARMA INC 'A'	14,300	-	-	0.00%	18.27	261,243.05
AMERICAN INT'L GROUP	53,900	0.50	26,950.00	0.86%	57.99	3,125,574.19
AMERICAN STANDARD COMPANY INC	2,000	0.60	1,200.00	1.36%	44.18	88,360.00
AMSOUTH BANCORPORATION	900	1.00	900.00	3.90%	25.64	23,076.00
ANHEUSER BUSCH COMPANY	1,900	1.08	2,052.00	2.23%	48.43	92,017.00
ANSYS INC.	7,900	-	-	0.00%	31.46	248,499.40
APACHE CORPORATION	4,000	0.32	1,280.00	0.58%	55.14	220,560.00
AUTOMATIC DATA PROCESSING	26,600	0.62	16,492.00	1.44%	42.95	1,142,377.50
AUTOZONE INC	500	-	-	0.00%	94.29	47,145.00
AVAYA INC	50,000	-	-	0.00%	14.49	724,350.00
BALL CORP	18,000	0.40	7,200.00	0.94%	42.45	764,172.00
BANK OF AMERICA CORPORATION	34,100	2.00	68,200.00	4.48%	44.64	1,522,336.13
BEAR STEARNS COMPANY	52,900	1.00	52,900.00	1.11%	90.42	4,783,482.09
BED BATH & BEYOND	88,700	-	-	0.00%	39.13	3,470,992.86
BEST BUY CO INC	107,900	0.32	34,528.00	0.62%	52.01	5,611,590.18
BIOMET INC	27,000	1.00	27,000.00	2.71%	36.91	996,579.48
BJ SERVICES COMPANY	1,400	0.20	280.00	0.44%	45.31	63,432.04
BOEING CO.	22,000	1.00	22,000.00	1.66%	60.39	1,328,571.20
BROOKS AUTOMATION INC	13,600	-	-	0.00%	17.45	237,290.08
BURLINGTON NORTHERN SANTE FE	69,600	0.80	55,680.00	1.77%	45.21	3,146,881.29
CACI INTERNATIONAL	3,800	-	-	0.00%	66.86	254,056.90
CAREMARK RX INC	16,800	-	-	0.00%	41.75	701,388.24
CARPENTER TECHNOLOGY	5,200	-	-	0.00%	47.24	245,642.81
CEC ENTERTAINMENT	8,000	-	-	0.00%	30.80	246,394.40
CENTURY TELEPHONE INC	45,200	0.24	10,848.00	0.70%	34.16	1,544,028.73
CHEVRON CORP	69,800	1.80	125,640.00	2.45%	73.50	5,130,284.10
CINERGY CORP	24,200	1.92	46,464.00	4.58%	41.91	1,014,286.17
CISCO SYSTEMS	46,300	-	-	0.00%	19.84	918,529.00
CITIGROUP, INC.	8,100	1.76	14,256.00	3.56%	49.44	400,498.02
CNF INC	53,000	0.40	21,200.00	0.83%	48.13	2,550,865.69
COGNEX CORP	8,600	-	-	0.00%	28.43	244,509.93
COLGATE PALMOLIVE CO	18,000	1.16	20,880.00	2.19%	52.90	952,126.20
COLONIAL PROPERTY TRUST	6,700	2.70	18,090.00	7.33%	36.83	246,731.52
COMMERCE BANCORP, INC.	900	0.44	396.00	0.76%	57.93	52,137.00
COMMERCIAL METALS	7,500	-	-	0.00%	26.95	202,098.48
CONSTELLATION BRANDS	2,600	-	-	0.00%	53.76	139,774.96
CONSTELLATION ENERGY GROUP INC	21,950	1.34	29,413.00	3.31%	40.54	889,788.50
COOPER COMPANIES	33,500	0.06	2,010.00	0.08%	77.60	2,599,650.30
CORN PRODUCTS INTL INC	8,200	-	-	0.00%	29.78	244,158.34
COVANCE INC	57,000	-	-	0.00%	43.00	2,451,112.44
CULLEN/FROST BANKERS	200	1.20	240.00	2.50%	48.08	9,616.00
CVS CORP	56,000	0.15	8,400.00	0.28%	53.20	2,979,283.07



# INVESTMENTS ACQUIRED COMMON STOCK ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 2 of 3

Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
D. R. HORTON	1,700	0.36	612.00	0.80%	44.75	76,071.94
DEAN FOODS	2,400	-	-	0.00%	34.55	82,918.08
DELL INC	108,000	-	-	0.00%	39.41	4,256,798.87
DEVON ENERGY CORPORATION	52,400	0.30	15,720.00	0.50%	59.91	3,139,438.55
DOMINION RESOURCES INC	36,000	-	-	0.00%	75.44	2,715,900.00
DOW CHEMICAL	80,200	1.34	107,468.00	3.11%	43.10	3,456,985.34
EDO CORPORATION	10,300	-	-	0.00%	23.92	246,373.84
EDUCATION MANAGEMENT	19,300	-	-	0.00%	29.19	563,456.60
ENERGEN CORP	4,100	0.40	1,640.00	0.67%	59.59	244,310.80
EXELON CORP	23,000	1.60	36,800.00	3.44%	46.55	1,070,618.22
EXXON MOBIL CORP	8,200	1.16	9,512.00	2.08%	55.65	456,294.74
FEDEX CORPORATION	36,600	0.32	11,712.00	0.33%	95.98	3,512,823.44
FISERV INC	80,200	-	-	0.00%	36.06	2,891,843.35
FLOWERS FOODS	7,900	-	-	0.00%	30.99	244,839.25
FMC CORP	28,400	-	-	0.00%	47.91	1,360,671.37
FORTUNE BRANDS, INC.	17,900	1.44	25,776.00	1.92%	75.11	1,344,518.16
FRANKLIN RESOURCES INC	1,400	0.40	560.00	0.59%	68.04	95,255.02
GAMESTOP CORP 'A'	11,700	-	-	0.00%	21.12	247,159.60
GANNETT COMPANY	900	1.16	1,044.00	1.44%	80.33	72,297.00
GENENTECH, INC.	28,500	-	-	0.00%	50.51	1,439,625.48
GENZYME CORPORATION	1,800	-	-	0.00%	59.40	106,914.60
GILEAD SCIENCES, INC	3,300	-	-	0.00%	31.84	105,072.00
GLOBALSANTAFE CORP	2,400	0.60	1,440.00	1.70%	35.33	84,792.00
GRAINGER (W W) INC	36,000	0.96	34,560.00	1.55%	61.87	2,227,195.72
GUITAR CENTER INC	63,000	-	-	0.00%	51.73	3,259,267.60
HAEMONETICS CORP.	11,800	-	-	0.00%	37.40	441,303.28
HARTFORD FINANCIAL SERV GROUP	2,600	1.16	3,016.00	1.64%	70.77	184,002.00
HILB, ROGAL & HAMILTON	7,100	-	-	0.00%	33.80	239,980.00
HOME DEPOT	3,900	0.40	1,560.00	0.95%	42.16	164,418.15
HUMANA INC	27,000	-	-	0.00%	33.49	904,150.05
HYDRIL	5,500	-	-	0.00%	44.96	247,267.50
INGERSOLL-RAND 'A'	58,300	1.00	58,300.00	1.34%	74.45	4,340,522.19
INTERNATIONAL BUSINESS MACH.	2,700	0.80	2,160.00	0.86%	92.97	251,010.09
JACOBS ENGINEERING GROUP INC.	1,600	-	-	0.00%	51.30	82,086.08
JO-ANN STORES, INC	8,000	-	-	0.00%	27.36	218,874.71
JOHNSON & JOHNSON CO	44,200	1.32	58,344.00	2.25%	58.70	2,594,589.84
JP MORGAN CHASE & CO	30,000	1.36	40,800.00	3.78%	35.97	1,079,217.00
KAYDON CORP	25,200	-	-	0.00%	31.54	794,808.53
KEITHLEY INSTRUMENTS	6,800	-	-	0.00%	17.82	121,154.82
LANCE, INC	16,000	0.64	10,240.00	4.19%	15.29	244,617.74
LANDSTAR SYSTEMS, INC	5,400	0.10	540.00	0.28%	36.18	195,372.00
LEHMAN BROTHERS HOLDINGS	53,400	0.80	42,720.00	0.95%	83.95	4,483,096.05
LEXMARK INTERNATIONAL GROUP	1,300	-	-	0.00%	84.97	110,465.03
LINEAR TECHNOLOGY CORP	25,000	0.40	10,000.00	1.02%	39.05	976,250.00
MANITOWOC COMPANY INC.	200	0.07	14.00	0.18%	38.49	7,698.00
MAXIM INTEGRATED PRODUCTS INC	18,000	0.40	7,200.00	0.91%	44.02	792,448.20
MBNA CORP	10,800	0.56	6,048.00	2.10%	26.69	288,252.00
MCAFEE INC	38,000	-	-	0.00%	28.44	1,080,773.20
MICROSOFT CORPORATION	12,800	0.32	4,096.00	1.22%	26.20	335,360.00
MOHAWK INDUSTRIES	300	-	-	0.00%	92.24	27,672.00
MOODY'S CORPORATION	1,800	-	-	0.00%	85.05	153,090.00

# INVESTMENTS ACQUIRED COMMON STOCK ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 3 of 3

Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
NABORS INDUSTRIES, LTD	2,200	-	-	0.00%	51.80	113,952.08
NATIONAL CITY CORP	1,400	1.48	2,072.00	4.11%	36.03	50,442.00
NAUTILUS GROUP INC	13,250	-	-	0.00%	18.81	249,258.68
NEXTEL COMMUNICATIONS	1,500	-	-	0.00%	28.89	43,335.00
NEXTEL PARTNERS 'A'	105,900	-	-	0.00%	17.15	1,816,337.40
OMNICOM GROUP	1,600	0.90	1,440.00	1.05%	85.94	137,507.04
ONEOK INC	26,800	1.12	30,016.00	4.82%	23.22	622,277.24
PACIFIC SUNWEAR OF CALIFORNIA	55,750	-	-	0.00%	22.72	1,266,841.42
PEPSICO INC.	4,000	1.04	4,160.00	1.89%	55.10	220,406.00
PFIZER INC.	25,000	0.76	19,000.00	2.36%	32.27	806,742.81
PHOTON DYNAMICS	5,200	-	-	0.00%	19.72	102,561.50
PLANTRONICS, INC.	2,100	0.20	420.00	0.55%	36.63	76,919.01
PROCTER & GAMBLE COMPANY	21,600	1.12	24,192.00	2.08%	53.88	1,163,741.20
QUALCOMM INCORPORATED	106,900	0.36	38,484.00	0.89%	40.45	4,323,673.28
QUANEX CORP	4,900	0.54	2,646.00	1.07%	50.33	246,635.13
RALCORP HOLDINGS INC	7,200	-	-	0.00%	34.30	246,929.01
RESPIRONICS INC	4,900	-	-	0.00%	46.17	226,221.40
SCOTTS CO'A'	100	-	-	0.00%	67.50	6,750.00
SCP POOL CORPORATION	6,900	0.09	621.00	0.28%	31.87	219,885.06
SKYWEST INC	15,300	0.12	1,836.00	0.75%	16.03	245,287.30
SOUTH FINANCIAL GROUP	7,700	0.64	4,928.00	2.01%	31.81	244,903.89
SOVRAN SELF STORAGE	6,200	2.42	15,004.00	5.69%	42.53	263,677.40
SPECTRUM BRANDS INC.	9,100	-	-	0.00%	27.98	254,572.68
ST. JUDE MEDICAL	7,000	-	-	0.00%	39.00	273,000.00
STAPLES, INC.	22,400	0.25	5,600.00	0.82%	30.37	680,232.40
STEAK N SHAKE	18,000	-	-	0.00%	18.97	341,495.76
SYSCO CORPORATION	20,000	0.60	12,000.00	1.78%	33.79	675,749.29
T. ROWE PRICE GROUP INC	2,500	0.92	2,300.00	1.55%	59.45	148,625.00
UGI CORP	6,300	0.68	4,284.00	1.72%	39.55	249,165.00
UNITED NATURAL FOODS	9,300	-	-	0.00%	26.71	248,444.75
UNITED PARCEL SERVICE	68,900	1.32	90,948.00	1.80%	73.20	5,043,313.67
UTI WORLDWIDE INC	13,000	0.60	7,800.00	0.86%	69.98	909,784.73
VERITY, INC	6,000	-	-	0.00%	11.75	70,513.20
VERIZON COMMUNICATIONS	53,800	1.62	87,156.00	4.29%	37.77	2,032,211.34
WACHOVIA CORP	36,900	1.84	67,896.00	3.50%	52.59	1,940,580.21
WALGREEN COMPANY	2,900	0.26	754.00	0.60%	43.54	126,274.99
WAL-MART STORES	5,900	0.60	3,540.00	1.13%	52.90	312,110.00
WATTS WATER TECHNOLOGIES 'A'	400	0.32	128.00	0.97%	32.93	13,172.00
WELLPOINT INC	39,000	-	-	0.00%	107.76	4,202,696.20
WINNEBAGO INDUSTRIES INC	26,100	0.36	9,396.00	1.01%	35.73	932,468.02
ZIMMER HOLDINGS INC	18,000	-	-	0.00%	80.75	1,453,430.42
<b>TOTAL COMMON STOCK ACQUIRED</b>	<b>3,083,750</b>		<b>1,577,932.00</b>	<b>1.10%</b>		<b>143,794,514.56</b>

# INVESTMENTS ACQUIRED OTHER INVESTMENTS ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 1 of 2

Name	Coupon	Maturity	Book Cost
<b>APEX CAPITAL FUND 1</b>			
BUCKEYE	11.000		36,676.99
CIBOLA VISTA (ENGLE)	11.000		33,339.87
CIBOLA VISTA (LENNAR)	11.000		52,989.66
COPPER CREEK	11.000		98,574.63
CORTESSA	11.000		51,952.02
DOBBINS POINT	11.000		42,993.95
HIGHLAND GROVES	11.000		60,689.87
RIO PASEO	11.000		93,314.25
SORRENTO	11.000		257,579.42
TRES RIO	11.000		78,258.61
WESTPARK	11.000		35,273.85
<b>TOTAL APEX CAPITAL FUND 1 ACQUIRED</b>			<b>841,643.12</b>
<b>BRIDGE FINANCIAL</b>			
BRIDGE FINANCIAL-GRAND INN (WRITE OFF BALANCE)	12.500	09/25/00	(229,214.82)
BRIDGE FINANCIAL-GRAND INN NOTE	10.000	09/10/05	102,900.00
<b>TOTAL BRIDGE FINANCIAL ACQUIRED</b>			<b>(126,314.82)</b>
<b>DESERT TROON DEBT</b>			
BUZZARD/BURRELL FARMS	9.000		1,173,060.00
FAIRWAYS CORPORATE CENTER	9.000		1,446,774.00
PERIMETER CENTER	9.000		1,902,964.00
TRAILSIDE POINT	9.000		67,776.80
<b>TOTAL DESERT TROON DEBT ACQUIRED</b>			<b>4,590,574.80</b>
<b>DESERT TROON EQUITY</b>			
BEST IN THE WEST			2,875,712.00
BUZZARD/BURRELL FARMS			493,920.00
DTRI,LLC - DESERT OASIS			1,207,360.00
DTRI,LLC - TRAILSIDE POINT			102,076.80
FAIRWAYS			603,680.00
HASSAYAMPA			702,464.00
LA MIRADA			581,728.00
PERIMETER (224K BLDG)			878,080.00
PROSPECT			164,640.00
SEVILLE OFFICE			197,568.00
SEVILLE RETAIL			460,992.00
TORREON			702,464.00
<b>TOTAL DESERT TROON EQUITY ACQUIRED</b>			<b>8,970,684.80</b>
<b>DIVERSIFIED FUNDING GROUP</b>			
WORKING CAPITAL	5.000		10,976.00
<b>TOTAL DIVERSIFIED FUNDING GROUP ACQUIRED</b>			<b>10,976.00</b>
<b>PIVOTAL DEBT</b>			
CIMARRON	9.200		2,549,025.43
COLORADO	9.200		1,934,520.00
COLORADO II	9.200		912,380.00
PROMONTORY	9.200		2,587,321.19
RED MOUNTAIN	9.200		390,932.44
SANDIA	9.200		517,886.22
WORKING CAPITAL	9.200		6,515.54
<b>TOTAL PIVOTAL DEBT ACQUIRED</b>			<b>8,898,580.82</b>

# INVESTMENTS ACQUIRED OTHER INVESTMENTS ACQUIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 2 of 2

Name	Coupon	Maturity	Book Cost
<b>PIVOTAL EQUITY</b>			
COLORADO	10.000		370,440.00
NXTV, LLC	0.000		864,360.00
PIVOTAL CIMARRON, LLC	10.000		395,136.00
PIVOTAL SANDIA, LLC	10.000		432,180.00
PIVOTAL SCOTTSDALE 123, LLC	10.000		160,524.00
<b>TOTAL PIVOTAL EQUITY ACQUIRED</b>			<b>2,222,640.00</b>
<b>SBA LOANS</b>			
ASAYO HOLDING, LTD.	9.500	07/01/10	1,207.15
<b>TOTAL SBA LOANS ACQUIRED</b>			<b>1,207.15</b>
<b>MISCELLANEOUS</b>			
DESERT TROON FINANCE, LLC	10.000	08/27/05	327,283.74
PIVOTAL DEBT FUND	10.000	12/01/11	690,802.00
PROSPECTOR EQUITY CAPITAL	0.000	06/01/09	155,784.16
VALLEY VENTURES III	8.000	09/17/06	599,166.12
WHISPERING CANYON	13.000		322,910.09
<b>TOTAL MISCELLANEOUS ACQUIRED</b>			<b>2,095,946.11</b>
<b>TOTAL OTHER INVESTMENTS ACQUIRED</b>			<b>27,505,937.98</b>

