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January 16, 2015

**CITY COUNCIL**  
**JACKSONVILLE, FLORIDA**  
**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the Police and Fire Pension Fund  
Jacksonville, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Jacksonville Police and Fire Pension Fund (Fund), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund, as of September 30, 2014, and the respective changes in the fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Change in Accounting Principle**

As discussed in Note 2E to the financial statements, in 2014 the Fund adopted new accounting guidance, GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-6 and pages 23-27, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



KBLD, LLC

**City of Jacksonville, Florida  
Police and Fire Pension Fund  
Statement of Changes in Fiduciary Net Position  
For the Year Ended September 30, 2014**

**ADDITIONS**

Contributions:	
Plan member	\$ 10,067,765
Plan member buybacks and pension transfers	1,515,800
Employer	148,277,368
Employer pension transfers	2,242,902
Total contributions	<u>162,103,835</u>
Other additions:	
Court fines and other penalties	881,291
State insurance contributions	10,110,493
Grant revenue	12,960
Other	141,855
Total other additions	<u>11,146,599</u>
Investment income (loss):	
Net appreciation in fair value of investments	129,030,950
Interest and dividends	25,189,000
Rental revenue	529,056
Other investment revenue	100,185 ✓
Investment expenses	(7,640,438)
Rental expenses	(257,977)
Net investment income (loss)	<u>146,950,776</u>
Securities lending activities	
Lending revenue	483,340
Lending expense	(101,318)
Total securities lending activities	<u>382,022</u>
Total additions to fiduciary net position	<u>320,583,232</u>

**DEDUCTIONS**

Pension benefits remitted	111,424,048
DROP benefits remitted	26,386,788
Refunds of contributions	368,347
Grant - expenses	12,960
Administrative expenses:	
Personnel services	1,016,136
Professional services - non investment	779,227
Building rent - office space	253,392
Central services	113,216
Supplies	9,947
Depreciation	11,772
Other services and charges	40,558
Total administrative expenses	<u>2,224,248</u>
Total deductions to fiduciary net position	<u>140,416,391</u>
Change in fiduciary net position	180,166,841
Fiduciary net position available for benefits - beginning of year	<u>1,292,930,211 *</u>
Fiduciary net position available for benefits - end of year	<u>\$ 1,473,097,052 ✓</u>

\*Beginning of year balance was restated for removing previous years DROP liability per GASB Statement No. 67. (Note 4)

The accompanying notes are an integral part of these statements.

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BALANCE (Y,M,Q,A) : Y TITLE NOTFOUND : CURRENCY CODE :  
 FISCAL MO/YEAR : 14 2014 YREND2014  
 FUND TYPE : 60 TRUST AND AGENCY FUNDS  
 FUND : 620 POLICE & FIREMENS PENSION TRUST  
 SUBFUND : 621 POLICE & FIREMENS PENSION TRUST  
 CHARACTER : 360 MISCELLANEOUS REVENUE  
 OBJECT : 361 INTEREST, INCL PROFITS ON INVESTMENTS  
 PROJECT :  
 GRANT :

S	SUBOBJ	DESCRIPTION	BUDGET	ACTUAL	ENCUMBERED	BALANCE
	36100	2400 FUND -		-1,882		-1,882
	36104	REALIZED GAI		60,962		60,962
	36105	EARNINGS OTH		5,579,227		5,579,227
	361101	INVESTMENT P		-732,460		-732,460
	361103	SECURITIES L		483,340		483,340
	361104	CONTRA-SECUR		-101,317		-101,317
	36112	REBATE OF CO		100,185 ✓		100,185
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 PROJECT :  
 GRANT :

S	SUBOBJ	DESCRIPTION	BUDGET	ACTUAL	ENCUMBERED	BALANCE
	36113	DIVIDENDS ON		14,622,608		14,622,608
	36118	2300 FUND -		4,081,923		4,081,923
	36121	2100 FUND -		1,576,943		1,576,943
	36131	NC UNREALIZE		1,679		1,679
		REVENUE TOT		25,671,207		25,671,207

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FISCAL MO/YEAR : 14 2014 CURRENCY CODE :  
 FUND TYPE : 60 TRUST AND AGENCY FUNDS  
 FUND : 620 POLICE & FIREMENS PENSION TRUST  
 SUBFUND : 621 POLICE & FIREMENS PENSION TRUST

S ACCT	DESCRIPTION	YREND2014	BALANCE
22900	OTHER CURRENT LIABILITIES	0.00	-1,967,458.63
22920	OBL. UNDER SEC. LENDING AGRE	0.00	-125,067,204.85
23890	PFPP TERM LEAVE - HEALTH CAR	0.00	-173,813.67
24100	APPROPRIATIONS	8,249,355.00	0.00
24110	ALLOTMENTS	8,249,355.00	0.00
24190	ALLOTMENTS - CONTRA (NON-CON	-8,249,355.00	0.00
24200	EXPENDITURES	99,083,915.37	0.00
27105	FUND BALANCE - UNRESERVED	-427,565,563.50	-1,473,097,051.73 ✓
27300	BUDGETARY FUND BALANCE	0.00	0.00
	SUBFUND TOTAL	0.00	0.00

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