



POLICE AND FIRE PENSION FUND

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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, 2001 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.

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 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.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Fund at September 30, 2001 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Police and Fire Pension Fund taken as a whole. The accompanying required supplemental schedules on pages 10 through 12 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Fund's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

January 18, 2002

**Deloitte
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Tohmatsu**

POLICE AND FIRE PENSION FUND

STATEMENT OF PLAN NET ASSETS SEPTEMBER 30, 2001

ASSETS

CASH AND INVESTMENTS:

Equity in pooled cash	\$ 1,031,655
Short-term investments	30,483,488
Investments	<u>742,496,323</u>

Total cash and investments 774,011,466

INTEREST AND DIVIDENDS RECEIVABLE 5,409,874

DUE FROM CITY OF JACKSONVILLE 433,469

PROPERTY, PLANT AND EQUIPMENT:

Land	23,593
Building and improvements	251,543
Furniture and equipment	444,170
Accumulated depreciation	<u>(276,512)</u>

Net property, plant and equipment 442,794

TOTAL ASSETS 780,297,603

LIABILITIES

DUE TO DROP PARTICIPANTS 51,575,684

ACCOUNTS PAYABLE AND ACCRUED EXPENSES 1,013,915

ACCRUED COMPENSATED ABSENCES 46,415

TOTAL LIABILITIES 52,636,014

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

(A schedule of funding progress is presented on page 10) \$ 727,661,589

See notes to financial statements.

POLICE AND FIRE PENSION FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS YEAR ENDED SEPTEMBER 30, 2001

ADDITIONS

CONTRIBUTIONS:

Employee	\$ 7,765,784
Employer	9,058,080
Total contributions	<u>16,823,864</u>

OTHER ADDITIONS:

Court fines and penalties	3,033,021
State insurance contributions	4,513,150
Other	55,561
Total other additions	<u>7,601,732</u>

TOTAL ADDITIONS

24,425,596

DEDUCTIONS

BENEFITS PAID DIRECTLY TO PARTICIPANTS

56,580,722

REFUNDS OF CONTRIBUTIONS

389,015

INVESTMENT LOSS:

Net depreciation in fair value of investments	78,939,538
Interest and dividends	(28,435,615)
Rental revenue	(161,430)

Investment expenses	50,342,493
Rental expenses	3,308,451
	13,704
Total investment loss	<u>53,664,648</u>

ADMINISTRATIVE EXPENSES:

Personnel services	544,410
Central services	71,831
Supplies	19,470
Depreciation	53,224
Other services and charges	245,949
Interest expense	83,777
Total administrative expenses	<u>1,018,661</u>

TOTAL DEDUCTIONS

111,653,046

NET DECREASE

87,227,450

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

Beginning of year	<u>814,889,039</u>
End of year	<u>\$ 727,661,589</u>

See notes to financial statements.

POLICE AND FIRE PENSION FUND

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2001

1. THE REPORTING ENTITY

The Police and Fire Pension Fund (the "Fund") is a single-employer contributory defined benefit pension plan covering all full-time civil-service members of the City of Jacksonville's Police and Fire Departments. The Fund is administered solely by a five member board of trustees.

The Fund is included in the City of Jacksonville's Comprehensive Annual Financial Report.

2. PLAN DESCRIPTION

The Fund's membership consists of:

Retirees and beneficiaries currently receiving benefits	1,407
Drop participants	465
Terminated employees entitled to benefits but not yet receiving them	11
Active plan members	<u>2,037</u>
Total	<u>3,920</u>

The Fund, as amended effective April 1, 2001, provides, in general, retirement benefits after twenty years of credited membership, regardless of age, with a minimum benefit of 60% of the average salary received for the fifty-two pay periods immediately preceding retirement. An additional 2% for each completed year over twenty up to a maximum of 80% may be earned. There is no mandatory retirement age. Effective April 1, 2000, the Fund provides for a cost of living increase to pensioners and their beneficiaries of 3% per annum.

Pension benefits may be vested after a minimum of five years of membership. Benefits are computed based on average salary for the fifty-two pay periods immediately preceding vesting multiplied by 2.5% times the number of credited years of service. Employees, in this category, may alternatively select a 100% payout of member contributions to the Fund without interest, upon withdrawal from the Fund.