# SALES AND REDEMPTION OF INVESTMENTS BONDS SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
<b>FEDERAL AGENCY OBLIGATIONS</b>									
Detailed information for the redemptions of Federal Agency Obligations are too lengthy to include in this report; therefore, only totals are given.									
<b>TOTAL FEDERAL AGENCY OBLIGATIONS</b>			<b>7,149,898.19</b>		<b>4,375.00</b>	<b>7,069,947.30</b>	<b>7,069,947.30</b>	<b>-</b>	<b>7,074,322.30</b>
<b>CORPORATE BONDS</b>									
ANTHEM INSURANCE COMPANY INC	9.000	04/01/27	8,000,000.00	144.59400	144,000.00	11,567,520.00	8,482,884.77	3,084,635.23	11,711,520.00
CBO HOLDINGS III LTD.	7.000	02/10/38	12,667.44	104.30553	-	13,212.84	13,212.84	-	13,212.84
CBO HOLDINGS SPIRIT 2004-3A	6.500	06/01/19	59,249.08	99.03052	-	58,674.67	58,674.67	-	58,674.67
CONTINENTAL AIRLINES INC	7.256	03/15/20	41,256.63	95.12711	-	39,246.24	39,246.24	-	39,246.24
EASTMAN HILL FUNDING LTD	1.905	09/29/31	1,500,000.00	62.00000	-	930,000.00	812,070.59	117,929.41	930,000.00
FORD MOTOR COMPANY	9.500	09/15/11	310,000.00	98.25000	2,506.94	304,575.00	309,917.81	(5,342.81)	307,081.94
FORD MOTOR CREDIT	7.250	10/25/11	1,000,000.00	92.40000	34,034.72	924,000.00	1,012,355.22	(88,355.22)	958,034.72
FNMA (Reclassified)	5.000	12/30/10	1,125,000.00	100.00000	-	1,125,000.00	1,125,000.00	-	1,125,000.00
FREDDIE MAC (Reclassified)	5.000	07/02/18	1,362,035.33	100.00000	-	1,362,035.33	1,362,035.33	-	1,362,035.33
GMAC	8.000	11/01/31	2,000,000.00	99.33700	70,933.34	1,986,740.00	2,000,000.00	(13,260.00)	2,057,673.34
GMAC	6.875	08/28/12	3,000,000.00	86.37000	26,927.08	2,591,100.00	3,082,648.71	(491,548.71)	2,618,027.08
HUTCHISON WHAMPOA INTL LTD	7.450	11/24/33	350,000.00	105.66900	941.60	369,841.50	328,796.12	41,045.38	370,783.10
LIBERTY MUTUAL INSURANCE	7.875	10/15/26	1,730,000.00	109.25000	48,818.44	1,890,025.00	1,637,806.22	252,218.78	1,938,843.44
MMCAPS FUNDING I LTD/INC	8.030	06/15/31	20,159.35	87.32112	-	17,603.37	17,603.37	-	17,603.37
NORTHWEST AIR LINES INC	7.041	04/01/22	148,326.94	98.43720	-	146,008.89	146,008.89	-	146,008.89
NORTHWEST AIR LINES INC	7.935	04/01/19	83,717.37	92.57453	-	77,500.96	77,500.96	-	77,500.96
NORTHWEST AIRLINES 1999-2A	7.575	03/01/19	53,204.92	96.09936	-	51,129.59	51,129.59	-	51,129.59
OAKWOOD MORTGAGE INVESTORS INC	5.190	09/15/19	2,501,803.39	88.90819	4,700.60	2,224,308.03	2,435,019.45	(210,711.42)	2,229,008.63
REG DIVERSIFIED FUNDING SR NOTES	9.250	03/15/30	22,339.44	86.52025	-	19,328.14	19,328.14	-	19,328.14
SECURITY NATIONAL MORTGAGE LOAN	7.870	08/25/30	362,920.50	100.00000	-	362,920.50	362,920.50	-	362,920.50
SIGNATURE 6 LIMITED	7.276	09/27/16	500,000.00	92.00000	1,819.00	460,000.00	454,482.36	5,517.64	461,819.00
UNION CARBIDE CORP	7.875	04/01/23	1,500,000.00	98.00000	-	1,470,000.00	1,455,473.46	14,526.54	1,470,000.00
<b>TOTAL CORPORATE BONDS</b>			<b>25,682,680.39</b>		<b>334,681.72</b>	<b>27,990,770.06</b>	<b>25,284,115.24</b>	<b>2,706,654.82</b>	<b>28,325,451.78</b>
<b>TOTAL BONDS SOLD</b>			<b>32,832,578.58</b>		<b>339,056.72</b>	<b>35,060,717.36</b>	<b>32,354,062.54</b>	<b>2,706,654.82</b>	<b>35,399,774.08</b>



# SALES AND REDEMPTION OF INVESTMENTS COMMON STOCK SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 1 of 4

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
ABERCROMBIE & FITCH	10,000	47.5606	475,605.72	511.14	475,094.58	312,777.92	162,316.66	51.90%
ABM INDUSTRIES INC	15,700	19.3513	303,816.08	792.12	303,023.96	290,418.82	12,605.14	4.34%
ACCREDITO HEALTH	13,400	22.6516	303,530.92	677.11	302,853.81	248,269.60	54,584.21	21.99%
ADOBE SYSTEMS	34,000	48.6848	1,655,283.20	1,738.75	1,653,544.45	1,166,271.14	487,273.31	41.78%
ADVANCED ENERGY INDUSTRIES	11,000	8.8032	96,835.20	332.27	96,502.93	244,750.00	(148,247.07)	-60.57%
ALLTEL CORPORATION	21,000	56.4682	1,185,831.57	1,089.02	1,184,742.55	1,200,249.03	(15,506.48)	-1.29%
ALPHARMA INC 'A'	14,300	15.8826	227,121.07	577.33	226,543.74	261,243.05	(34,699.31)	-13.28%
AMERICAN EXPRESS	14,000	56.3531	788,943.40	718.47	788,224.93	495,680.89	292,544.04	59.02%
AMERICAN INT'L GROUP	22,000	56.9419	1,252,721.80	1,141.22	1,251,580.58	1,003,286.37	248,294.21	24.75%
AMGEN	8,000	58.6338	469,070.00	417.13	468,652.87	316,021.55	152,631.32	48.30%
ANALOG DEVICES, INC.	92,000	37.2896	3,430,640.82	4,687.28	3,425,953.54	6,509,107.84	(3,083,154.30)	-47.37%
ANHEUSER BUSCH COMPANY	25,000	47.2836	1,182,089.46	1,299.43	1,180,790.03	1,294,026.34	(113,236.31)	-8.75%
APACHE CORPORATION	98,310	52.2857	5,140,211.20	5,063.40	5,135,147.80	2,315,251.34	2,819,896.46	121.80%
APOLLO GROUP, INC.	11,200	73.6340	824,700.80	579.30	824,121.50	741,910.28	82,211.22	11.08%
ARGOSY GAMING CO	9,200	39.8648	366,756.16	468.59	366,287.57	253,431.56	112,856.01	44.53%
ATMI INC	11,900	18.7600	223,243.80	600.24	222,643.56	253,809.15	(31,165.59)	-12.28%
AVAYA INC	50,000	8.3115	415,575.00	2,517.38	413,057.62	724,350.00	(311,292.38)	-42.98%
BENCHMARK ELECTRONICS	6,600	31.7745	209,711.49	338.78	209,372.71	253,347.60	(43,974.89)	-17.36%
BLACK BOX CORPORATION	5,900	42.5420	250,997.60	300.88	250,696.72	260,789.43	(10,092.71)	-3.87%
BOSTON SCIENTIFIC CORPORATION	95,800	33.3215	3,192,199.70	4,864.70	3,187,335.00	2,075,204.77	1,112,130.23	53.59%
BROOKS AUTOMATION INC	13,600	14.8500	201,960.00	688.45	201,271.55	237,290.08	(36,018.53)	-15.18%
CANADIAN NATIONAL RAILWAY	29,000	58.8282	1,706,017.95	1,499.35	1,704,518.60	915,584.50	788,934.10	86.17%
CARDINAL HEALTH INC.	59,000	44.9941	2,654,653.60	3,012.13	2,651,641.47	3,470,954.87	(819,313.40)	-23.60%
CARPENTER TECHNOLOGY	11,700	46.8791	548,484.92	597.85	547,887.07	465,589.87	82,297.20	17.68%
CATERPILLAR INC	18,000	95.9578	1,727,240.40	956.83	1,726,283.57	1,507,879.93	218,403.64	0.00%
C-COR.net	22,500	7.4112	166,751.30	1,128.92	165,622.38	249,647.41	(84,025.03)	-33.66%
CEC ENTERTAINMENT	8,000	35.3394	282,715.20	406.62	282,308.58	246,394.40	35,914.18	14.58%
CHELSEA PROPERTY GROUP	32,600	66.6548	2,172,947.97	1,605.88	2,171,342.09	1,099,770.08	1,071,572.01	97.44%
CHOICEPOINT INCORPORATED	84,266	39.2991	3,311,579.35	4,322.28	3,307,257.07	3,286,066.80	21,190.27	0.64%
CISCO SYSTEMS	45,000	19.7600	889,200.00	2,270.82	886,929.18	447,153.34	439,775.84	98.35%
COGNEX CORP	8,600	24.9121	214,244.48	349.02	213,895.46	244,509.93	(30,614.47)	-12.52%
COLONIAL PROPERTY TRUST	6,900	39.1481	270,121.89	351.33	269,770.56	249,332.19	20,438.37	8.20%
COMCAST CORP-SPECIAL CL A	164,267	28.9583	4,756,901.15	8,332.61	4,748,568.54	5,355,485.76	(606,917.22)	-11.33%
COMMERCIAL METALS	7,500	37.5425	281,569.10	384.27	281,184.83	202,098.48	79,086.35	39.13%
COMMONWEALTH TELE ENTERPRISES	6,400	44.5357	285,028.31	326.68	284,701.63	252,800.00	31,901.63	12.62%
COMPUTER ASSOCIATES INTL. INC	240	27.7600	6,662.40	0.22	6,662.18	-	6,662.18	100.00%
CONSTELLATION BRANDS	38,100	34.1660	1,301,725.44	1,959.43	1,299,766.01	755,895.68	543,870.33	71.95%
CORINTHIAN COLLEGES, INC	226,200	13.3919	3,029,245.55	10,493.95	3,018,751.60	5,422,791.25	(2,404,039.65)	-44.33%

# SALES AND REDEMPTION OF INVESTMENTS COMMON STOCK SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 2 of 4

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
CORN PRODUCTS INTL INC	8,200	22.4128	183,784.71	417.69	183,367.02	244,158.34	(60,791.32)	-24.90%
CUNO INC	4,100	53.2430	218,296.30	210.11	218,086.19	135,066.00	83,020.19	61.47%
D. R. HORTON	72,000	28.7587	2,070,623.23	3,648.49	2,066,974.74	1,801,853.72	265,121.02	14.71%
D. R. HORTON (Stock Split)	0	0.0000	-	-	-	-	0.01	100.00%
DIAMOND OFFSHORE DRILLING	79,000	34.0504	2,689,984.42	4,012.98	2,685,971.44	1,843,821.91	842,149.53	45.67%
DOMINION RESOURCES INC	36,000	70.7087	2,545,511.99	1,906.44	2,543,605.55	2,715,900.00	(172,294.45)	-6.34%
DSP GROUP	9,000	19.1938	172,744.20	454.05	172,290.15	244,366.91	(72,076.76)	-29.50%
E.I. du PONT de NEMOURS AND CO	38,000	49.4639	1,879,628.50	1,975.11	1,877,653.39	1,498,628.00	379,025.39	25.29%
EASTMAN KODAK COMPANY	47,700	32.4659	1,548,622.54	2,435.99	1,546,186.55	1,403,202.92	142,983.63	10.19%
EDO CORPORATION	10,300	27.8106	286,448.94	524.44	285,924.50	246,373.84	39,550.66	16.05%
EGL INC	10,500	24.3595	255,774.75	533.42	255,241.33	246,750.00	8,491.33	3.44%
ELECTRONICS BOUTIQUE HLDGS CORP	62,700	38.4813	2,412,775.19	3,214.47	2,409,560.72	2,271,863.52	137,697.20	6.06%
EMC CORP	17,000	10.5831	179,912.70	854.21	179,058.49	159,931.87	19,126.62	11.96%
ENRON CORP CLASS ACTION PROCEEDS	0	0.0000	-	-	-	-	770.20	100.00%
EXPRESS SCRIPTS	85,800	75.9492	6,516,445.15	4,511.72	6,511,933.43	1,881,112.26	4,630,821.17	246.17%
FAIR ISAAC & CO	52,800	25.3888	1,340,529.49	2,671.38	1,337,858.11	1,885,167.58	(547,309.47)	-29.03%
FEI COMPANY	9,200	20.6528	190,006.02	467.96	189,538.06	251,978.16	(62,440.10)	-24.78%
FLEXTRONICS INTERNATIONAL	88,000	11.6900	1,028,720.45	3,204.08	1,025,516.37	1,218,496.37	(192,980.00)	-15.84%
FLOWERS FOODS	7,900	28.8033	227,546.45	404.31	227,142.14	244,839.25	(17,697.11)	-7.23%
FORWARD AIR CORPORATION	8,100	36.7787	297,907.48	411.99	297,495.49	246,629.66	50,865.83	20.62%
GAMESTOP CORP 'A'	11,700	25.8276	302,182.38	597.65	301,584.73	247,159.60	54,425.13	22.02%
GENERAL MOTORS CORPORATION	34,900	31.7554	1,108,262.60	1,781.47	1,106,481.13	1,337,920.43	(231,439.30)	-17.30%
HAEMONETICS CORP.	11,800	40.1932	474,279.39	605.52	473,673.87	441,303.28	32,370.59	7.34%
HARMAN INTERNATIONAL INDUSTRIES	3,200	103.3820	330,822.40	167.75	330,654.65	254,230.40	76,424.25	30.06%
HELIIX TECHNOLOGY	10,400	14.4667	150,453.68	523.53	149,930.15	126,409.19	23,520.96	18.61%
HIBBETT SPORTING GOODS	3,800	18.6096	70,716.66	191.67	70,524.99	99,034.60	(28,509.61)	-28.79%
HILB, ROGAL & HAMILTON	7,100	32.9571	233,995.09	360.49	233,634.60	239,980.00	(6,345.40)	-2.64%
HONEYWELL INTERNATIONAL INC	50,600	38.6945	1,957,942.00	2,594.44	1,955,347.56	1,324,931.54	630,416.02	47.58%
HYDRIL	8,800	40.9568	360,420.00	448.45	359,971.55	246,081.96	113,889.59	46.28%
IAC / INTERACTIVECORP	96,800	23.1389	2,239,849.44	4,898.91	2,234,950.53	3,420,215.50	(1,185,264.97)	-34.65%
INTEGRA LIFESCIENCES HOLDINGS	9,300	31.6943	294,756.82	477.34	294,279.48	270,713.58	23,565.90	8.71%
INTEL CORPORATION	74,000	21.6548	1,602,453.34	3,737.52	1,598,715.82	2,187,246.67	(588,530.85)	-26.91%
INTERNATIONAL PAPER COMPANY	36,200	36.5815	1,324,251.16	1,853.58	1,322,397.58	1,371,057.46	(48,659.88)	-3.55%
INTRADO INC	11,400	10.1550	115,767.00	572.71	115,194.29	251,069.48	(135,875.19)	-54.12%
JABIL CIRCUIT	30,900	19.8380	612,992.77	1,559.36	611,433.41	644,367.33	(32,933.92)	-5.11%
KAYDON CORP	38,700	27.0386	1,046,393.82	1,978.74	1,044,415.08	1,049,275.38	(4,860.30)	-0.46%
KEITHLEY INSTRUMENTS	6,800	14.0515	95,550.49	344.02	95,206.47	121,154.82	(25,948.35)	-21.42%
KINDER MORGAN, INC.	35,200	64.5593	2,272,488.58	1,813.20	2,270,675.38	1,904,291.13	366,384.25	19.24%
KULICKE & SOFFA INDUSTRIES	16,000	5.2916	84,665.60	801.99	83,863.61	249,280.00	(165,416.39)	-66.36%

# SALES AND REDEMPTION OF INVESTMENTS COMMON STOCK SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 3 of 4

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
LENNAR CORP Class A	56,000	43.5568	2,439,180.90	2,857.09	2,436,323.81	1,632,376.24	803,947.57	49.25%
MERCK & CO.	28,500	31.9965	911,900.25	1,455.01	910,445.24	1,352,664.15	(442,218.91)	-32.69%
METLIFE INC.	26,400	34.5161	911,224.26	1,341.33	909,882.93	757,441.60	152,441.33	20.13%
MOODY'S CORPORATION	65,000	83.9527	5,456,928.11	3,429.57	5,453,498.54	2,458,919.82	2,994,578.72	121.78%
MYLAN LABORATORIES	39,700	16.3953	650,895.02	2,005.29	648,889.73	888,897.16	(240,007.43)	-27.00%
NAUTILUS GROUP INC	13,250	21.7231	287,831.08	669.24	287,161.84	249,258.68	37,903.16	15.21%
NBTY INC	26,000	21.0933	548,425.87	1,312.85	547,113.02	693,719.54	(146,606.52)	-21.13%
NEXTEL PARTNERS 'A'	24,000	25.6330	615,191.12	1,225.72	613,965.40	411,634.54	202,330.86	49.15%
NOBLE CORPORATION	23,300	38.2864	892,073.12	1,185.88	890,887.24	1,041,527.23	(150,639.99)	-14.46%
P.F. CHANG'S CHINA BISTRO	28,000	56.1830	1,573,124.36	1,445.96	1,571,678.40	753,630.49	818,047.91	108.55%
PACTIV CORPORATION	32,500	21.6530	703,721.90	1,654.45	702,067.45	522,940.80	179,126.65	34.25%
PANERA BREAD 'A'	6,000	54.8056	328,833.49	310.84	328,522.65	256,291.20	72,231.45	28.18%
PAXAR CORP	17,500	17.7634	310,860.10	888.01	309,972.09	243,250.00	66,722.09	27.43%
PFIZER INC.	55,000	27.0789	1,489,340.00	2,784.87	1,486,555.13	1,617,282.74	(130,727.61)	-8.08%
PHOTON DYNAMICS	11,200	21.4984	240,782.24	565.64	240,216.60	359,401.55	(119,184.95)	-33.16%
PLANTRONICS, INC.	29,000	41.1665	1,193,829.51	1,477.97	1,192,351.54	778,951.25	413,400.29	53.07%
PRAXAIR INC	14,000	41.6042	582,458.90	719.17	581,739.73	491,370.32	90,369.41	18.39%
QUIKSILVER, INC	35,000	22.2678	779,372.87	1,768.25	777,604.62	595,448.56	182,156.06	30.59%
RARE HOSPITALITY INTERNATIONAL	10,000	27.0940	270,940.00	506.35	270,433.65	253,913.25	16,520.40	6.51%
REGIS CORPORATION	26,700	41.7075	1,113,589.65	1,361.07	1,112,228.58	851,008.47	261,220.11	30.70%
RELIANCE STEEL & ALUMINUM	16,300	37.5800	612,554.00	829.34	611,724.66	253,201.72	358,522.94	141.60%
RENAL CARE GROUP	7,800	32.6578	254,730.84	395.97	254,334.87	243,950.53	10,384.34	4.26%
RYAN'S RESTAURANT GROUP INC	16,300	13.8728	226,126.70	820.31	225,306.39	255,570.13	(30,263.74)	-11.84%
SANMINA CORP.	185,100	5.3122	983,282.32	4,807.73	978,474.59	4,760,743.28	(3,782,268.69)	-79.45%
SBC COMMUNICATIONS INC.	61,700	23.5226	1,451,346.72	3,137.29	1,448,209.43	1,367,765.75	80,443.68	5.88%
SCHOLASTIC CORPORATION	48,000	28.9652	1,390,328.93	2,432.56	1,387,896.37	1,378,273.65	9,622.72	0.70%
SCP POOL CORPORATION	44,825	31.9904	1,433,969.12	2,296.41	1,431,672.71	564,589.75	867,082.96	153.58%
SMITH, A O CORP	5,200	23.2701	121,004.52	262.84	120,741.68	152,390.94	(31,649.26)	-20.77%
SMURFIT-STONE CONTAINER CORP	42,800	13.8410	592,395.25	1,805.27	590,589.98	641,964.32	(51,374.34)	-8.00%
STEEL DYNAMICS	21,100	30.5552	644,715.29	1,070.11	643,645.18	256,330.73	387,314.45	151.10%
STEWART & STEVENSON SERVICES	10,700	15.5643	166,538.05	538.91	165,999.14	180,662.41	(14,663.27)	-8.12%
SYMANTEC CORPORATION	255,200	32.6707	8,337,552.29	12,990.67	8,324,561.62	2,238,710.79	6,085,850.83	271.85%
T. ROWE PRICE GROUP INC	13,000	61.3126	797,063.43	683.34	796,380.09	522,488.50	273,891.59	52.42%
TETRA TECH, INC	13,700	12.8674	176,283.30	689.14	175,594.16	244,380.60	(68,786.44)	-28.15%
TEXAS INSTRUMENTS	62,000	21.1651	1,312,236.20	3,130.72	1,309,105.48	1,525,381.24	(216,275.76)	-14.18%
THE CHILDREN'S PLACE	10,500	21.6544	227,371.20	530.33	226,840.87	250,408.38	(23,567.51)	-9.41%
TRACTOR SUPPLY CO.	5,900	38.7792	228,797.28	300.36	228,496.92	245,126.65	(16,629.73)	-6.78%
TYCO INTERNATIONAL LTD.	29,500	32.4370	956,890.41	1,504.77	955,385.64	987,475.23	(32,089.59)	-3.25%
TYSON FOODS, INC.	44,500	21.0022	934,598.46	2,246.89	932,351.57	523,479.78	408,871.79	78.11%

