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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Police and Fire Pension Fund
Jacksonville, Florida

We have audited the accompanying financial statements of the Police and Fire Pension Fund (the "Fund") as of September 30, 1998 and for the year then ended, listed in the foregoing Table of Contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Fund has included such disclosures in Note 9. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Fund's disclosures with respect to the year 2000 issue made in Note 9. Further, we do not provide assurance that the Fund is or will be year 2000 ready, that the Fund's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Fund does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, such financial statements present fairly, in all material respects, the financial status of the Fund at September 30, 1998 and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 1999 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Deloitte & Touche LLP

January 8, 1999

POLICE AND FIRE PENSION FUND

STATEMENT OF PLAN NET ASSETS SEPTEMBER 30, 1998

ASSETS

CASH AND INVESTMENTS:

Equity in pooled cash	\$ 741,665
Short term investments	26,330,099
Investments	<u>654,278,195</u>

Total cash and investments 681,349,959

ACCRUED INTEREST 4,032,031

ESCROW CASH 2,000,000

DUE FROM CITY OF JACKSONVILLE 236,654

PROPERTY, PLANT AND EQUIPMENT:

Land	23,593
Building and improvements	251,543
Furniture and equipment	182,340
Accumulated depreciation	<u>(153,605)</u>

Net property, plant and equipment 303,871

TOTAL ASSETS 687,922,515

LIABILITIES

ACCOUNTS PAYABLE AND ACCRUED EXPENSES 554,580

ACCRUED COMPENSATED ABSENCES 22,607

TOTAL LIABILITIES 577,187

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

(A schedule of funding progress is presented on page 12) \$687,345,328

See notes to financial statements.

POLICE AND FIRE PENSION FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS YEAR ENDED SEPTEMBER 30, 1998

ADDITIONS

CONTRIBUTIONS:

Employee	\$ 7,973,888
Employer	<u>8,263,474</u>
Total contributions	<u>16,237,362</u>

INVESTMENT INCOME:

Interest and dividends	23,396,798
Net depreciation in fair value of investments	<u>(9,069,139)</u>
Total investment gain	14,327,659
Less investment expenses	<u>3,049,010</u>
Net investment income	<u>11,278,649</u>

OTHER ADDITIONS:

Court fines and penalties	2,952,972
State insurance contributions	4,199,516
Other	<u>27,201</u>
Total other additions	<u>7,179,689</u>

TOTAL ADDITIONS

34,695,700

DEDUCTIONS

BENEFITS PAID DIRECTLY TO PARTICIPANTS

30,596,648

REFUNDS OF CONTRIBUTIONS

210,135

ADMINISTRATIVE EXPENSES:

Personnel services	299,207
Central services	83,906
Supplies	14,457
Depreciation	41,355
Other services and charges	174,200
Interest expense	<u>259,882</u>
Total administrative expenses	<u>873,007</u>

TOTAL DEDUCTIONS

31,679,790

NET INCREASE

3,015,910

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

Beginning of year	<u>684,329,418</u>
End of year	<u>\$687,345,328</u>

See notes to financial statements.