Eligible members of the Fund may elect to participate in the Deferred Retirement Option Program ("DROP"). Upon election to participate, the members' credited service and final average salary is frozen for purposes of determining pension benefits. The member continues employment with the City of Jacksonville for a defined period of time not to exceed sixty months. The deferred monthly retirement benefits under the DROP accrue in the Fund plus interest on behalf of the member. Upon termination of employment, the member receives the DROP benefits as defined in the plan and begins to receive normal retirement benefits directly.

The State of Florida requires funding of pension contributions to be made based upon an actuarial valuation; the most recent actuarial valuation is dated April 1, 2000. The City Council has the authority to amend its contribution to the Fund to not less than the minimum state requirement.

POLICE AND FIRE PENSION FUND

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2001 (Continued)

Upon termination of the Fund's pension plan for any reason, the asset value as of the date of termination shall be apportioned as follows:

- (1) Apportionment shall first be made in respect of each retired police officer and firefighter receiving a retirement income hereunder on such date, each person receiving a retirement income on such date on account of a retired (but since deceased) police officer and firefighter, and each police officer and firefighter who has, by such date, become eligible for normal retirement but has not yet retired.
- (2) For any value remaining, apportionment shall next be made in respect of each police officer and firefighter in the service of the City on such date who has completed at least 10 years of credited service, and who has contributed to the Fund for at least 10 years.
- (3) If there remains an asset value after the previous apportionments, apportionment shall lastly be made in respect of each police officer and firefighter in the service of the City on such date who is not entitled to an apportionment under previous paragraphs in the amount equal to his total contributions to the Fund to date of termination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and financial reporting policies of the Fund, included in this report, conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

Basis of Accounting - These financial statements have been prepared on the accrual basis of accounting. Revenues are recorded at the time they are earned. Benefits paid directly to participants, which includes amounts due to DROP participants, and refunds of contributions are recorded when paid or, with respect to DROP benefits, when accrued. Administrative expenses are recorded when incurred.

Method Used to Value Cash and Investments - Investments are valued at fair market value determined by quoted prices in an active market. Short-term investments consist of money market accounts and other short-term invested cash. Such amounts are recorded at cost which approximates market value. The pooled cash account is recorded at cost and represents amounts pooled with other accounts at the City of Jacksonville.

Property and Equipment - Property and equipment are carried at historical cost and are depreciated using the straight-line method of depreciation over their respective useful lives.

4. CASH AND INVESTMENTS

The Fund participates in a pooled cash account with other funds at the City of Jacksonville. At September 30, 2001, the carrying amount of cash on hand and on deposit with banks, including interest bearing accounts, was \$1,031,655.

POLICE AND FIRE PENSION FUND

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2001 (Continued)

The deposits and investments of the Fund which have been transferred to the pension custodians are held separately from those of other City funds and are required to be administered by nationally recognized investment counseling firms.

At September 30, 2001, the carrying amount of these deposits and investments (including the pooled cash account) was \$774,011,466. Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts and certificates of deposit are defined as public deposits.

All of the Fund's public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280 "Florida Security for Public Deposits Act". Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

The Fund is authorized to invest in certificates of deposit, money market certificates, obligations of the U. S. Treasury, its agencies and instrumentalities, repurchase and reverse repurchase agreements collateralized by U. S. Government securities, the Local Government Surplus Funds Trust Fund, obligations of the City of Jacksonville, the State of Florida, and the Jacksonville Electric Authority, as well as commercial paper rated A-1 or P-1 by a nationally recognized rating service, bankers' acceptances, corporate bonds, including collateralized mortgage obligations, preferred stocks, common stocks, foreign securities and real estate limited trusts. The Fund held no investments in obligations of the City of Jacksonville or related entities at September 30, 2001.

The Fund purchased land, an office building with related improvements and a parking garage in fiscal year 1999. The office building is undergoing extensive renovations after which the majority of the building will be leased to outside tenants as office space. Upon purchase of the parking garage, the fund took assignment of the existing management agreement and receives rental revenue from parking tenants. These assets have been classified as investments, as they are income producing assets.

In accordance with Governmental Accounting Standards Board Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", the Fund's investments are classified in one of three categories as follows to give an indication of the level of credit risk assumed by the Fund at September 30, 2001. Category 1 includes investments that are insured or registered for which the securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for

POLICE AND FIRE PENSION FUND

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2001 (Continued)

which the securities are held by the counterparty, or by its trust department or agent but not in the Fund's name. Investments that represent 5 percent or more of the Fund's net assets are separately identified.