# SALES AND REDEMPTION OF INVESTMENTS COMMON STOCK SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 4 of 4

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
UNITEDHEALTH GROUP INC	45,535	78.7711	3,586,840.67	2,360.70	3,584,479.97	2,373,694.37	1,210,785.60	51.01%
PROCEEDS FROM UNH/OHP MERGER	0	0.0000	-	-	-	-	1,076,922.00	100.00%
UNITEDHEALTH GROUP INC (Frac Shrs)	0	0.0000	-	-	-	-	39.21	100.00%
VIACOM INC.	83,500	34.4471	2,876,332.98	4,242.34	2,872,090.64	3,698,928.70	(826,838.06)	-22.35%
VISHAY INTERTECHNOLOGY INC	64,000	13.3961	857,349.04	2,966.18	854,382.86	1,696,832.41	(842,449.55)	-49.65%
VODAFONE GROUP	25,000	26.0125	650,312.36	1,271.40	649,040.96	516,900.06	132,140.90	25.56%
VORNADO REALTY TRUST	49,000	62.1583	3,045,758.57	2,521.31	3,043,237.26	2,096,745.34	946,491.92	45.14%
WAL-MART STORES	16,000	46.9029	750,446.80	830.82	749,615.98	867,078.97	(117,462.99)	-13.55%
WILLIAMS COMPANIES, INC.	58,000	13.0873	759,061.80	2,337.77	756,724.03	1,378,237.69	(621,513.66)	-45.09%
WINTRUST FINANCIAL	5,700	52.1510	297,260.70	291.96	296,968.74	272,677.05	24,291.69	8.91%
YELLOW ROADWAY CORPORATION	9,900	48.3029	478,198.71	514.99	477,683.72	255,119.04	222,564.68	87.24%
ZALE CORP	9,400	26.3670	247,849.80	475.80	247,374.00	248,865.00	(1,491.00)	-0.60%
<b>TOTAL COMMON STOCK SOLD</b>	<b>4,322,293</b>		<b>140,223,138.22</b>	<b>211,819.15</b>	<b>140,011,319.07</b>	<b>125,163,204.51</b>	<b>15,925,845.98</b>	<b>12.72%</b>



# SALES AND REDEMPTION OF INVESTMENTS OTHER INVESTMENTS SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 1 of 2

Name	Coupon	Maturity	Book Cost	Capital Gains (Loss)
<b>APEX CAPITAL FUND 1</b>				
ARROYO VERDE	11.000		52,960.62	11,292.52
BELL WEST	11.000		35,003.98	45,860.60
CAMPO VERDE	11.000		29,473.03	-
CIBOLA VISTA (ENGLE)	11.000		2,317.72	-
COPPER CREEK	11.000		15,248.96	-
CORTESSA	11.000		29.64	-
DOBBINS POINT	11.000		42,993.95	35,626.59
ESTRELLA MOUNTAIN RANCH	11.000		-	12,337.23
HIGHLAND GROVES	11.000		2,559.06	-
MERITAGE - VERRADO	11.000		55,319.73	-
RIO PASEO	11.000		8,690.52	-
SANTAN VISTA	11.000		96,237.25	-
VISTA DORADA	11.000		44,950.81	-
<b>TOTAL APEX CAPITAL FUND 1 SOLD</b>			<b>385,785.27</b>	<b>105,116.94</b>
<b>BRIDGE FINANCIAL LOANS</b>				
GRAND INN	12.500	09/25/00	154,887.97	(240,875.24)
GRAND INN NOTE	10.000	09/10/05	1,372.00	-
<b>TOTAL BRIDGE FINANCIAL SOLD</b>			<b>156,259.97</b>	<b>(240,875.24)</b>
<b>DESERT TROON EQUITY</b>				
BEST IN THE WEST			2,875,712.00	159,700.80
BUZZARD/BURRELL FARMS			493,920.00	582,323.72
DTR1,LLC-DESERT TROON			4,389,726.28	-
DTR1,LLC-DESERT OASIS			1,207,360.00	-
DTR1,LLC-SEA PORT			2,908,193.66	-
PROSPECT			164,640.00	(735,392.00)
TOREEON GC			-	6,860.00
<b>TOTAL DESERT TROON EQUITY SOLD</b>			<b>12,039,551.94</b>	<b>13,492.52</b>
<b>DESERT TROON DEBT</b>				
BUZZARD/BURRELL FARMS			1,173,060.00	-
<b>TOTAL DESERT TROON DEBT SOLD</b>			<b>1,173,060.00</b>	<b>-</b>
<b>DIVERSIFIED FUNDING GROUP</b>				
TIERRA DEL RIO (TDR), LLC	13.000	10/22/05	3,259,371.77	-
<b>TOTAL DIVERSIFIED FUNDING GROUP SOLD</b>			<b>3,259,371.77</b>	<b>-</b>
<b>PIVOTAL EQUITY</b>				
CENTURY PLAZA HOTEL (CPH1,LLC)			1,509,200.00	-
PIVOTAL 650, L.L.C.			1,592,647.56	110,745.65
PIVOTAL PROMONTORY			-	1,995,263.79
<b>TOTAL PIVOTAL EQUITY SOLD</b>			<b>3,101,847.56</b>	<b>2,106,009.44</b>



# SALES AND REDEMPTION OF INVESTMENTS OTHER INVESTMENTS SOLD

JULY 1, 2004 THROUGH JUNE 30, 2005

Page 2 of 2

Name	Coupon	Maturity	Book Cost	Capital Gains (Loss)
<b>PIVOTAL DEBT FUND</b>				
CIMARRON	9.200		1,506,730.40	-
COLORADO	9.200		1,413,160.00	-
PROMONTORY	9.200		2,587,321.19	-
SANDIA	9.200		61,740.00	-
<b>TOTAL PIVOTAL DEBT FUND SOLD</b>			<b>5,568,951.59</b>	<b>-</b>
<b>SBA LOANS</b>				
ASAYO HOLDING, LTD	9.500	07/01/10	56,522.21	7,051.28
EQUITY PARTNERSHIP	9.250	05/01/16	6,644.31	-
NIARKOS	10.000	05/01/14	3,972.11	-
<b>TOTAL SBA SOLD</b>			<b>67,138.63</b>	<b>7,051.28</b>
<b>MISCELLANEOUS</b>				
DESERT TROON FINANCE, LLC	10.000	08/27/05	3,543,981.97	-
PIVOTAL DEBT FUND	10.000	12/01/11	5,133,607.02	-
PIVOTAL SIMON HOTEL	10.000	05/14/03	-	9,494.24
TALLEY PROPERTIES	12.000	12/01/01	-	102,900.00
WHISPERING CANYON	13.000		240,843.93	-
<b>TOTAL MISCELLANEOUS SOLD</b>			<b>8,918,432.92</b>	<b>112,394.24</b>
<b>TOTAL OTHER INVESTMENTS SOLD</b>			<b>34,670,399.65</b>	<b>2,103,189.18</b>

# INVESTMENTS OWNED BOND PORTFOLIO

JUNE 30, 2005

Page 1 of 4

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Dur.
<b>U.S. TREASURY OBLIGATIONS</b>												
1,000,000.00	U.S. TREASURY BOND	7.500	11/15/2016	972,723.02	97.27230	131.06600	1,310,660.00	337,936.98	75,000.00	7.71	4.09	8.12
2,000,000.00	U.S. TREASURY BOND	8.125	08/15/2019	2,001,296.00	100.06480	141.70300	2,834,060.00	832,764.00	162,500.00	8.12	4.16	8.60
3,000,000.00	U.S. TREASURY BOND	9.125	05/15/2018	3,000,000.00	100.00000	149.59800	4,487,940.00	1,487,940.00	273,750.00	9.13	4.15	7.87
1,000,000.00	U.S. TREASURY BOND	8.000	11/15/2021	1,000,000.00	100.00000	144.09000	1,440,900.00	440,900.00	80,000.00	8.00	4.25	9.44
<b>7,000,000.00</b>	<b>TOTAL U.S. TREASURY OBLIGATIONS</b>			<b>6,974,019.02</b>			<b>10,073,560.00</b>	<b>3,099,540.98</b>	<b>591,250.00</b>	<b>8.48</b>	<b>4.16</b>	<b>8.34</b>
<b>FEDERAL AGENCY OBLIGATIONS</b>												
1,351,575.84	FNMA 4.40 12/25/12	4.400	12/25/2012	1,346,160.66	99.59934	98.65630	1,333,414.72	(12,745.94)	59,469.34	4.42	4.61	6.37
2,734,985.03	FNMA 4.45 08/25/12	4.450	08/25/2012	2,722,732.09	99.55199	99.57810	2,723,446.13	714.04	121,706.83	4.47	4.52	6.12
270,000.00	FNMA 5.00 11/15/12	5.000	11/15/2012	270,000.00	100.00000	100.15600	270,421.20	421.20	13,500.00	5.00	4.98	6.15
750,000.00	FNMA 5.00 11/25/21	5.000	11/25/2021	744,355.38	99.24738	99.61800	747,135.00	2,779.62	37,500.00	5.04	5.03	11.28
5,100,000.00	FNMA 6.00 05/24/19	6.000	05/24/2019	5,099,869.30	99.99744	100.31300	5,115,963.00	16,093.70	306,000.00	6.00	5.97	9.66
2,168,775.41	FNMA FNR 2003-42 EP	4.000	11/25/2022	2,122,017.28	97.84403	98.11900	2,127,980.74	5,963.46	86,751.02	4.09	4.15	12.81
500,000.00	FNMA FNR 2005-27 AB	5.500	02/25/2034	501,872.56	100.37451	99.86000	499,300.00	(2,572.56)	27,500.00	5.48	5.51	14.41
1,037,000.00	FNMA FNR 2005-27 AC	5.500	08/25/2034	1,040,236.42	100.31209	100.72000	1,044,466.40	4,229.98	57,035.00	5.48	5.45	14.52
1,578,208.62	FNMA FNR 2005-45 BG	4.500	06/25/2025	1,517,526.90	96.15503	95.89300	1,513,391.59	(4,135.31)	71,019.39	4.68	4.82	13.71
2,000,000.00	FREDDIE MAC	5.000	08/10/2012	2,000,000.00	100.00000	100.13200	2,002,640.00	2,640.00	100,000.00	5.00	4.98	5.99
600,000.00	FREDDIE MAC	5.250	11/05/2012	604,858.85	100.80981	100.96900	605,814.00	955.15	31,500.00	5.21	5.09	6.00
1,500,000.00	FREDDIE MAC	5.000	07/02/2018	1,371,882.24	91.45882	99.15800	1,487,370.00	115,487.76	75,000.00	5.47	5.09	10.62
130,821.84	GNMA Pool #173878	9.000	08/15/2016	129,431.86	98.93750	108.98600	142,577.49	13,145.63	11,773.97	9.10	3.18	4.76
65,101.07	GNMA Pool #174481	9.000	07/15/2016	63,046.32	96.84375	108.98600	70,951.05	7,904.73	5,859.10	9.29	3.18	4.83
166,336.40	GNMA Pool #176431	9.000	08/15/2016	161,034.41	96.81249	108.98600	181,283.39	20,248.98	14,970.28	9.30	3.18	4.86
5,137.51	GNMA Pool #190095	9.000	12/15/2016	4,875.83	94.90648	108.98600	5,599.17	723.34	462.38	9.48	3.18	5.08
51,846.16	GNMA Pool #202505	9.000	10/15/2019	50,695.82	97.78124	109.66000	56,854.50	6,158.68	4,666.15	9.20	3.18	5.84
49,888.19	GNMA Pool #217956	10.000	11/15/2017	49,328.80	98.87871	112.72600	56,236.96	6,908.16	4,988.82	10.11	8.87	5.06
64,746.45	GNMA Pool #226529	9.000	06/15/2018	59,586.97	92.03125	109.45400	70,867.58	11,280.61	5,827.18	9.78	3.18	5.77
3,190.58	GNMA Pool #232237	9.000	01/15/2020	3,105.84	97.34406	109.85800	3,505.11	399.27	287.15	9.25	3.18	5.95
38,317.38	GNMA Pool #234937	9.000	03/15/2018	35,395.69	92.37503	109.45400	41,939.91	6,544.22	3,448.56	9.74	3.18	5.66
88,370.15	GNMA Pool #238600	10.000	11/15/2017	87,790.23	99.34376	112.72600	99,616.14	11,825.91	8,837.02	10.07	8.87	5.04
13,775.99	GNMA Pool #238840	9.000	05/15/2018	12,768.61	92.68742	109.45400	15,078.37	2,309.76	1,239.84	9.71	3.18	5.70
16,652.82	GNMA Pool #248951	9.000	05/15/2018	15,736.92	94.50003	109.45400	18,227.18	2,490.26	1,498.75	9.52	3.18	5.59
6,417.51	GNMA Pool #252056	9.000	06/15/2018	6,237.03	97.18769	109.45400	7,024.22	787.19	577.58	9.26	3.18	5.46
28,394.31	GNMA Pool #256195	9.000	08/15/2018	26,868.12	94.62501	109.45400	31,078.71	4,210.59	2,555.49	9.51	3.18	5.66
59,871.32	GNMA Pool #285597	9.000	03/15/2020	57,139.68	95.43748	109.85800	65,773.43	8,633.75	5,388.42	9.43	3.18	6.12
12,166.62	GNMA Pool #285803	9.000	03/15/2020	11,622.93	95.53130	109.85800	13,366.01	1,743.08	1,095.00	9.42	3.18	6.11
28,159.20	GNMA Pool #298952	9.000	04/15/2021	28,159.20	100.00000	110.01700	30,979.91	2,820.71	2,534.33	9.00	3.18	6.15
10,634.13	GNMA Pool #303324	9.000	04/15/2021	10,634.13	100.00000	110.01700	11,699.35	1,065.22	957.07	9.00	3.18	6.15
13,204.78	GNMA Pool #304625	9.000	03/15/2021	13,200.64	99.96865	110.01700	14,527.50	1,326.86	1,188.43	9.00	3.18	6.12
31,915.17	GNMA Pool #305187	9.000	06/15/2021	31,905.18	99.96870	110.01700	35,112.11	3,206.93	2,872.37	9.00	3.18	6.19
103,985.15	GNMA Pool #330725	8.000	07/15/2022	103,302.74	99.34374	108.25000	112,563.92	9,261.18	8,318.81	8.05	3.90	6.75
531,557.18	GNMA Pool #375887	7.000	05/15/2024	497,338.18	93.56250	106.34400	565,279.17	67,940.99	37,209.00	7.48	3.68	7.99
148,114.42	GNMA Pool #377589	7.500	08/15/2025	147,697.86	99.71876	107.49900	159,221.52	11,523.66	11,108.58	7.52	3.77	7.70

# INVESTMENTS OWNED BOND PORTFOLIO

JUNE 30, 2005

Page 2 of 4

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Dur.
263,289.65	GNMA Pool #386038	7.000	06/15/2024	247,122.02	93.85938	106.34400	279,992.75	32,870.73	18,430.28	7.46	3.68	7.99
126,106.55	GNMA Pool #389845	8.000	09/15/2024	123,860.28	98.21875	108.20900	136,458.64	12,598.36	10,088.52	8.15	3.90	7.43
232,018.57	GNMA Pool #398831	8.000	08/15/2026	231,654.29	99.84300	108.20400	251,053.37	19,399.08	18,561.49	8.01	3.90	7.79
121,796.83	GNMA Pool #403979	8.500	10/15/2024	119,720.78	98.29548	110.30000	134,341.90	14,621.12	10,352.73	8.65	4.38	7.31
181,904.92	GNMA Pool #421711	7.500	04/15/2026	181,677.54	99.87500	107.41700	195,396.81	13,719.27	13,642.87	7.51	3.77	7.87
86,024.28	GNMA Pool #427556	7.500	03/15/2026	85,768.90	99.70313	107.41700	92,404.70	6,635.80	6,451.82	7.52	3.77	7.86
377,629.27	GNMA Pool #432701	8.000	06/15/2026	377,629.27	100.00000	108.20400	408,609.98	30,980.71	30,210.34	8.00	3.90	7.74
221,169.76	GNMA Pool #434101	7.000	12/15/2028	216,815.48	98.03125	106.02500	234,495.24	17,679.76	15,481.88	7.14	3.68	8.89
254,084.03	GNMA Pool #434237	6.000	03/15/2029	235,305.64	92.60938	103.34700	262,588.22	27,282.58	15,245.04	6.48	4.65	9.93
22,720.90	GNMA Pool #439645	8.000	09/15/2026	22,705.78	99.93345	108.20400	24,584.92	1,879.14	1,817.67	8.01	3.90	7.81
39,747.66	GNMA Pool #441619	7.500	11/15/2029	39,591.91	99.60815	107.20900	42,613.07	3,021.16	2,981.07	7.53	3.77	8.76
142,712.78	GNMA Pool #458918	7.000	08/15/2028	140,123.87	98.18593	106.02500	151,311.23	11,187.36	9,989.89	7.13	3.68	8.79
210,350.69	GNMA Pool #475872	7.000	07/15/2028	208,641.59	99.18750	106.02500	223,024.32	14,382.73	14,724.55	7.06	3.68	8.68
641,693.69	GNMA Pool #499876	7.000	06/15/2029	638,284.70	99.46875	105.96000	679,938.63	41,653.93	44,918.56	7.04	3.68	8.89
692,191.07	GNMA Pool #499905	7.000	05/15/2029	687,215.92	99.28125	105.96000	733,445.66	46,229.74	48,453.37	7.05	3.68	8.88
404,532.28	GNMA Pool #499907	7.000	05/15/2029	387,779.18	95.85865	105.96000	428,642.40	40,863.22	28,317.26	7.30	3.68	9.20
213,523.70	GNMA Pool #507496	7.000	06/15/2029	206,984.54	96.93750	105.96000	226,249.71	19,265.17	14,946.66	7.22	3.68	9.12
59,544.60	GNMA Pool #510958	7.000	05/15/2029	59,116.63	99.28126	105.96000	63,093.46	3,976.83	4,168.12	7.05	3.68	8.88
33,472.53	GNMA Pool #512888	7.000	07/15/2029	32,447.45	96.93755	105.96000	35,467.49	3,020.04	2,343.08	7.22	3.68	9.14
93,495.10	GNMA Pool #513367	7.000	08/15/2029	89,519.82	95.74814	105.96000	99,067.41	9,547.59	6,544.66	7.31	3.68	9.27
346,634.00	GNMA Pool #530611	6.500	05/15/2031	346,336.11	99.91406	104.56200	362,447.44	16,111.33	22,531.21	6.51	3.92	9.54
481,707.22	GNMA Pool #530631	6.500	06/15/2031	479,562.16	99.55470	104.56200	503,682.70	24,120.54	31,310.97	6.53	3.92	9.59
252,676.39	GNMA Pool #539629	6.500	04/15/2031	251,728.85	99.62500	104.56200	264,203.49	12,474.64	16,423.97	6.52	3.92	9.55
102,146.50	GNMA Pool #548963	6.500	03/15/2031	101,891.13	99.75000	104.56200	106,806.42	4,915.29	6,639.52	6.52	3.92	9.51
185,392.20	GNMA Pool #549915	6.500	05/15/2031	184,696.98	99.62500	104.56200	193,849.79	9,152.81	12,050.49	6.52	3.92	9.57
1,674,096.30	GNMA Pool #552514	6.500	04/15/2032	1,668,341.60	99.65625	104.55000	1,750,267.68	81,926.08	108,816.26	6.52	3.92	9.79
355,342.43	GNMA Pool #560189	6.500	04/15/2031	354,454.08	99.75000	104.56200	371,553.15	17,099.07	23,097.26	6.52	3.92	9.54
560,258.76	GNMA Pool #780076	8.000	02/15/2025	550,014.77	98.17156	108.21100	606,261.61	56,246.84	44,820.70	8.15	3.90	7.54
282,292.22	GNMA Pool #780220	7.500	08/15/2025	282,196.71	99.96617	107.65800	303,910.16	21,713.45	21,171.92	7.50	3.77	7.68
116,234.80	GNMA Pool #780896	7.000	11/15/2028	113,838.88	97.93872	106.04700	123,263.52	9,424.64	8,136.44	7.15	3.68	8.88
<b>30,033,938.91</b>	<b>TOTAL FEDERAL AGENCY OBLIGATIONS</b>			<b>29,613,441.53</b>	<b>98.59993</b>		<b>30,569,731.35</b>	<b>956,289.82</b>	<b>1,737,314.46</b>	<b>5.87</b>	<b>4.65</b>	<b>9.23</b>
<b>CORPORATE BONDS</b>												
4,200,000.00	AMERICAN AIRLINES	7.858	10/01/2011	4,198,454.61	99.96321	105.62200	4,436,124.00	237,669.39	330,036.00	7.86	6.77	5.21
994,000.00	AT&T BROADBAND CORP	9.455	11/15/2022	1,011,383.09	101.74880	141.46300	1,406,142.22	394,759.13	93,982.70	9.29	5.68	8.72
1,000,000.00	BANC ONE CORP	8.000	04/29/2027	1,022,147.09	102.21471	132.84400	1,328,440.00	306,292.91	80,000.00	7.83	5.43	10.45
4,000,000.00	BAYER HYPO-VEREINSBANK	8.741	06/30/2031	3,388,185.98	84.70465	136.69800	5,467,920.00	2,079,734.02	349,640.00	10.32	5.95	12.57
1,400,000.00	BAYERISCHE LANDESBANK	11.000	09/27/2011	1,400,000.00	100.00000	98.12500	1,373,750.00	(26,250.00)	154,000.00	11.00	11.43	4.50
1,400,000.00	BEAR STEARNS CO INC	9.500	09/22/2011	1,400,000.00	100.00000	100.00000	1,400,000.00	-	133,000.00	9.50	9.50	4.69
2,500,000.00	BOEING CORPORATION	8.750	08/15/2021	3,029,330.79	121.17323	139.21400	3,480,350.00	451,019.21	218,750.00	7.22	5.13	7.34
1,139,300.68	CBO HOLDINGS III LTD.	7.000	02/10/2038	1,201,444.32	105.45454	100.00000	1,139,300.68	(62,143.64)	79,751.05	6.64	7.00	12.52
840,750.92	CBO HOLDINGS SPIRIT 2004-3A	6.500	06/01/2019	833,171.06	99.09844	100.00000	840,750.92	7,579.86	54,648.81	6.56	6.50	9.48
1,201,000.00	CONTINENTAL AIRLINES INC	6.320	11/01/2008	1,211,450.43	100.87014	100.16800	1,203,017.68	(8,432.75)	75,903.20	6.27	6.27	3.17



# INVESTMENTS OWNED BOND PORTFOLIO

JUNE 30, 2005

Page 3 of 4

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Dur.
4,443,000.00	CONTINENTAL AIRLINES INC	7.918	05/01/2010	4,491,138.33	101.08346	102.18600	4,540,123.98	48,985.65	351,796.74	7.83	7.39	4.18
952,000.00	CONTINENTAL AIRLINES INC	6.503	06/15/2011	951,297.49	99.92621	98.72800	939,890.56	(11,406.93)	61,908.56	6.51	6.76	5.07
551,080.64	CONTINENTAL AIRLINES INC	7.256	03/15/2020	575,558.77	104.44184	100.79700	555,472.75	(20,086.02)	39,986.41	6.95	7.17	8.81
1,500,000.00	COUNTRYWIDE CAPITAL I	8.000	12/15/2026	1,500,000.00	100.00000	103.69700	1,555,455.00	55,455.00	120,000.00	8.00	7.65	10.59
2,100,000.00	DAIMLER CHRYSLER FLOATER	3.890	09/26/2005	2,103,194.06	100.15210	100.13900	2,102,919.00	(275.06)	81,690.00	3.88	0.00	0.00
2,000,000.00	FIRST EMPIRE CAPITAL TRUST I	8.234	02/01/2027	2,131,678.20	106.58391	108.06000	2,161,200.00	29,521.80	164,680.00	7.73	7.48	9.77
3,000,000.00	FIRST HAWAIIAN CAP. TRUST	8.343	07/01/2027	3,139,649.67	104.65499	109.43400	3,283,020.00	143,370.33	250,290.00	7.97	7.46	9.96
1,000,000.00	FORD HOLDINGS INC	9.375	03/01/2020	1,103,006.50	110.30065	96.93000	969,300.00	(133,706.50)	93,750.00	8.50	9.78	7.44
750,000.00	FORD MOTOR CO	6.625	10/01/2028	570,633.58	76.08448	78.44500	588,337.50	17,703.92	49,687.50	8.71	8.81	16.07
690,000.00	FORD MOTOR COMPANY	9.500	09/15/2011	689,824.14	99.97451	101.41200	699,742.80	9,918.66	65,550.00	9.50	9.19	4.71
1,000,000.00	GM NOVA SCOTIA	6.850	10/15/2008	1,026,394.25	102.63943	94.26100	942,610.00	(83,784.25)	68,500.00	6.67	8.79	3.09
2,000,000.00	GMAC	6.875	08/28/2012	2,053,521.25	102.67606	91.54200	1,830,840.00	(222,681.25)	137,500.00	6.70	8.50	5.52
1,000,000.00	GOLDMAN SACHS GROUP INC.	8.000	03/01/2013	998,019.62	99.80196	119.97200	1,199,720.00	201,700.38	80,000.00	8.02	4.80	5.79
3,750,000.00	HARTFORD LIFE GLBL FDG TRUST	4.450	03/15/2010	3,723,538.47	99.29436	98.36700	3,688,762.50	(34,775.97)	166,875.00	4.48	4.84	4.25
1,000,000.00	HUNTINGTON BANKS SUB NTS	6.600	06/15/2018	932,517.99	93.25180	112.00200	1,120,020.00	187,502.01	66,000.00	7.08	5.31	9.57
4,100,000.00	HUTCHISON WHAMPOA FIN.	7.450	08/01/2017	4,384,725.50	106.94452	118.06000	4,840,460.00	455,734.50	305,450.00	6.97	5.39	7.61
500,000.00	HUTCHISON WHAMPOA INTL LTD	7.450	11/24/2033	470,315.46	94.06309	117.65900	588,295.00	117,979.54	37,250.00	7.92	6.13	12.96
1,000,000.00	JPM CAPITAL TRUST I	7.540	01/15/2027	1,073,165.23	107.31652	107.73300	1,077,330.00	4,164.77	75,400.00	7.03	6.85	10.21
4,000,000.00	JPM CAPITAL TRUST II	7.950	02/01/2027	4,142,734.75	103.56837	108.63900	4,345,560.00	202,825.25	318,000.00	7.68	7.16	10.27
650,000.00	LMAN BROS HDLGS FLOAT 05/14	4.970	05/12/2014	650,000.00	100.00000	99.65300	647,744.50	(2,255.50)	32,305.00	4.97	5.02	7.11
2,000,000.00	LMAN BROTHERS HOLDINGS INC	8.800	03/01/2015	2,143,175.07	107.15875	130.38500	2,607,700.00	464,524.93	176,000.00	8.21	4.78	6.19
400,000.00	LIBERTY MUTUAL INSURANCE	7.875	10/15/2026	379,561.41	94.89035	118.70000	474,800.00	95,238.59	31,500.00	8.30	6.28	11.27
2,858,678.91	MMCAPS FUNDING I LTD/INC	8.030	06/15/2031	3,205,991.68	112.14942	120.21800	3,436,646.61	230,654.93	229,551.92	7.16	6.42	10.06
1,900,000.00	MORGAN STANLEY	4.750	04/01/2014	1,839,573.48	96.81966	98.51700	1,871,823.00	32,249.52	90,250.00	4.91	4.96	7.67
800,000.00	NORTH STREET 2001-3A CTFS	6.480	04/30/2031	691,370.25	86.42128	100.00000	800,000.00	108,629.75	51,840.00	7.50	6.48	0.00
2,340,784.08	NORTHWEST AIR LINES INC	7.935	04/01/2019	2,507,599.97	107.12650	109.11400	2,554,123.14	46,523.17	185,741.22	7.41	6.91	8.12
2,089,920.17	NORTHWEST AIR LINES INC	7.041	04/01/2022	2,058,797.72	98.51083	95.45900	1,995,016.90	(63,780.82)	147,151.28	7.15	7.52	10.32
1,678,787.56	NORTHWEST AIRLINES 1999-2A	7.575	03/01/2019	1,739,336.71	103.60672	100.91500	1,694,148.47	(45,188.24)	127,168.16	7.31	7.47	8.38
2,700,000.00	NORTHWEST AIRLINES INC	6.841	04/01/2011	2,690,461.80	99.64673	96.83200	2,614,464.00	(75,997.80)	184,707.00	6.87	7.51	5.04
1,077,248.37	PACIFIC SHORES CDO	4.860	07/03/2037	989,873.31	91.88905	99.39000	1,070,677.15	80,803.84	52,354.27	5.29	4.90	0.00
900,000.00	PETROLIAM NASIONAL BERHD	7.625	10/15/2026	1,010,173.60	112.24151	127.19800	1,144,782.00	134,608.40	68,625.00	6.79	5.46	9.70
3,000,000.00	PREFERRED CPO	8.946	07/26/2030	3,125,743.64	104.19145	116.60000	3,498,000.00	372,256.36	268,380.00	8.59	7.47	9.95
1,840,000.00	PREMAT ACA TRUST SERIES 1	4.230	03/11/2010	1,840,000.00	100.00000	100.40600	1,847,470.40	7,470.40	77,832.00	4.23	4.14	0.00
1,135,810.00	PRINCIPAL LIFE INC FDG FRN	4.650	03/01/2012	1,109,837.15	97.71328	97.79000	1,110,708.60	871.45	52,815.17	4.76	5.05	5.82
3,750,000.00	PROTECTIVE LIFE CPI+150	4.150	05/10/2010	3,750,000.00	100.00000	98.76000	3,703,500.00	(46,500.00)	155,625.00	4.15	4.44	4.32
2,040,111.32	REG DIVERS. FNDG SR NOTES	9.250	03/15/2030	2,283,706.75	111.94030	123.23100	2,514,049.58	230,342.83	188,710.30	8.26	7.22	9.00
1,000,000.00	SECURITY BENEFIT	8.750	05/15/2016	1,076,657.83	107.66578	119.97400	1,199,740.00	123,082.17	87,500.00	8.13	6.22	6.76
2,000,000.00	SECURITY MUTUAL LIFE NY	9.375	12/15/2016	2,156,727.57	107.83638	138.01740	2,760,348.00	603,620.43	187,500.00	8.69	4.99	6.74
950,000.00	TOYOTA MTR CREDIT FLTR	3.970	10/27/2008	950,000.00	100.00000	98.55200	936,244.00	(13,756.00)	37,715.00	3.97	4.45	3.05
2,400,000.00	TRAINER WORTHAM	4.360	04/10/2037	1,504,541.86	62.68924	100.00000	2,400,000.00	895,458.14	104,640.00	6.95	4.36	0.00
2,000,000.00	UNION CENTRAL LIFE	8.200	11/01/2026	2,019,231.16	100.96156	118.55400	2,371,080.00	351,848.84	164,000.00	8.12	6.58	10.34
600,000.00	US CELLULAR CORP	6.700	12/15/2033	589,237.73	98.20629	106.37400	638,244.00	49,006.27	40,200.00	6.82	6.22	13.31
2,000,000.00	USF&G CAPITAL II, SERIES B	8.470	01/10/2027	2,166,031.99	108.30160	108.95800	2,179,160.00	13,128.01	169,400.00	7.82	7.62	9.45

# INVESTMENTS OWNED BOND PORTFOLIO

JUNE 30, 2005

Page 4 of 4

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM	Dur.
4,400,000.00	WASHINGTON MUTUAL INC	3.480	11/03/2005	4,403,864.10	100.08782	100.07900	4,403,476.00	(388.10)	153,120.00	3.48	0.00	0.00
2,328,000.00	WESTINGHOUSE ELECTRIC	7.875	09/01/2023	2,713,927.25	116.57763	118.45100	2,757,539.28	43,612.03	183,330.00	6.76	6.16	8.50
1,500,000.00	WYETH	6.450	02/01/2024	1,433,836.44	95.58910	113.86300	1,707,945.00	274,108.56	96,750.00	6.75	5.27	11.57
3,750,000.00	ZAIS INVESTMENT GRADE LTD	2.481	12/10/2015	2,499,312.76	66.64834	100.00000	3,750,000.00	1,250,687.24	93,022.50	3.72	2.48	13.97
3,000,000.00	ZURICH CAPITAL TRUST I	8.376	06/01/2037	3,035,315.36	101.17718	110.58900	3,317,670.00	282,354.64	251,280.00	8.28	7.50	11.40
111,100,472.65	TOTAL CORPORATE BONDS			111,320,367.22	100.19792		121,111,955.22	9,791,588.00	7,793,039.79	7.00	5.97	7.14
148,134,411.56	BOND PORTFOLIO TOTALS			147,907,827.77	99.84704		161,755,246.57	13,847,418.80	10,121,604.25	6.84	5.61	7.62



# INVESTMENTS OWNED CORPORATE NOTES

JUNE 30, 2005

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
06/30/2005	TRANSAMERICA ASSET FUNDING	3.390	07/01/2005	3,999,623.33	376.67	4,000,000.00
06/08/2005	STARBIRD FUNDING CORPORATION	3.100	07/08/2005	5,984,500.00	15,500.00	6,000,000.00
06/28/2005	BEETHOVEN FUNDING CORPORATION	3.300	07/12/2005	2,297,048.33	2,951.67	2,300,000.00
06/30/2005	WPS RESOURCES CORPORATION	3.270	07/12/2005	4,195,422.00	4,578.00	4,200,000.00
06/30/2005	PARADIGM FUNDING	3.290	07/14/2005	1,897,569.06	2,430.94	1,900,000.00
06/14/2005	WORLD OMNI VEHICLE LEASING	3.170	07/18/2005	7,078,743.39	21,256.61	7,100,000.00
06/09/2005	MARKET STREET FUNDING	3.130	07/19/2005	3,188,871.11	11,128.89	3,200,000.00
06/21/2005	BTM CAPITAL CORP	3.240	07/19/2005	6,782,864.00	17,136.00	6,800,000.00
06/20/2005	GIRO MULTI-FUNDING US CORP	3.240	07/20/2005	4,787,040.00	12,960.00	4,800,000.00
06/20/2005	THAMES ASSET GLOBAL SECURITIES	3.220	07/22/2005	3,489,982.22	10,017.78	3,500,000.00
<b>TOTAL CORPORATE NOTES</b>				<b>43,701,663.44</b>	<b>98,336.56</b>	<b>43,800,000.00</b>