	(In Thousands)			Fair Value
	Category			
	1	2	3	
U. S. government and agency obligations	\$ 168,476			\$ 168,476
Corporate bonds	142,699			142,699
Common stocks	424,679			424,679
Real estate	6,642			6,642
	<u>\$ 742,496</u>			<u>742,496</u>
Short-term investments				30,483
Equity in pooled cash				<u>1,032</u>
Total cash and investments				<u>\$ 774,011</u>

During 2001, the Fund's investments (including investments bought and sold as well as held during the year) appreciated (depreciated) in value as follows:

U.S. government and agency obligations	\$ 11,092,450
Corporate bonds	9,395,299
Common stocks	<u>(99,427,287)</u>
	<u>\$ (78,939,538)</u>

5. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Fund's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the frozen entry age actuarial cost method. The Fund also uses the level percentage of payroll method to amortize any unfunded liability and changes in plan provisions, actuarial assumptions and gains and losses over a period of 30 years.

Fund members are required to contribute 7% of their annual covered salary (DROP participants contribute 2%). The City of Jacksonville is required to contribute an actuarially determined percentage of the members' annual covered salary (8.75% for 2001). The remaining required contribution is primarily comprised of State insurance contributions, fines and forfeitures, and transfers from the reserve accounts.

6. RESERVE ACCOUNTS

An agreement between the Fund and the City of Jacksonville in 1992 established certain reserve accounts (consisting of a Member Reserve Account, Base Benefit Reserve Account and Enhanced Benefit Reserve Account) to accumulate excess contributions. This agreement was restated effective April 1, 2001. Such

POLICE AND FIRE PENSION FUND

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2001 (Concluded)

restatement retired the Member Reserve Account and the Base Benefit Reserve Account and created a City Budget Stabilization Account in their place.

Each reserve account is established to account for contributions in excess of current funding requirements and related earnings thereon for the purpose of leveling the impact of actuarial gain and losses on current funding requirements and to allow greater flexibility in funding options and the granting of enhanced benefits. These reserve accounts totaled \$24,409,050 at September 30, 2001.

7. TAX STATUS

The Fund obtained a determination letter on January 20, 1999, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Fund's sponsor, administrator, and tax counsel believes that the Fund is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe the Plan was qualified and the related trust was tax-exempt as of September 30, 2001.

8. PLAN AMENDMENTS

Modifications to Retirement Benefit Formula and Restated Agreement - During the fiscal year ended September 30, 2001, legislation was enacted that provided for a range of modifications to various provisions of the pension plan, as well as authorization to execute a restated agreement between the Fund and the City of Jacksonville. This legislation provided for amendments to the term of office for members of the Advisory Committee, modifications in the calculation of pension contributions, modifications to the retirement benefit formula, modifications in DROP distribution options and in the determination of employee contributions for DROP participants, modifications in the use of reserve accounts and various clarifications of certain plan provisions (2000-1164-E).

* * * * *

REQUIRED SUPPLEMENTAL SCHEDULES

POLICE AND FIRE PENSION FUND

SCHEDULE OF FUNDING PROGRESS

Plan Year Ending September 30	Actuarial Value of Assets (a)	Accumulated Reserve Accounts (b)	Actuarial Accrued Liability (AAL) Frozen Entry Age * (c)	Unfunded AAL (UAAL) (c-a)	Funded Ratio (a/c)	Covered Valuation Payroll (d)	UAAL as a Percentage of Covered Payroll [(c-a)/d]
1992	\$ 379,220,936	\$ 30,788,287	\$ 430,593,190	\$ 51,372,254	88.07 %	\$ 80,557,852	63.77 %
1993	420,332,516	36,473,685	472,342,663	52,010,147	88.99	85,015,897	61.18
1994	447,140,437	36,763,074	499,566,015	52,425,578	89.51	91,084,177	57.56
1995	492,016,780	44,529,057	544,815,658	52,798,878	90.31	98,332,464	53.69
1996	541,269,261	50,774,538	720,653,981	179,384,720	75.11	101,020,744	177.57
1997	615,421,074	47,977,987	842,848,761	227,427,687	73.02	106,111,490	214.33
1998	675,414,204	36,851,865	902,034,674	226,620,470	74.88	110,597,695	204.91
1999	738,460,821	33,446,826	970,418,025	231,957,204	76.10	97,666,003	237.50
2000	814,889,039	29,003,489	939,801,566	124,912,527	** 86.71	97,207,387	128.50
2001	790,822,613	24,409,050	*** 927,624,577	136,801,964	85.25	96,198,772	142.21

* The frozen entry age actuarial cost method does not have a defined AAL after the initial year. The AAL was created by adding the UAAL (which is defined under the frozen entry age method) to the actuarial value of assets.