# INVESTMENTS OWNED COMMON STOCK PORTFOLIO

JUNE 30, 2005

Page 1 of 5

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
161,500	ABBOTT LABORATORIES	1.10	28.547	4,610,408.20	49.010	7,915,115.00	177,650.00	3,304,706.80
41,300	ABERCROMBIE & FITCH	0.50	31.917	1,318,186.22	68.700	2,837,310.00	20,650.00	1,519,123.78
84,400	ADOBE SYSTEMS	0.05	17.151	1,447,548.30	28.610	2,414,684.00	4,220.00	967,135.70
67,800	AETNA INC	0.04	40.973	2,777,934.00	82.820	5,615,196.00	2,712.00	2,837,262.00
55,500	AFFILIATED COMPUTER SERVICES	-	54.080	3,001,436.43	51.100	2,836,050.00	-	(165,386.43)
10,000	AIRGAS INC	0.24	24.795	247,950.84	24.670	246,700.00	2,400.00	(1,250.84)
53,300	ALBERTO CULVER CO	0.46	36.908	1,967,212.55	43.330	2,309,489.00	24,518.00	342,276.45
20,000	ALCAN INC	0.60	39.963	799,262.16	30.000	600,000.00	12,000.00	(199,262.16)
38,800	ALCOA INC	0.60	19.200	744,955.24	26.130	1,013,844.00	23,280.00	268,888.76
168,500	ALLSTATE CORPORATION	1.28	31.867	5,369,651.11	59.750	10,067,875.00	215,680.00	4,698,223.89
111,300	ALLTEL CORPORATION	1.52	57.155	6,361,319.82	62.280	6,931,764.00	169,176.00	570,444.18
32,600	AMBAC FINANCIAL GROUP INC	0.50	57.171	1,863,778.12	69.760	2,274,176.00	16,300.00	410,397.88
111,100	AMERICA WEST AIRLINES	-	14.206	1,578,286.62	6.000	666,600.00	-	(911,686.62)
86,500	AMERICAN EXPRESS	0.48	35.406	3,062,599.77	53.230	4,604,395.00	41,520.00	1,541,795.23
111,400	AMERICAN INT'L GROUP	0.50	47.251	5,263,783.13	58.100	6,472,340.00	55,700.00	1,208,556.87
75,500	AMERICAN STANDARD COMPANY INC	0.60	26.157	1,974,851.75	41.920	3,164,960.00	45,300.00	1,190,108.25
179,700	AMGEN	-	39.503	7,098,634.02	60.460	10,864,662.00	-	3,766,027.98
34,000	AMSOUTH BANCORPORATION	1.00	21.734	738,965.22	26.000	884,000.00	34,000.00	145,034.78
32,100	ANALOG DEVICES, INC.	0.40	70.751	2,271,112.62	37.310	1,197,651.00	12,840.00	(1,073,461.62)
43,900	ANHEUSER BUSCH COMPANY	0.98	51.761	2,272,310.26	45.750	2,008,425.00	43,022.00	(263,885.26)
7,900	ANSYS INC.	-	31.456	248,499.40	35.640	281,556.00	-	33,056.60
112,500	APACHE CORPORATION	0.32	24.108	2,712,101.91	64.600	7,267,500.00	36,000.00	4,555,398.09
30,500	APOLLO GROUP, INC.	-	66.242	2,020,380.68	78.220	2,385,710.00	-	365,329.32
76,400	AT&T CORP	0.95	18.253	1,394,558.04	19.040	1,454,656.00	72,580.00	60,097.96
85,600	AUTOMATIC DATA PROCESSING	0.62	39.743	3,402,038.90	41.970	3,592,632.00	53,072.00	190,593.10
16,800	AUTOZONE INC	-	87.794	1,474,944.20	92.460	1,553,328.00	-	78,383.80
18,000	BALL CORP	0.40	42.454	764,172.00	35.960	647,280.00	7,200.00	(116,892.00)
180,900	BANK OF AMERICA CORPORATION	2.00	37.819	6,841,536.91	45.610	8,250,849.00	361,800.00	1,409,312.09
52,900	BEAR STEARNS COMPANY	1.00	90.425	4,783,482.09	103.940	5,498,426.00	52,900.00	714,943.91
88,700	BED BATH & BEYOND	-	39.132	3,470,992.86	41.780	3,705,886.00	-	234,893.14
107,900	BEST BUY CO INC	0.44	52.007	5,611,590.18	68.550	7,396,545.00	47,476.00	1,784,954.82
27,000	BIOMET INC	1.00	36.910	996,579.48	34.630	935,010.00	27,000.00	(61,569.48)
51,300	BJ SERVICES COMPANY	0.32	38.277	1,963,598.05	52.480	2,692,224.00	16,416.00	728,625.95
52,800	BOEING CO.	1.00	46.487	2,454,490.77	66.000	3,484,800.00	52,800.00	1,030,309.23
69,600	BURLINGTON NORTHERN SANTE FE	0.68	45.214	3,146,881.29	47.080	3,276,768.00	47,328.00	129,886.71
3,800	CACI INTERNATIONAL	-	66.857	254,056.90	63.160	240,008.00	-	(14,048.90)
53,500	CANADIAN NATIONAL RAILWAY	0.03	31.572	1,689,095.54	57.650	3,084,275.00	1,605.00	1,395,179.46
8,800	CAPITAL AUTOMOTIVE REIT	1.75	28.919	254,484.40	38.160	335,808.00	15,400.00	81,323.60

# INVESTMENTS OWNED COMMON STOCK PORTFOLIO

JUNE 30, 2005

Page 2 of 5

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
16,800	CAREMARK RX INC	-	41.749	701,388.24	44.520	747,936.00	-	46,547.76
45,200	CENTURY TELEPHONE INC	0.24	34.160	1,544,028.73	34.630	1,565,276.00	10,848.00	21,247.27
5,500	CEPHALON INC	-	46.260	254,430.00	39.800	218,900.00	-	(35,530.00)
103,800	CHEVRON CORP	1.80	49.425	5,130,284.10	55.920	5,804,496.00	186,840.00	674,211.90
24,200	CINERGY CORP	1.92	41.913	1,014,286.17	44.820	1,084,644.00	46,464.00	70,357.83
382,600	CISCO SYSTEMS	-	10.153	3,884,333.61	19.080	7,300,008.00	-	3,415,674.39
299,233	CITIGROUP, INC.	1.76	40.917	12,243,775.99	46.230	13,833,541.59	526,650.08	1,589,765.60
11,800	CLARCOR INC	0.26	21.519	253,928.42	29.250	345,150.00	3,068.00	91,221.58
53,000	CNF INC	0.40	48.130	2,550,865.69	44.900	2,379,700.00	21,200.00	(171,165.69)
65,300	COCA-COLA CO	1.12	49.870	3,256,498.00	41.750	2,726,275.00	73,136.00	(530,223.00)
8,400	COHERENT, INC.	-	29.984	251,863.06	36.010	302,484.00	-	50,620.94
18,000	COLGATE PALMOLIVE CO	1.16	52.896	952,126.20	49.910	898,380.00	20,880.00	(53,746.20)
6,700	COLONIAL PROPERTY TRUST	2.70	36.826	246,731.52	44.000	294,800.00	18,090.00	48,068.48
114,000	COMCAST CORP-SPECIAL CL A	-	32.602	3,716,664.81	29.950	3,414,300.00	-	(302,364.81)
67,000	COMMERCE BANCORP, INC.	0.44	21.690	1,453,254.30	30.310	2,030,770.00	29,480.00	577,515.70
141,400	CONSTELLATION BRANDS	-	15.748	2,226,742.68	29.500	4,171,300.00	-	1,944,557.32
53,550	CONSTELLATION ENERGY GROUP INC	1.34	42.379	2,269,400.00	57.690	3,089,299.50	71,757.00	819,899.50
38,050	COOPER COMPANIES	0.06	74.724	2,843,228.45	60.860	2,315,723.00	2,283.00	(527,505.45)
57,000	COVANCE INC	-	43.002	2,451,112.44	44.870	2,557,590.00	-	106,477.56
8,300	CULLEN/FROST BANKERS	1.20	31.145	258,502.83	47.650	395,495.00	9,960.00	136,992.17
112,000	CVS CORP	0.29	26.601	2,979,283.07	29.070	3,255,840.00	32,480.00	276,556.93
85,200	D. R. HORTON	0.36	19.163	1,632,673.35	37.610	3,204,372.00	30,672.00	1,571,698.65
88,000	DEAN FOODS	-	29.617	2,606,302.20	35.240	3,101,120.00	-	494,817.80
108,000	DELL INC	-	39.415	4,256,798.87	39.460	4,261,680.00	-	4,881.13
77,400	DEVON ENERGY CORPORATION	0.30	40.561	3,139,438.55	50.680	3,922,632.00	23,220.00	783,193.45
80,200	DOW CHEMICAL	1.34	43.105	3,456,985.34	44.530	3,571,306.00	107,468.00	114,320.66
19,300	EDUCATION MANAGEMENT	-	29.195	563,456.60	33.730	650,989.00	-	87,532.40
111,000	EMC CORP	-	9.408	1,044,261.02	13.710	1,521,810.00	-	477,548.98
8,200	ENERGEN CORP	0.80	29.794	244,310.80	35.050	287,410.00	6,560.00	43,099.20
23,000	EXELON CORP	1.60	46.549	1,070,618.22	51.330	1,180,590.00	36,800.00	109,971.78
112,000	EXPRESS SCRIPTS	-	10.962	1,227,765.58	49.980	5,597,760.00	-	4,369,994.42
305,200	EXXON MOBIL CORP	1.16	38.030	11,606,636.69	57.470	17,539,844.00	354,032.00	5,933,207.31
69,200	FEDEX CORPORATION	0.32	73.955	5,117,686.57	81.010	5,605,892.00	22,144.00	488,205.43
80,200	FISERV INC	-	36.058	2,891,843.35	42.890	3,439,778.00	-	547,934.65
279,500	FLEXTRONICS INTERNATIONAL	-	13.847	3,870,110.66	13.210	3,692,195.00	-	(177,915.66)
28,400	FMC CORP	-	47.911	1,360,671.37	56.140	1,594,376.00	-	233,704.63
68,800	FORTUNE BRANDS, INC.	1.32	62.488	4,299,139.55	88.800	6,109,440.00	90,816.00	1,810,300.45
52,400	FRANKLIN RESOURCES INC	0.40	51.833	2,716,032.87	76.980	4,033,752.00	20,960.00	1,317,719.13

# INVESTMENTS OWNED COMMON STOCK PORTFOLIO

JUNE 30, 2005

Page 3 of 5

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
35,100	GANNETT COMPANY	1.08	73.777	2,589,586.66	71.130	2,496,663.00	37,908.00	(92,923.66)
54,700	GENENTECH, INC.	-	37.289	2,039,687.10	80.280	4,391,316.00	-	2,351,628.90
67,000	GENZYME CORPORATION	-	57.416	3,846,890.40	60.090	4,026,030.00	-	179,139.60
123,500	GILEAD SCIENCES, INC	-	18.037	2,227,562.20	43.990	5,432,765.00	-	3,205,202.80
89,100	GLOBALSANTAFE CORP	0.60	34.347	3,060,343.89	40.800	3,635,280.00	53,460.00	574,936.11
36,000	GRAINGER (W W) INC	0.96	61.867	2,227,195.72	54.790	1,972,440.00	34,560.00	(254,755.72)
69,600	GUIAR CENTER INC	-	50.445	3,510,950.02	58.370	4,062,552.00	-	551,601.98
95,000	HARTFORD FINANCIAL SERVICES GROUP	1.16	51.931	4,933,416.99	74.780	7,104,100.00	110,200.00	2,170,683.01
16,400	HOLOGIC INC	-	15.404	252,624.40	39.750	651,900.00	-	399,275.60
143,400	HOME DEPOT	0.40	14.105	2,022,614.21	38.900	5,578,260.00	57,360.00	3,555,645.79
8,100	HUDSON UNITED BANCORP	1.48	31.095	251,871.60	36.100	292,410.00	11,988.00	40,538.40
27,000	HUMANA INC	-	33.487	904,150.05	39.740	1,072,980.00	-	168,829.95
5,500	HYDRIL	-	44.958	247,267.50	54.350	298,925.00	-	51,657.50
58,300	INGERSOLL-RAND 'A'	1.00	74.452	4,340,522.19	71.350	4,159,705.00	58,300.00	(180,817.19)
212,200	INTEL CORPORATION	0.32	29.557	6,272,077.61	26.020	5,521,444.00	67,904.00	(750,633.61)
100,500	INTERNATIONAL BUSINESS MACH.	0.80	53.347	5,361,332.62	74.200	7,457,100.00	80,400.00	2,095,767.38
95,600	JABIL CIRCUIT	-	20.853	1,993,576.59	30.730	2,937,788.00	-	944,211.41
59,600	JACOBS ENGINEERING GROUP INC.	-	33.754	2,011,716.08	56.260	3,353,096.00	-	1,341,379.92
8,000	JO-ANN STORES, INC	-	27.359	218,874.71	26.390	211,120.00	-	(7,754.71)
156,400	JOHNSON & JOHNSON CO	1.32	56.558	8,845,613.94	65.000	10,166,000.00	206,448.00	1,320,386.06
78,900	JP MORGAN CHASE & CO	1.36	30.655	2,418,683.76	35.320	2,786,748.00	107,304.00	368,064.24
16,000	LANCE, INC	0.64	15.289	244,617.74	17.210	275,360.00	10,240.00	30,742.26
201,000	LANDSTAR SYSTEMS, INC	-	13.612	2,735,929.20	30.180	6,066,180.00	-	3,330,250.80
53,400	LEHMAN BROTHERS HOLDINGS	0.80	83.953	4,483,096.05	99.280	5,301,552.00	42,720.00	818,455.95
68,700	LENNAR CORP Class A	0.55	29.150	2,002,575.84	63.450	4,359,015.00	37,785.00	2,356,439.16
49,200	LEXMARK INTERNATIONAL GROUP	-	73.306	3,606,636.30	64.830	3,189,636.00	-	(417,000.30)
25,000	LINEAR TECHNOLOGY CORP	0.40	39.050	976,250.00	36.690	917,250.00	10,000.00	(59,000.00)
6,800	MANITOWOC COMPANY INC.	0.07	20.057	136,384.14	41.020	278,936.00	476.00	142,551.86
18,000	MAXIM INTEGRATED PRODUCTS INC	0.40	44.025	792,448.20	38.220	687,960.00	7,200.00	(104,488.20)
400,900	MBNA CORP	0.56	13.434	5,385,666.06	26.160	10,487,544.00	224,504.00	5,101,877.94
38,000	MCAFEE INC	-	28.441	1,080,773.20	26.180	994,840.00	-	(85,933.20)
25,500	MEDTRONIC, INC.	0.39	47.969	1,223,200.00	51.790	1,320,645.00	9,945.00	97,445.00
65,200	MICROCHIP TECHNOLOGY INC.	0.38	26.457	1,725,006.74	29.620	1,931,224.00	24,776.00	206,217.26
473,700	MICROSOFT CORPORATION	0.32	35.760	16,939,256.26	24.840	11,766,708.00	151,584.00	(5,172,548.26)
10,500	MOHAWK INDUSTRIES	-	71.786	753,748.46	82.500	866,250.00	-	112,501.54
81,700	NABORS INDUSTRIES, LTD	-	54.161	4,424,989.51	60.620	4,952,654.00	-	527,664.49
51,300	NATIONAL CITY CORP	1.48	32.252	1,654,522.00	34.120	1,750,356.00	75,924.00	95,834.00
55,500	NEXTEL COMMUNICATIONS	-	24.864	1,379,929.38	32.310	1,793,205.00	-	413,275.62



# INVESTMENTS OWNED COMMON STOCK PORTFOLIO

JUNE 30, 2005

Page 4 of 5

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
81,900	NEXTEL PARTNERS 'A'	-	17.151	1,404,702.86	25.170	2,061,423.00	-	656,720.14
136,000	NOKIA CORPORATION	0.36	15.953	2,169,640.48	16.640	2,263,040.00	48,960.00	93,399.52
60,200	OMNICOM GROUP	0.90	82.014	4,937,256.91	79.860	4,807,572.00	54,180.00	(129,684.91)
26,800	ONEOK INC	1.12	23.219	622,277.24	32.650	875,020.00	30,016.00	252,742.76
53,500	P.F. CHANG'S CHINA BISTRO	-	26.915	1,439,972.53	58.980	3,155,430.00	-	1,715,457.47
74,500	PACIFIC SUNWEAR OF CALIFORNIA	-	20.421	1,521,347.67	22.990	1,712,755.00	-	191,407.33
149,500	PEPSICO INC.	1.04	47.179	7,053,196.36	53.930	8,062,535.00	155,480.00	1,009,338.64
244,150	PFIZER INC.	0.76	29.405	7,179,265.13	27.580	6,733,657.00	185,554.00	(445,608.13)
78,200	PLANTRONICS, INC.	0.20	27.123	2,120,994.53	36.360	2,843,352.00	15,640.00	722,357.47
45,600	PRAXAIR INC	0.72	35.098	1,600,463.33	46.600	2,124,960.00	32,832.00	524,496.67
170,000	PROCTER & GAMBLE COMPANY	1.12	46.690	7,937,289.16	52.750	8,967,500.00	190,400.00	1,030,210.84
106,900	QUALCOMM INCORPORATED	0.36	40.446	4,323,673.28	33.010	3,528,769.00	38,484.00	(794,904.28)
4,900	QUANEX CORP	0.54	50.334	246,635.13	53.010	259,749.00	2,646.00	13,113.87
84,400	QUIKSILVER, INC	-	8.506	717,940.84	15.980	1,348,712.00	-	630,771.16
7,200	RALCORP HOLDINGS INC	-	34.296	246,929.01	41.150	296,280.00	-	49,350.99
8,500	RESMED INC	-	30.084	255,716.68	65.990	560,915.00	-	305,198.32
7,600	RESPIRONICS INC	-	32.471	246,781.40	36.110	274,436.00	-	27,654.60
36,700	SCHOLASTIC CORPORATION	-	28.714	1,053,805.08	38.550	1,414,785.00	-	360,979.92
4,900	SCOTTS CO'A'	-	53.345	261,390.00	71.210	348,929.00	-	87,539.00
211,000	SCP POOL CORPORATION	0.09	12.595	2,657,633.92	35.090	7,403,990.00	18,990.00	4,746,356.08
34,500	SEALED AIR	-	51.162	1,765,072.36	49.790	1,717,755.00	-	(47,317.36)
111,100	SEI INVESTMENTS COMPANY	0.22	39.153	4,349,945.30	37.350	4,149,585.00	24,442.00	(200,360.30)
57,000	SEMPRA ENERGY	1.16	32.338	1,843,279.52	41.310	2,354,670.00	66,120.00	511,390.48
15,300	SKYWEST INC	0.12	16.032	245,287.30	18.180	278,154.00	1,836.00	32,866.70
7,700	SOUTH FINANCIAL GROUP	0.64	31.806	244,903.89	28.420	218,834.00	4,928.00	(26,069.89)
6,200	SOVRAN SELF STORAGE	2.42	42.529	263,677.40	45.460	281,852.00	15,004.00	18,174.60
9,100	SPECTRUM BRANDS INC.	-	27.975	254,572.68	33.000	300,300.00	-	45,727.32
259,800	ST. JUDE MEDICAL	-	20.825	5,410,255.59	43.610	11,329,878.00	-	5,919,622.41
109,800	STAPLES, INC.	0.25	17.710	1,944,549.40	21.290	2,337,642.00	27,450.00	393,092.60
25,300	STEAK N SHAKE	-	18.562	469,610.76	18.620	471,086.00	-	1,475.24
199,400	SYMANTEC CORPORATION	-	6.375	1,271,067.56	21.740	4,334,956.00	-	3,063,888.44
116,700	SYSCO CORPORATION	0.60	30.029	3,504,334.77	36.190	4,223,373.00	70,020.00	719,038.23
78,200	T. ROWE PRICE GROUP INC	0.92	40.191	3,142,969.30	62.600	4,895,320.00	71,944.00	1,752,350.70
135,100	TEXAS INSTRUMENTS	0.10	24.603	3,323,854.91	28.070	3,792,257.00	13,510.00	468,402.09
17,600	TREEHOUSE FOODS INC	-	0.000	-	28.510	501,776.00	-	501,776.00
202,900	TYCO INTERNATIONAL LTD.	0.40	33.474	6,791,821.16	29.200	5,924,680.00	81,160.00	(867,141.16)
12,600	UGI CORP	0.68	19.775	249,165.00	27.900	351,540.00	8,568.00	102,375.00
9,300	UNITED NATURAL FOODS	-	26.715	248,444.75	30.370	282,441.00	-	33,996.25



# INVESTMENTS OWNED COMMON STOCK PORTFOLIO

JUNE 30, 2005

Page 5 of 5

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
68,900	UNITED PARCEL SERVICE	1.32	73.198	5,043,313.67	69.160	4,765,124.00	90,948.00	(278,189.67)
8,250	URS CORP	-	29.732	245,286.05	37.350	308,137.50	-	62,851.45
13,000	UTI WORLDWIDE INC	0.60	69.983	909,784.73	69.620	905,060.00	7,800.00	(4,724.73)
6,000	VERITY, INC	-	11.752	70,513.20	8.770	52,620.00	-	(17,893.20)
53,800	VERIZON COMMUNICATIONS	1.62	37.773	2,032,211.34	34.550	1,858,790.00	87,156.00	(173,421.34)
77,800	VISHAY INTERTECHNOLOGY INC	-	26.513	2,062,711.93	11.870	923,486.00	-	(1,139,225.93)
177,800	VODAFONE GROUP	0.79	20.676	3,676,193.25	24.320	4,324,096.00	140,462.00	647,902.75
67,100	VORNADO REALTY TRUST	3.04	42.791	2,871,257.42	80.400	5,394,840.00	203,984.00	2,523,582.58
71,900	WACHOVIA CORP	1.84	49.511	3,559,803.74	49.600	3,566,240.00	132,296.00	6,436.26
106,900	WALGREEN COMPANY	0.21	17.272	1,846,354.01	45.990	4,916,331.00	22,449.00	3,069,976.99
204,100	WAL-MART STORES	0.60	54.192	11,060,676.13	48.200	9,837,620.00	122,460.00	(1,223,056.13)
10,200	WASTE CONNECTIONS	-	24.770	252,654.62	37.290	380,358.00	-	127,703.38
16,000	WATTS WATER TECHNOLOGIES 'A'	0.32	16.789	268,630.75	33.490	535,840.00	5,120.00	267,209.25
10,300	WEBEX COMMUNICATIONS	-	24.378	251,094.43	26.410	272,023.00	-	20,928.57
78,000	WELLPOINT INC	-	53.881	4,202,696.20	69.640	5,431,920.00	-	1,229,223.80
63,400	WILLIAMS COMPANIES, INC.	0.20	23.763	1,506,556.37	19.000	1,204,600.00	12,680.00	(301,956.37)
26,100	WINNEBAGO INDUSTRIES INC	0.28	35.727	932,468.02	32.750	854,775.00	7,308.00	(77,693.02)
18,000	ZIMMER HOLDINGS INC	-	80.746	1,453,430.42	76.170	1,371,060.00	-	(82,370.42)
<b>TOTAL COMMON STOCK PORTFOLIO</b>				<b>434,528,076.67</b>		<b>547,296,116.59</b>	<b>6,850,166.08</b>	<b>112,768,039.92</b>

# INVESTMENTS OWNED OTHER INVESTMENTS PORTFOLIO

**JUNE 30, 2005**

Page 1 of 2

Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
<b>APEX CAPITAL FUND 1</b>							
BUCKEYE	11.000		36,676.99	36,676.99	-	4,034.47	11.0%
CAMPO VERDE	11.000		89,540.48	89,540.48	-	9,849.45	11.0%
CIBOLA VISTA (ENGLE)	11.000		31,022.15	31,022.15	-	3,412.44	11.0%
CIBOLA VISTA (LENNAR)	11.000		52,989.66	52,989.66	-	5,828.86	11.0%
COPPER CREEK	11.000		83,325.67	83,325.67	-	9,165.82	11.0%
CORTESSA	11.000		51,922.38	51,922.38	-	5,711.46	11.0%
HIGHLAND GROVES	11.000		58,130.81	58,130.81	-	6,394.39	11.0%
MERITAGE-VERRADO	11.000		1,138.89	1,138.89	-	125.28	11.0%
RIO PASEO	11.000		84,623.73	84,623.73	-	9,308.61	11.0%
SORRENTO	11.000		257,579.42	257,579.42	-	28,333.74	11.0%
TRES RIOS	11.000		78,258.61	78,258.61	-	8,608.45	11.0%
WESTPARK	11.000		35,273.85	35,273.85	-	3,880.12	11.0%
<b>TOTAL APEX CAPITAL FUND 1</b>			<b>860,482.64</b>	<b>860,482.64</b>	<b>-</b>	<b>94,653.09</b>	<b>11.0%</b>
<b>BRIDGE FINANCIAL LOANS</b>							
GRAND INN - NOTE	10.000	09/10/05	101,528.00	101,528.00	-	10,152.80	10.0%
<b>TOTAL BRIDGE FINANCIAL LOANS</b>			<b>101,528.00</b>	<b>101,528.00</b>	<b>-</b>	<b>10,152.80</b>	<b>10.0%</b>
<b>DESERT TROON DEBT</b>							
FAIRWAYS CORPORATE CENTER	9.000		1,446,774.00	1,446,774.00	-	130,209.66	9.0%
PERIMETER CENTER	9.000		1,902,964.00	1,902,964.00	-	171,266.76	9.0%
TRAILSIDE POINT	9.000		67,776.80	67,776.80	-	6,099.91	9.0%
<b>TOTAL DESERT TROON DEBT</b>			<b>3,417,514.80</b>	<b>3,417,514.80</b>	<b>-</b>	<b>307,576.33</b>	<b>9.0%</b>
<b>DIVERSIFIED FUNDING GROUP</b>							
WORKING CAPITAL	5.000		10,976.00	10,976.00		548.80	5.0%
<b>TOTAL DIVERSIFIED FUNDING GROUP</b>			<b>10,976.00</b>	<b>10,976.00</b>	<b>-</b>	<b>548.80</b>	<b>5.0%</b>
<b>PIVOTAL DEBT FUND</b>							
CIMARRON	9.200		1,042,295.03	1,042,295.03	-	95,891.14	9.2%
COLORADO	9.200		521,360.00	521,360.00	-	47,965.12	9.2%
COLORADO II	9.200		912,380.00	912,380.00	-	83,938.96	9.2%
RED MOUNTAIN	9.200		390,932.44	390,932.44	-	35,965.78	9.2%
SANDIA	9.200		456,146.22	456,146.22	-	41,965.45	9.2%
WORKING CAPITAL	9.200		6,515.54	6,515.54	-	599.43	9.2%
<b>TOTAL PIVOTAL DEBT FUND</b>			<b>3,329,629.23</b>	<b>3,329,629.23</b>	<b>-</b>	<b>306,325.89</b>	<b>9.2%</b>
<b>PIVOTAL EQUITY</b>							
COLORADO	10.000		370,440.00	370,440.00	-	37,044.00	10.0%
PIVOTAL CIMARRON, LLC	10.000		757,990.83	757,990.83	-	75,799.08	10.0%
PIVOTAL SANDIA, LLC	10.000		432,180.00	432,180.00	-	43,218.00	10.0%
PIVOTAL SCOTTSDALE 123, LLC	10.000		543,126.03	543,126.03	-	54,312.60	10.0%
<b>TOTAL PIVOTAL EQUITY</b>			<b>2,103,736.86</b>	<b>2,103,736.86</b>	<b>-</b>	<b>210,373.69</b>	<b>10.0%</b>

# INVESTMENTS OWNED OTHER INVESTMENTS PORTFOLIO

JUNE 30, 2005

Page 2 of 2

Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
<b>SBA LOANS</b>							
EQUITY PARTNERSHIP	9.250	05/01/16	132,305.22	132,305.22	-	12,238.23	9.3%
NIARKOS	10.000	05/01/14	60,342.14	60,342.14	-	6,034.21	10.0%
<b>TOTAL SBA LOANS</b>			<b>192,647.36</b>	<b>192,647.36</b>	<b>-</b>	<b>18,272.45</b>	<b>9.5%</b>
<b>MISCELLANEOUS</b>							
PEBBLECREEK PROPERTIES	10.000	04/01/05	9,145.26	9,145.26	-	914.53	10.0%
WHISPERING CANYON	13.000		82,066.16	82,066.16		10,668.60	13.0%
<b>TOTAL MISCELLANEOUS</b>			<b>91,211.42</b>	<b>91,211.42</b>	<b>-</b>	<b>11,583.13</b>	<b>12.7%</b>
<b>TOTAL BEFORE LLC</b>			<b>10,107,726.31</b>	<b>10,107,726.31</b>	<b>-</b>	<b>959,486.17</b>	<b>9.5%</b>
<b>LLC</b>							
CENTURY PLAZA HOTEL (CPH I, LLC)			6,416,979.00	6,416,979.00			
DESERT TROON - FAIRWAYS			603,680.00	603,680.00			
DESERT TROON - HASSAYAMPA			175,616.00	175,616.00			
DESERT TROON - HASSAYAMPA			526,848.00	526,848.00			
DESERT TROON - LA MIRADA			581,728.00	581,728.00			
DESERT TROON - PERIMETER BLDG			878,080.00	878,080.00			
DESERT TROON - SEVILLE OFFICE			197,568.00	197,568.00			
DESERT TROON - SEVILLE RETAIL			460,992.00	460,992.00			
DESERT TROON - TOREEON			702,464.00	702,464.00			
DESERT TROON - TOREEON GC			493,844.20	493,844.20			
DTR1, LLC - PERIMETER CENTER			310,469.89	310,469.89			
DTR1, LLC - TRAILSIDE POINT			102,076.80	102,076.80			
HARBOR BAY CAMPUS			864,227.36	864,227.36			
NXTV, L.L.C.			1,691,448.50	1,691,448.50			
PIVOTAL NEWS I, L.L.C.			130,101.26	130,101.26			
PIVOTAL PROMONTORY			4,691,519.97	4,691,519.97			
PIVOTAL SPA I, L.L.C.			1,767,344.96	1,767,344.96			
PROSPECTOR EQUITY CAPITAL			281,385.23	281,385.23			
VALLEY VENTURES III			1,969,173.10	1,969,173.10			
<b>TOTAL LLC</b>			<b>22,845,546.27</b>	<b>22,845,546.27</b>			
<b>TOTAL OTHER INVESTMENTS PORTFOLIO</b>			<b>32,953,272.58</b>	<b>32,953,272.58</b>			

# ACTUARIAL SECTION

## NINETEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Actuarial Certification Statement

Aggregate Actuarial Balance Sheet, June 30, 2005

Summary of Valuation Methods and Assumptions

Solvency Test

Summary of Active Member Data

Summary of Inactive Member Data

Schedule of Retirants and Beneficiaries

Schedule of Experience Gain / (Loss)



RODWAN  
consulting  
company

October 25, 2005

The Fund Manager  
Arizona Corrections Officer Retirement Plan  
3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016-4416

Attention: James Hacking, Administrator

The purpose of the annual actuarial valuations of the Arizona Corrections Officer Retirement Plan is to determine the liabilities and funding requirements for the participating groups. We certify that the June 30, 2005 annual actuarial valuations were made in accordance with recognized actuarial methods.

Data for the annual valuations was furnished by the Administrator and was checked by us for internal completeness and year to year consistency, but was not otherwise audited. The actuary prepared all of the schedules in the Actuarial Section and the Schedule of Funding Progress in the Financial Section of the Comprehensive Annual Financial Report.

The actuarial assumptions were adopted by the Fund Manager based upon the recommendations of the actuary and the results of experience studies, the most recent of which covered the 5 year period ended June 30, 2003. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) are amortized as level percents of payroll over 20 years.

The funding value of assets is a smoothed market value which spreads differences between the actual and assumed investment return over a seven year period.

On the basis of the June 30, 2005 valuation, it is our opinion that the liabilities of the Retirement Plan are being funded as incurred in accordance with sound actuarial principles.

Respectfully submitted,

Sandra W. Rodwan  
Member, American Academy of Actuaries



# AGGREGATE ACTUARIAL BALANCE SHEET

**JUNE 30, 2005**

## Actuarial Assets

### Accrued Assets

Member Accumulated contributions	\$ 178,352,894	
Employer and benefit payment reserves	525,320,524	
Funding value adjustment	210,722,590	
Total accrued assets*	<u>914,396,008</u>	\$ 914,396,008

### Prospective assets (computed value)

Member contributions	\$ 263,168,594	
Employer normal costs	156,187,711	
Employer unfunded actuarial accrued liability	33,044,123	
Total prospective assets	<u>452,400,428</u>	

Total Actuarial Assets	<u>\$ 1,366,796,436</u>	
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*\*Includes \$41,415,092 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$872,980,916.*

## Actuarial Present Values (Liability)

### Pensions in payment status

Service pensions	\$ 259,129,406	
Disability pensions	14,539,540	
Survivor pensions	35,537,752	
Health insurance	22,992,512	
Total Benefit values	<u>332,199,210</u>	\$ 332,199,210

Prospective pension payments (future retirements)	889,707,212	
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Prospective health insurance payments (future retirements)	46,497,735	
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Prospective refunds of member contributions	56,977,187	
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Reserve for future pension increases	<u>41,415,092</u>	
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Total Actuarial Present Values (Liability)	<u>\$ 1,366,796,436</u>	
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## Summary of Plan Provisions

See Note 1 in the Notes to the Financial Statements.

## Summary of Valuation Methods

**Normal Cost.** Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry age actuarial cost method having the following characteristics:

- ❖ The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- ❖ Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

**Actuarial Accrued Liability.** The actuarial accrued liability allocated to service rendered prior to the valuation date, including experience gains and losses, was computed using the assumptions summarized in this report. Accrued valuation assets were subtracted from the computed actuarial accrued liability. Any unfunded amount was amortized as level percent of payroll over an open period of 20 years. If accrued valuation assets exceed the actuarial accrued liability, the excess is amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.

Active member payroll was assumed to increase 5.00% annually for the purpose of computing the amortization payment (credit) as a level percent of payroll.

## Summary of Valuation Assumptions

### ***Economic Assumptions***

**The rate of investment return** (net of expenses) used was 8.50 percent a year, compounded annually. The assumption consists of 3.5% for assuming maturity and principal risks and 5.00% in recognition of inflation.

This assumption, adopted by the Fund Manager, as recommended by the Plan's actuary, is used to discount the value of future payments, and was first used for the June 30, 2005 annual valuation.

**The rates of salary increase** used are in accordance with the following table. The assumption is used to project current salaries to those upon which pension amounts will be based. This assumption, adopted by the Fund Manager, as recommended by the Plan's actuary, was first used for the June 30, 2005 annual valuation.

**Sample Annual Rates of Salary Increase**

Age	Across-the-Board	Merit and Longevity	Other	Total
20 to 25	5.00%	3.0%	1.0%	9.00%
30	5.00	2.6	1.0	8.60
35	5.00	1.1	1.0	7.10
40 to 50	5.00	0.2	1.0	6.20
55	5.00	0.1	1.0	6.10
60	5.00	-	1.0	6.00
65	5.00	-	1.0	6.00

### Demographic Assumptions

- ❖ **Non-Disability Mortality rates:** 1971 Group Annuity Mortality Table Projected to 2000 (Male), female ages set back six years. (first used for June 30, 1999 valuation.)
- ❖ **Disability Mortality Rates:** 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back six years.

Sample Ages	Single Life Retirement Values							
	Non-Disability Table		Disability Table		Non-Disability Table		Disability Table	
	Present Value of \$100 Monthly For Life		Present Value of \$100 Monthly For Life		Future Life Expectancy (Years)		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women	Men	Women
20	14,452	14,549	14,428	14,531	56.90	62.76	56.03	61.88
25	14,332	14,471	14,300	14,448	52.02	57.87	51.16	57.00
30	14,162	14,360	14,120	14,329	47.16	53.00	46.32	52.13
35	13,923	14,201	13,865	14,161	42.33	48.13	41.50	47.28
40	13,588	13,977	13,510	13,923	37.54	43.30	36.73	42.46
45	13,130	13,664	13,028	13,591	32.84	38.50	32.06	37.68
50	12,549	13,232	12,420	13,135	28.32	33.77	27.57	32.98
55	11,829	12,675	11,674	12,552	24.02	29.21	23.33	28.45
60	10,930	11,986	10,572	11,836	19.94	24.86	19.32	24.16
65	9,835	11,127	9,643	10,952	16.12	20.74	15.59	20.10
70	8,601	10,069	8,412	9,878	12.73	16.86	12.30	16.31
75	7,338	8,853	7,172	8,661	9.86	13.36	9.54	12.92
80	6,043	7,597	5,909	7,425	7.44	10.40	7.22	10.06
85	4,917	6,293	4,826	6,152	5.61	7.87	5.48	7.63
90	3,964	5,126	3,915	5,026	4.24	5.93	4.18	5.79

**Termination of Employment:** Service-related rates for first five years of employment and age-related rates after first five years of employment. The sample rates are as follows:

Sample Ages	Years of Service	Percent of Active Members	
		Separating Within the Year	Disabled Within the Year
All	0	30.0%	
	1	25.0	
	2	20.0	
	3	15.0	
	4	12.0	
25	5 and over	7.0	0.08%
30		7.0	0.10
35		7.0	0.12
40		6.0	0.25
45		6.0	0.33
50		5.0	0.40
55		5.0	0.47
60		5.0	0.50

Rates first used for June 30, 1999 valuation

**Retirement Rates:** Age-related rates based on the following schedule:

**Percent of Active Members Retiring within Year  
Following Attainment of Indicated Retirement Age**

<b>Age</b>	<b>Percent of Active Members Retiring During Next Year</b>
40 to 59	25%
60 to 61	30
62 to 64	40
65	100

Active members are eligible to retire at any age with 20 (25 for dispatchers) years of service, at age 62 with 10 years of service or when the sum of age and service equals at least 80.

These rates, adopted by the Fund Manager, as recommended by the Plan's actuary, were first used for the June 30, 1999 valuations.

## SOLVENCY TEST

SOLVENCY TEST – Testing the financial solvency of a retirement plan can be done in several ways. The funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the plan are level in concept and soundly executed, and if the plan continues its present operations pattern for the indefinite future, the plan will pay all promised benefits when due—the ultimate test of financial soundness.

A short term solvency test is one means of checking a plan's progress under its funding program. In a short term solvency test, the plan's present assets (cash and investments) are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retired lives;
3. The liabilities for service already rendered by active members.

In a plan that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the plan has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare. All amounts presented are in thousands.

Aggregate Accrued Liabilities for						Portion of Accrued Liabilities Covered by Net Assets Available for Benefits		
Valuation Date	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets Available for Benefits (2)				
	(1)	(2)	(3)					
6-30-87	\$ 21,780	\$ 982	\$ 46,170	\$ 47,550	100.0%	100.0%	100.0%	
6-30-88	\$ 29,173	\$ 3,062	\$ 44,649	\$ 69,842	100.0%	100.0%	100.0%	
6-30-89 <sup>1</sup>	\$ 33,509	\$ 5,473	\$ 60,131	\$ 88,756	100.0%	100.0%	100.0%	
6-30-90 <sup>1</sup>	\$ 38,021	\$ 7,177	\$ 77,380	\$ 108,973	100.0%	100.0%	96.4%	
6-30-91 <sup>1</sup>	\$ 45,827	\$ 11,457	\$ 89,016	\$ 138,901	100.0%	100.0%	95.0%	
6-30-92	\$ 51,610	\$ 16,527	\$ 95,503	\$ 168,553	100.0%	100.0%	98.7%	
6-30-93 <sup>*</sup>	\$ 57,143	\$ 21,924	\$ 105,232	\$ 198,692	100.0%	100.0%	100.0%	
6-30-94 <sup>1</sup>	\$ 62,219	\$ 26,556	\$ 133,072	\$ 223,847	100.0%	100.0%	100.0%	
6-30-95	\$ 67,694	\$ 34,141	\$ 152,354	\$ 265,006	100.0%	100.0%	100.0%	
6-30-96 <sup>*</sup>	\$ 74,927	\$ 41,777	\$ 173,814	\$ 319,255	100.0%	100.0%	100.0%	
6-30-97 <sup>*1</sup>	\$ 82,948	\$ 52,028	\$ 220,614	\$ 393,904	100.0%	100.0%	100.0%	
6-30-98	\$ 93,758	\$ 66,343	\$ 250,430	\$ 484,956	100.0%	100.0%	100.0%	
6-30-99	\$ 106,390	\$ 95,116	\$ 242,170	\$ 592,152	100.0%	100.0%	100.0%	
6-30-00	\$ 119,562	\$ 107,650	\$ 274,111	\$ 704,991	100.0%	100.0%	100.0%	
6-30-01	\$ 132,404	\$ 133,492	\$ 288,491	\$ 776,177	100.0%	100.0%	100.0%	
6-30-02	\$ 143,888	\$ 185,594	\$ 303,756	\$ 782,446	100.0%	100.0%	100.0%	
6-30-03	\$ 152,454	\$ 219,737	\$ 337,107	\$ 758,579	100.0%	100.0%	100.0%	
6-30-04	\$ 165,145	\$ 278,403	\$ 352,227	\$ 833,621	100.0%	100.0%	100.0%	
6-30-05	\$ 178,353	\$ 332,199	\$ 395,473	\$ 872,981	100.0%	100.0%	91.6%	

See notes on page 39.



## SUMMARY OF ACTIVE MEMBER DATA

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 11,752 members in the Plan as of June 30, 2005, compared to 11,583 for the prior year.

Attained Age	Years of Service to Valuation Date							Totals	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
< 20	41							41	\$ 1,259,846
20 - 24	997	3						1,000	\$ 29,080,942
25 - 29	1,481	268						1,749	\$ 53,712,431
30 - 34	1,135	646	119	1				1,901	\$ 62,306,626
35 - 39	854	456	297	80	1			1,688	\$ 57,846,264
40 - 44	633	382	269	231	30			1,545	\$ 55,362,706
45 - 49	532	344	210	185	75	8		1,354	\$ 49,756,320
50 - 54	372	270	160	164	68	21	3	1,058	\$ 39,756,143
55 - 59	293	196	155	153	70	11	1	879	\$ 34,226,596
60 - 69	137	162	86	87	33	4	3	512	\$ 19,848,444
70+	12	4	4	1	3		1	25	\$ 999,585
<b>Totals</b>	<b>6,487</b>	<b>2,731</b>	<b>1,300</b>	<b>902</b>	<b>280</b>	<b>44</b>	<b>8</b>	<b>11,752</b>	<b>\$ 404,155,903</b>

Listed below is a Comparative Schedule of the changes in active members since 6-30-87:

### COMPARATIVE SCHEDULE

Fiscal Year Ended	Employer Units	Active Members	Total Payroll (+000)	Averages			
				Age (years)	Service (years)	Pay	Increase in Average Pay
6-30-87	11	4,936	\$ 102,910	38.0	3.5	\$20,849	
6-30-88	11	5,702	\$ 117,234	37.6	3.4	\$20,560	-1.4%
6-30-89	11	6,246	\$ 134,520	37.4	4.0	\$21,537	4.8%
6-30-90	11	6,478	\$ 136,693	37.8	4.4	\$21,101	-2.0%
6-30-91	11	6,867	\$ 153,351	38.0	4.6	\$22,332	5.8%
6-30-92	11	7,091	\$ 156,257	38.1	5.0	\$22,036	-1.3%
6-30-93	12	7,550	\$ 166,831	38.2	5.2	\$22,097	0.3%
6-30-94	12	7,828	\$ 177,717	38.3	5.3	\$22,703	2.7%
6-30-95	12	8,365	\$ 198,603	38.2	5.3	\$23,742	4.6%
6-30-96	12	8,945	\$ 224,686	38.0	5.2	\$25,119	5.8%
6-30-97	12	9,728	\$ 249,203	38.1	5.3	\$25,617	2.0%
6-30-98	12	9,571	\$ 261,700	38.2	5.5	\$27,343	6.7%
6-30-99	12	10,901	\$ 305,478	37.8	5.2	\$28,023	2.5%
6-30-00	12	11,290	\$ 339,440	38.1	5.3	\$30,066	7.3%
6-30-01	12	11,047	\$ 339,783	38.1	6.6	\$30,758	2.3%
6-30-02	12	10,464	\$ 330,428	38.7	6.0	\$31,578	2.7%
6-30-03	15	10,964	\$ 358,161	38.8	6.0	\$32,667	3.4%
6-30-04	16	11,583	\$ 381,942	38.7	6.0	\$32,974	0.9%
6-30-05	19	11,752	\$ 404,156	39.6	6.0	\$34,390	4.3%

# SUMMARY OF INACTIVE MEMBER DATA SCHEDULE OF RETIRANTS AND BENEFICIARIES

## INACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20+	
< 20	3					3
20 - 29	270	7				277
30 - 39	192	40	9	1		242
40 - 44	52	9	7	1		69
45 - 49	50	5	10	5	1	71
50 - 54	55	10	13	6	1	85
55 - 59	31	9	18	11	2	71
60 - 69	23	10	14	6	1	54
70+	2					2
<b>Totals</b>	<b>678</b>	<b>90</b>	<b>71</b>	<b>30</b>	<b>5</b>	<b>874</b>

## RETIRANTS AND BENEFICIARIES

Valuation Date	Number Removed From Roles	Number Added to Roles	Totals	Annual Allowances Removed	Annual Allowances Added to	Annual Pensions	Percent Increase	Average Pension
				From Roles*	Roles*			
06/30/92	2	70	226			\$ 1,631,420	41.5%	\$17,606
06/30/93	5	74	295			\$ 2,203,198	35.0%	\$19,182
06/30/94	4	65	356			\$ 2,710,269	23.0%	\$20,707
06/30/95	8	87	435			\$ 3,456,705	27.5%	\$21,608
06/30/96	12	81	504			\$ 4,274,602	23.7%	\$22,541
06/30/97	12	106	598			\$ 5,305,705	24.1%	\$23,508
06/30/98	15	125	708			\$ 6,884,614	29.8%	\$24,584
06/30/99	21	138	825			\$ 9,642,797	40.1%	\$26,211
06/30/00	25	125	925			\$ 11,042,151	14.5%	\$11,937
06/30/01	40	155	1,040			\$ 13,446,069	21.8%	\$12,929
06/30/02	30	208	1,218			\$ 17,660,064	31.3%	\$14,499
06/30/03	32	177	1,363			\$ 21,653,042	22.6%	\$15,886
06/30/04	32	205	1,536	\$ 435,860	\$ 5,033,961	\$ 26,261,143	21.3%	\$17,097
06/30/05	61	258	1,733	\$ 3,761,718	\$ 8,829,800	\$ 31,329,225	19.3%	\$18,078

\*Effective June 30, 2004, started reporting the annual allowances removed from roles and annual allowances added to roles. This information was not available prior to the effective date.

# SCHEDULE OF EXPERIENCE GAIN/(LOSS)

YEAR ENDED JUNE 30, 2005

## DERIVATION

(1) UAAL* at start of year	\$	(37,846,132)
(2) Normal cost for year		59,402,954
(3) Funding Method Contribution		51,952,396
(4) Interest accrued on (1), (2) and (3)		(2,985,575)
(5) Expected UAAL before changes [(1)+(2)-(3)+(4)]		(33,381,149)
(6) Effect of assumption changes***		25,725,258
(7) Effect of cost method changes		None
(8) Expected UAAL after changes		(7,655,891)
(9) Actual UAAL		33,044,123
(10) Gain/(Loss) (8)-(9)	\$	(40,700,014)
(11) As % of AAL** at beginning of year		5.2%

\* Unfunded actuarial accrued liability

\*\* Actuarial accrued liability

\*\*\* Estimated

# STATISTICAL SECTION

## NINETEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Schedule of Revenues by Source and Expenses by Type

Schedule of Benefit Expenses by Type

Summary of Retired Member and Survivor Data

Summary of Benefit Increases

Participating Employers

Schedule of Changes in Employer Reserves – Year Ended June 30, 2005,  
and Unfunded Accrued Normal Costs at June 30, 2004

Schedule of Changes in Refundable Member Reserves  
Fiscal Year Ended June 30, 2005

Earnings Distribution, Fiscal Year Ended June 30, 2005

Summary of Growth of the Plan

# SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE

<u>REVENUES</u>		<u>Employer</u>		<u>Net Investment Income</u>	<u>Amounts Transferred From Other Plans</u>	<u>Total</u>
<u>FYE</u>	<u>Member ** Contributions</u>	<u>Contributions*</u>	<u>% of Annual Covered Payroll</u>			
1996	\$14,456,281 20%	\$14,371,254 20%	6.66%	\$44,235,782 60%	\$133,429 0%	\$73,196,746 100%
1997	\$16,052,492 14%	\$16,704,445 15%	6.93%	\$80,841,733 71%	\$848,211 1%	\$114,446,881 100%
1998	\$21,647,490 16%	\$17,063,015 12%	6.63%	\$99,003,314 72%	\$201,065 0%	\$137,914,884 100%
1999	\$24,700,676 17%	\$17,109,704 12%	5.98%	\$102,169,586 71%	\$260,835 0%	\$144,240,801 100%
2000	\$27,865,952 20%	\$16,876,163 12%	5.14%	\$92,772,177 67%	\$369,529 0%	\$137,883,821 100%
2001	\$28,672,878 -30%	\$14,927,396 -16%	1.88%	(\$138,559,756) 147%	\$440,476 0%	(\$94,519,006) 100%
2002	\$29,016,497 -46%	\$7,101,112 -11%	1.15%	(\$100,518,025) 161%	\$1,841,334 -3%	(\$62,559,082) 100%
2003	\$29,567,080 39%	\$7,397,595 10%	1.71%	\$35,698,266 47%	\$3,953,159 5%	\$76,616,100 100%
2004	\$31,337,779 23%	\$14,555,335 10%	3.95%	\$91,300,470 66%	\$1,459,765 2%	\$138,653,349 100%
2005	\$34,589,714 29%	\$16,291,914 14%	4.07%	\$66,277,084 55%	\$2,267,921 3%	\$119,426,633 100%

<u>EXPENSES</u>		<u>Administrative</u>		<u>Amounts Transferred To Other Plans</u>	<u>Total</u>
<u>FYE</u>	<u>Benefits</u>	<u>Expenses</u>	<u>Refunds</u>		
1996	\$4,312,487 40%	\$281,224 3%	\$5,979,772 55%	\$212,138 1%	\$10,785,621 100%
1997	\$5,280,996 41%	\$292,893 2%	\$6,918,704 54%	\$249,068 1%	\$12,741,661 100%
1998	\$6,883,596 42%	\$329,550 2%	\$8,416,350 52%	\$661,309 3%	\$16,290,805 100%
1999	\$8,917,450 47%	\$348,302 2%	\$9,043,573 48%	\$561,501 2%	\$18,870,826 100%
2000	\$10,777,009 41%	\$344,542 1%	\$14,385,327 55%	\$842,413 2%	\$26,349,291 100%
2001	\$13,433,499 45%	\$365,742 1%	\$14,609,539 49%	\$1,645,651 4%	\$30,054,431 100%
2002	\$17,576,451 51%	\$397,110 1%	\$14,271,104 42%	\$2,060,223 6%	\$34,304,888 100%
2003	\$22,506,792 56%	\$427,150 1%	\$16,022,697 40%	\$1,049,418 3%	\$40,006,057 100%
2004	\$26,623,619 63%	\$541,070 1%	\$14,053,002 33%	\$1,138,940 3%	\$42,356,631 100%
2005	\$31,097,950 62%	\$922,183 2%	\$16,652,638 33%	\$1,115,311 2%	\$49,788,082 100%

NOTE: \*Contributions were made in accordance with actuarially determined contribution requirements.

\*\*The member contribution rate is 6.65% of covered payroll, 8.5% after 7/21/98.



## SCHEDULE OF BENEFIT EXPENSES BY TYPE

<b>Fiscal Year</b>	<b>Normal Benefits</b>	<b>Disability Benefits</b>	<b>Survivor Benefits</b>	<b>Insurance Benefits</b>	<b>Totals</b>
<b>1988</b>	\$158,461 69%	\$4,382 2%	\$65,620 29%	-	\$228,463 100%
<b>1989</b>	\$314,249 68%	\$19,611 4%	\$132,143 28%	-	\$466,003 100%
<b>1990</b>	\$455,345 65%	\$31,387 5%	\$210,017 30%	-	\$696,749 100%
<b>1991</b>	\$685,114 60%	\$44,941 4%	\$347,457 31%	\$62,366 5%	\$1,139,878 100%
<b>1992</b>	\$1,031,785 61%	\$55,783 3%	\$479,846 28%	\$125,620 8%	\$1,693,034 100%
<b>1993</b>	\$1,390,554 61%	\$77,305 3%	\$661,349 29%	\$162,844 7%	\$2,292,052 100%
<b>1994</b>	\$1,727,201 61%	\$165,818 6%	\$745,568 26%	\$196,011 7%	\$2,834,598 100%
<b>1995</b>	\$2,182,356 64%	\$220,204 7%	\$747,598 22%	\$239,950 7%	\$3,390,108 100%
<b>1996</b>	\$2,831,205 66%	\$273,769 6%	\$915,429 21%	\$292,084 7%	\$4,312,487 100%
<b>1997</b>	\$3,561,512 67%	\$353,098 7%	\$1,014,073 19%	\$352,313 7%	\$5,280,996 100%
<b>1998</b>	\$4,713,170 68%	\$481,804 7%	\$1,223,055 18%	\$465,567 7%	\$6,883,596 100%
<b>1999</b>	\$5,957,350 67%	\$614,275 7%	\$1,801,580 20%	\$544,245 6%	\$8,917,450 100%
<b>2000</b>	\$7,416,745 69%	\$706,266 6%	\$2,013,181 19%	\$640,817 6%	\$10,777,009 100%
<b>2001</b>	\$9,266,426 69%	\$849,350 6%	\$2,587,972 19%	\$729,751 6%	\$13,433,499 100%
<b>2002</b>	\$12,301,106 70%	\$986,621 6%	\$2,494,885 14%	\$1,793,839 10%	\$17,576,451 100%
<b>2003</b>	\$15,678,608 70%	\$1,045,433 6%	\$3,469,345 14%	\$2,313,406 10%	\$22,506,792 100%
<b>2004</b>	\$19,442,835 73%	\$1,178,761 4%	\$3,677,576 14%	\$2,324,447 9%	\$26,623,619 100%
<b>2005</b>	\$23,519,992 76%	\$1,305,434 4%	\$3,871,675 12%	\$2,400,849 8%	\$31,097,950 100%

## SUMMARY OF RETIRED MEMBER AND SURVIVOR DATA

The following summary presents an analysis of the benefit changes that have taken place during the past 17 years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 13.4% and 23.2% over the last five years.

### COMPARATIVE SCHEDULE

Year Ended June 30	Retired				Annual Pensions	Average Pension	Ratio of Active to Retired
	Normal	Disability	Survivors	Totals			
1988	34		14	48	\$325,835	\$6,788	118.8 to 1
1989	61		24	85	\$571,541	\$6,724	73.5 to 1
1990	78	4	33	115	\$765,738	\$6,659	56.3 to 1
1991	111	5	42	158	\$1,152,673	\$7,295	43.5 to 1
1992	163	5	58	226	\$1,631,420	\$7,219	31.4 to 1
1993	214	9	72	295	\$2,203,198	\$7,468	25.6 to 1
1994	255	17	84	356	\$2,710,269	\$7,613	22.0 to 1
1995	312	23	100	435	\$3,456,750	\$7,947	19.2 to 1
1996	365	24	115	504	\$4,274,602	\$8,481	17.7 to 1
1997	430	32	136	598	\$5,305,705	\$8,872	16.3 to 1
1998	516	42	150	708	\$6,884,614	\$9,724	13.5 to 1
1999	599	49	177	825	\$9,642,797	\$11,688	13.2 to 1
2000	672	55	198	925	\$11,042,151	\$11,937	12.2 to 1
2001	748	64	228	1,040	\$13,446,069	\$12,929	10.6 to 1
2002	903	68	247	1,218	\$17,660,064	\$14,499	8.6 to 1
2003	1,029	70	264	1,363	\$21,653,042	\$15,886	8.1 to 1
2004	1,138	107	291	1,536	\$26,261,143	\$17,097	7.5 to 1
2005	1,339	80	314	1,733	\$31,329,225	\$18,078	6.8 to 1

Set forth below is a summary of pensions being paid to retired members and survivors:

### SUMMARY OF RETIRED MEMBERS AND SURVIVORS - JUNE 30, 2005

Pensions Being Paid	Number	Annual Pensions	Average Pensions
<b>Retired Members</b> - Service Pensions	1,339	\$ 26,072,704	\$ 19,472
- Disability Pensions	80	\$ 1,364,396	\$ 17,055
<b>Totals</b>	<b>1,419</b>	<b>\$ 27,437,100</b>	<b>\$ 19,336</b>
<b>Survivors of Members</b> - Spouses	288	\$ 3,599,125	\$ 12,497
- Children with Guardians	26	\$ 293,000	\$ 11,269
<b>Totals</b>	<b>314</b>	<b>\$ 3,892,125</b>	<b>\$ 12,395</b>
<b>Total Pensions Being Paid</b>	<b>1,733</b>	<b>\$ 31,329,225</b>	<b>\$ 18,078</b>

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	63.6	18.1	58.3
Disability retired members	51.8	9.7	45.0
Spouse beneficiaries	60.6	10.4	51.1

## SUMMARY OF BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors who are over age fifty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the production of excess earnings on part of the assets of the Fund and are limited to four percent of the average benefit being paid to retirees and their survivors. The following schedule summarizes the statutorily-designed process of calculating the monthly benefit increases effective each July 1st.

### BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute <sup>1</sup>	Excess Earnings Assets <sup>2</sup>	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap <sup>3</sup>	Lesser of Two Increase Awarded
<b>06/30/91</b>	0.50%	\$ 11,456,784	\$ 57,284			
	Amount available:	7-1-92 increase	57,284	None	\$24.64	None
	Investment earnings on balance		5,322			
	Amount utilized:	7-1-92 increase	-			
<b>06/30/92</b>	0.29%	\$ 16,527,313	\$ 47,929			
	Amount available:	7-1-93 increase	110,535	\$5.00	\$24.06	\$5.00
	Investment earnings on balance		9,992			
	Amount utilized:	7-1-93 increase	(93,840)			
<b>06/30/93</b>	0.04%	\$ 21,923,868	\$ 8,770			
	Amount available:	7-1-94 increase	35,457	None	\$24.89	None
	Investment earnings on balance		2,177			
	Amount utilized:	7-1-94 increase	-			
<b>06/30/94</b>	0.00%	\$ 26,556,396	\$ -			
	Amount available:	7-1-95 increase	37,634	None	\$25.38	None
	Investment earnings on balance		3,880			
	Amount utilized:	7-1-95 increase	-			
<b>06/30/95</b>	1.31%	\$ 34,140,660	\$ 447,241			
	Amount available:	7-1-96 increase	488,755	\$10.00	\$26.49	\$10.00
	Investment earnings on balance		53,519			
	Amount utilized:	7-1-96 increase	(397,082)			
<b>06/30/96</b>	1.95%	\$ 38,930,508	\$ 759,145			
	Amount available:	7-1-97 increase	904,337	\$15.00	\$28.27	\$15.00
	Investment earnings on balance		100,562			
	Amount utilized:	7-1-97 increase	(674,496)			
<b>06/30/97</b>	2.12%	\$ 48,380,789	\$ 1,025,673			
	Amount available:	7-1-98 increase	1,356,076	\$25.00	\$78.36	\$25.00
	Investment earnings on balance		296,303			
	Amount utilized:	7-1-98 increase	(1,391,471)			
	Amount Transferred by HB 2496		7,310,486			
<b>06/30/98</b>	12.85%	\$ 61,782,309	\$ 7,939,027			
	Amount available:	7-1-99 increase	15,510,421	\$125.00	\$32.41	\$32.41
	Investment earnings on balance		2,729,834			
	Amount utilized:	7-1-99 increase	(2,369,795)			

## BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute <sup>1</sup>	Excess Earnings Assets <sup>2</sup>	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap <sup>3</sup>	Lesser of Two Increase Awarded
<b>06/30/99</b>	8.60%	\$ 309,115,721	\$ 26,583,952			
	Amount available: 7-1-00 increase		42,454,412	\$550.00	\$38.96	\$38.96
	Investment earnings on balance		5,612,473			
	Amount utilized: 7-1-00 increase		(3,253,379)			
<b>06/30/00</b>	4.22%	\$ 354,772,102	\$ 14,971,383			
	Amount available: 7-1-01 increase		59,784,889	\$680.00	\$39.79	\$39.79
	Investment earnings on balance		(10,202,889)			
	Amount utilized:		(3,761,946)			
<b>06/30/01</b>	0.00%	\$ 342,836,483	\$ -			
	Amount available: 7-1-02 increase		45,820,054	36.5%	4.0%	4.0%
	Investment earnings on balance		(6,717,220)			
	Amount utilized:		(4,650,770)			
<b>06/30/02</b>	0.00%	\$ 294,470,202	\$ -			
	Amount available: 7-1-03 increase		34,452,064	20.5%	4.0%	4.0%
	Investment earnings on balance		2,136,028			
	Amount utilized:		(5,878,909)			
<b>06/30/03</b>	0.00%	\$ 285,090,715	\$ -			
	Amount available: 7-1-04 increase		30,709,183	15.0%	4.0%	4.0%
	Investment earnings on balance		4,536,053			
	Amount utilized:		(7,810,709)			
<b>06/30/04</b>	5.77%	\$ 320,188,846	\$ 18,478,098			
	Amount available: 7-1-05 increase		45,912,625	17.5%	4.0%	4.0%
	Investment earnings on balance		4,237,276			
	Amount utilized:		(9,545,626)			
<b>06/30/05</b>	0.23%	\$ 354,068,661	\$ 810,817			
	Amount available: 7-1-06 increase		41,415,092	15.5%	4.0%	4.0%

1. Net effective yield less actuarial yield per statute of 9%. Beginning 06/30/98, total return less actuarial yield per statute of 9%.

2. Amount equal to retired reserves until 6-30-98 when the assets to be used was changed to one-half of the average net total assets as published in the annual report.

3. Effective 7/1/02, Benefit increases are limited to a maximum of 4% of the benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund.

## PARTICIPATING EMPLOYERS

APACHE COUNTY  
COCHISE COUNTY  
COCONINO COUNTY  
DEPARTMENT OF CORRECTIONS  
DEPARTMENT OF JUVENILE CORRECTIONS  
GILA COUNTY  
GILA COUNTY DISPATCHERS  
MARICOPA COUNTY  
MOHAVE COUNTY  
NAVAJO COUNTY  
PIMA COUNTY  
PINAL COUNTY  
PINAL COUNTY DISPATCHERS  
SANTA CRUZ COUNTY  
TOWN OF MARANA DISPATCHERS  
TOWN OF ORO VALLEY DISPATCHERS  
TOWN OF WICKENBURG DISPATCHERS  
YAVAPAI COUNTY  
YUMA COUNTY



SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2005  
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2004

Sys No.	System	Balance June 30, 2004 (at cost)	Reserve Transfers	Contributions Received	Pension Payment	Enhanced Refunds	Distribution of Earnings (at cost)	Balance June 30, 2005 (at cost)	Unfunded Accrued Normal Costs at June 30, 2004
500	Dept. of Corrections	317,987,061.03	7,135,431.19	\$11,355,224.72	(22,495,886.85)	(3,316,206.39)	29,880,411.63	340,546,035.33	(26,594,224.00)
501	Dept. of Juvenile Corrections	31,196,468.09	388,887.78	\$1,398,914.97	(2,178,664.22)	(357,482.44)	2,910,206.95	33,358,331.13	(4,061,495.00)
502	Pinal County	2,273,313.99	6,361.32	\$215,845.59	(59,825.54)	(3,652.75)	249,447.04	2,681,489.65	763,202.00
503	Gila County	23,327.37	375,807.82	\$62,978.51	0.00	0.00	26,205.77	488,319.47	638,746.00
505	Maricopa County	61,125,494.56	860,983.68	\$1,700,475.82	(4,039,854.03)	(179,026.77)	5,590,606.74	65,058,680.00	(5,865,549.00)
510	Yuma County	4,839,185.97	75,554.72	\$96,273.18	(179,087.23)	(22,002.81)	434,669.56	5,244,593.39	(2,270,325.00)
515	Pima County	21,564,182.63	563,566.05	\$781,943.15	(1,465,082.01)	(65,429.94)	2,013,590.85	23,392,770.73	2,204,612.00
520	Apache County	521,089.38	0.00	\$18,276.10	(38,150.08)	0.00	47,555.38	548,770.78	(67,254.00)
525	Cochise County	2,210,436.20	0.00	\$65,820.86	(151,593.86)	(4,610.39)	206,941.67	2,326,994.48	(408,097.00)
530	Coconino County	1,121,167.89	(12,442.15)	\$77,380.75	(15,170.88)	(6,483.89)	135,488.56	1,299,940.28	(668,419.00)
535	Mohave County	2,255,392.73	(10,263.70)	\$39,230.45	(83,211.06)	(41,877.72)	188,047.98	2,347,318.68	(1,710,404.00)
540	Santa Cruz County	738,879.80	(14,876.02)	\$10,849.90	(18,941.28)	0.00	63,360.12	779,272.52	(577,482.00)
545	Navajo County	832,159.90	(3,758.87)	\$21,515.37	(40,023.72)	0.00	76,809.17	886,701.85	(378,720.00)
550	Yavapai County	3,408,070.64	102,183.39	\$329,171.89	(332,459.08)	(11,766.34)	351,513.91	3,846,714.41	116,702.00
555	Pinal County-Dispatchers	388,242.84	0.00	\$18,209.98	0.00	(6,417.64)	39,926.50	439,961.68	(27,680.00)
556	Town of Oro Valley-Dispatchers	37,846.63	0.00	\$42,660.91	0.00	(4,145.77)	33,843.98	110,205.75	185,794.00
557	Town of Marana-Dispatchers	14,690.66	0.00	\$14,375.22	0.00	0.00	4,422.11	33,487.99	220,271.00
558	Gila County-Dispatchers	13,391.43	342,394.56	\$32,426.68	0.00	0.00	20,631.56	408,844.23	654,190.00
559	Town of Wickenburg Dispatchers	-	91,538.57	\$10,339.95	0.00	0.00	5,120.94	106,999.46	0.00
<b>TOTAL</b>		<b>450,550,401.74</b>	<b>9,901,368.34</b>	<b>16,291,914.00</b>	<b>(31,097,949.84)</b>	<b>(4,019,102.85)</b>	<b>42,278,800.42</b>	<b>483,905,431.81</b>	<b>(37,846,132.00)</b>

SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES  
FISCAL YEAR ENDED JUNE 30, 2005

Sys No.	System	Balance June 30, 2004	Reserve Transfers	Contributions Received	Withdrawn Members	Balance June 30, 2005
500	Dept. of Corrections	118,870,842.29	(7,199,811.84)	\$24,094,602.57	(9,912,973.34)	125,852,659.68
501	Dept. of Juvenile Corrections	11,305,320.14	(442,882.59)	\$2,339,588.05	(1,082,811.68)	12,119,213.92
502	Pinal County	1,104,574.48	15,230.68	\$358,917.53	(21,100.40)	1,457,622.29
503	Gila County	28,829.02	112,038.25	\$114,002.62	(16,442.86)	238,427.03
505	Maricopa County	19,926,431.89	(883,199.11)	\$4,547,112.47	(721,944.77)	22,868,400.48
510	Yuma County	1,442,093.37	(75,554.72)	\$409,146.97	(161,621.78)	1,614,063.84
515	Pima County	7,636,767.35	(430,308.44)	\$1,331,877.75	(275,055.04)	8,263,281.62
520	Apache County	171,388.56	0.00	\$46,929.60	(21,818.70)	196,499.46
525	Cochise County	781,777.05	23,471.00	\$143,449.79	(12,237.98)	936,459.86
530	Coconino County	778,259.94	(9,195.72)	\$200,530.61	(78,046.13)	891,548.70
535	Mohave County	516,014.17	(11,317.82)	\$166,730.06	(100,904.93)	570,521.48
540	Santa Cruz County	176,534.64	6,528.02	\$46,110.76	(8,654.99)	220,518.43
545	Navajo County	267,424.26	(4,395.13)	\$88,771.36	(15,680.68)	336,119.81
550	Yavapai County	1,538,167.66	(95,504.39)	\$520,057.18	(140,347.29)	1,822,373.16
555	Pinal County-Dispatchers	180,840.26	0.00	\$47,671.98	(32,891.80)	195,620.44
556	Town of Oro Valley-Dispatchers	382,273.58	93,061.00	\$41,489.49	(28,885.06)	487,939.01
557	Town of Marana-Dispatchers	27,098.10	0.00	\$29,657.61	0.00	56,755.71
558	Gila County-Dispatchers	10,837.22	124,980.58	\$46,145.60	(2,117.67)	179,845.73
559	Town of Wickenburg Dispatchers		28,101.48	\$16,922.23	0.00	45,023.71
<b>TOTAL</b>		<b>165,145,473.98</b>	<b>(8,748,758.75)</b>	<b>34,589,714.23</b>	<b>(12,633,535.10)</b>	<b>178,352,894.36</b>

# EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2005

SYS #	System	Employer Reserve 06/30/04	Employer Reserve 06/30/05	Member Reserve 06/30/04	Member Reserve 06/30/05	Combined Reserves	Mean Balance	Factor	Investment Earnings
500	Dept. of Corrections	301,778,402.22	310,665,623.70	118,870,842.29	125,852,659.68	857,167,527.89	428,583,763.95	70.6747%	29,880,411.63
501	Dept. of Juvenile Corrections	29,611,295.43	30,448,124.18	11,305,320.14	12,119,213.92	83,483,953.67	41,741,976.84	6.8834%	2,910,206.95
502	Pinal County	2,161,549.05	2,432,042.61	1,104,574.48	1,457,622.29	7,155,788.43	3,577,894.22	0.5900%	249,447.04
503	Gila County	22,384.84	462,113.70	28,829.02	238,427.03	751,754.59	375,877.30	0.0620%	26,205.77
505	Maricopa County	58,112,614.55	59,468,073.26	19,926,431.89	22,868,400.48	160,375,520.18	80,187,760.09	13.2232%	5,590,606.74
510	Yuma County	4,603,112.24	4,809,923.83	1,442,093.37	1,614,063.84	12,469,193.28	6,234,596.64	1.0281%	434,669.56
515	Pima County	20,483,854.03	21,379,179.88	7,636,767.35	8,263,281.62	57,763,082.88	28,881,541.44	4.7626%	2,013,590.85
520	Apache County	495,098.93	501,215.40	171,388.56	196,499.46	1,364,202.35	682,101.18	0.1125%	47,555.38
525	Cochise County	2,098,164.01	2,120,052.81	781,777.05	936,459.86	5,936,453.73	2,968,226.87	0.4895%	206,941.67
530	Coconino County	1,052,446.24	1,164,451.72	778,259.94	891,548.70	3,886,706.60	1,943,353.30	0.3205%	135,488.56
535	Mohave County	2,148,651.40	2,159,270.70	516,014.17	570,521.48	5,394,457.75	2,697,228.88	0.4448%	188,047.98
540	Santa Cruz County	704,621.09	715,912.40	176,534.64	220,518.43	1,817,586.56	908,793.28	0.1499%	63,360.12
545	Navajo County	789,957.60	809,892.68	267,424.26	336,119.81	2,203,394.35	1,101,697.18	0.1817%	76,809.17
550	Yavapai County	3,227,999.05	3,495,200.50	1,538,167.66	1,822,373.16	10,083,740.37	5,041,870.19	0.8314%	351,513.91
555	Pinal County Dispatchers	368,859.81	400,035.18	180,840.26	195,620.44	1,145,355.69	572,677.85	0.0944%	39,926.50
556	Town of Oro Valley	24,294.59	76,361.77	382,273.58	487,939.01	970,868.95	485,434.48	0.0800%	33,843.98
557	Town of Marana	13,935.48	29,065.88	27,098.10	56,755.71	126,855.17	63,427.59	0.0105%	4,422.11
558	Gila County Dispatchers	12,953.59	388,212.67	10,837.22	179,845.73	591,849.21	295,924.61	0.0488%	20,631.56
559	Town of Wickenburg Dispatchers	0.00	101,878.52	0.00	45,023.71	146,902.23	73,451.12	0.0121%	5,120.94
<b>TOTAL</b>		<b>427,710,194.15</b>	<b>441,626,631.39</b>	<b>165,145,473.98</b>	<b>178,352,894.36</b>	<b>1,212,835,193.88</b>	<b>606,417,596.94</b>	<b>100.00%</b>	<b>42,278,800.42</b>

## SUMMARY OF GROWTH OF THE PLAN

Listed below is a table setting forth the growth of the Plan in some of the major areas since it was started July 1, 1986.

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield	Average Employer Cost
<b>Assets</b>					
<b>Transferred</b>	\$ 35,898,096				
<b>1986-87</b>	\$ 47,550,266	\$ 2,591,092	9.00%	12.57%	6.00%
<b>1987-88</b>	\$ 69,842,267	\$ 4,829,032	9.00%	8.69%	6.00%
<b>1988-89</b>	\$ 88,759,811	\$ 6,981,352	9.00%	9.27%	6.00%
<b>1989-90</b>	\$ 109,000,881	\$ 7,969,987	9.00%	8.44%	6.00% <sup>1</sup>
<b>1990-91</b>	\$ 138,958,392	\$ 11,171,749	9.00%	9.50%	6.35% <sup>2</sup>
<b>1991-92</b>	\$ 168,663,770	\$ 15,081,978	9.00%	10.35%	6.16% <sup>2, 3</sup>
<b>1992-93</b>	\$ 198,727,336	\$ 15,833,256	9.00%	9.04%	6.22%
<b>1993-94</b>	\$ 223,939,998	\$ 12,564,499	9.00%	6.14%	5.83%
<b>1994-95</b>	\$ 261,475,094	\$ 23,730,177	9.00%	10.31%	5.54%
<b>1995-96</b>	\$ 309,150,409	\$ 29,543,144	9.00%	10.95%	6.66% <sup>2</sup>
<b>1996-97</b>	\$ 365,414,374	\$ 35,445,750	9.00%	11.12%	6.93% <sup>4</sup>
<b>1997-98</b>	\$ 426,352,295	\$ 38,356,983	9.00%	10.21%	6.63%
<b>1998-99</b>	\$ 519,862,471	\$ 70,754,167	9.00%	16.23%	5.98% <sup>2</sup>
<b>1999-00</b>	\$ 588,205,472	\$ 49,627,757	9.00%	9.39%	5.14%
<b>2000-01</b>	\$ 631,618,088	\$ 29,491,487	9.00%	4.96%	1.88%
<b>2001-02</b>	\$ 646,861,802	\$ 11,656,015	9.00%	1.84%	1.15%
<b>2002-03</b>	\$ 587,318,350	\$ (60,384,405)	9.00%	-9.33%	1.71%
<b>2003-04</b>	\$ 615,695,876	\$ 23,472,984	9.00%	3.98%	3.95%
<b>2004-05</b>	\$ 662,258,326	\$ 43,321,404	8.75%	7.01%	4.07%
<b>2005-06</b>			8.50%		5.47%
<b>2006-07</b>					7.01%

1. Before changes in benefit provisions.

2. After change in benefit provisions

3. Pursuant to 1990 legislation, the employer contribution rates are determined individually in the annual actuarial valuation rather than fixed by statute as a single rate.

4. After changes in benefit provisions and assumptions

5. A detailed Schedule of Revenues by Source and Expenses by Type can be found in the Statistical Section.