** Rederived as of 4/1/00.

*** These accounts were redefined by the Restated Agreement effective April 1, 2000. As of September 30, 2001, the value of the City Budget Stabilization Account was \$22,379,908, and the Enhanced Benefit Account was \$2,029,142. These amounts are included in the Actuarial Value of Assets as of September 30, 2001.

See note to supplemental schedules.

POLICE AND FIRE PENSION FUND

SCHEDULE OF CONTRIBUTIONS FROM ALL SOURCES

Plan Year Ending September 30	Annual Required Contribution *	Percentage Contributed	Net Pension Obligation *
1992	\$12,639,962	100.00 %	\$ 0
1993	13,813,835	100.00	0
1994	14,505,200	100.00	0
1995	15,552,123	100.00	0
1996	15,365,896	100.00	0
1997	28,909,883	100.00	0
1998	34,618,066	100.00	0
1999	30,002,143	100.00	0
2000	32,145,816	100.00	0
2001	26,874,610	100.00	0

* Excess contributions from all sources are accumulated in the Combined Account which is drawn upon if actual contributions fall below the annual required contribution.

See note to supplemental schedules.

POLICE AND FIRE PENSION FUND

NOTE TO SUPPLEMENTAL SCHEDULES YEAR ENDED SEPTEMBER 30, 2001

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	October 1, 2001
Actuarial cost method	Frozen entry age
Amortization method	Level percent open
Remaining amortization period	28.5 years
Asset valuation method	5 year smoothing from April 1, 2000
Actuarial assumptions:	
Net investment rate of return	8.50%
Projected salary increases	5.00%
Includes Inflation % of	3.50%
Cost-of-living adjustments	3.00%

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Police and Fire Pension Fund
Jacksonville, Florida

We have audited the financial statements of the Police and Fire Pension Fund (the "Fund") as of and for the year ended September 30, 2001, and have issued our report thereon dated January 18, 2002. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the Board of Trustees, management of the Fund and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

January 18, 2002

**Deloitte
Touche
Tohmatsu**

MANAGEMENT LETTER

Board of Trustees
Police and Fire Pension Fund
Jacksonville, Florida

We have audited the financial statements of the Police and Fire Pension Fund (the "Fund") as of and for the fiscal year ended September 30, 2001, and have issued our report thereon dated January 18, 2002.

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. We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based upon the Audit Performed in Accordance with *Government Auditing Standards*, dated January 18, 2002, and it should be considered in conjunction with this management letter.

In planning and performing our audit of the financial statements of the Fund for the year ended September 30, 2001 (on which we have issued our report dated January 18, 2002), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Fund's internal control. Our consideration of the Fund's internal control would not necessarily disclose all matters in the Fund's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Fund's internal control and its operations that we consider to be material weaknesses as defined above.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(g) 1.a.) state that a management letter shall include a statement as to whether or not inaccuracies, shortages, defalcations, fraud and violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such matters reported in the preceding annual financial audit.

The Rules of the Auditor General (Section 10.554(1)(g) 1.b.) state that a management letter shall include a statement as to whether or not recommendations made in the preceding annual financial audit report have been followed. There were no such recommendations made in the preceding year.

The Rules of the Auditor General (Section 10.554(1)(g) 2.) state that a management letter shall have a statement as to whether or not the Fund has complied with Section 218.415, Florida Statutes regarding the investment of Public Funds. The results of our audit indicate that the Fund has complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(g) 6.a.) state that a management letter shall include a statement as to whether or not a unit of local government is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), Florida Statutes. Section 218.503(1) states that a local governmental entity is in a state of financial emergency when any of the following conditions occurs:

- a) Failure within the same fiscal year in which due to pay short-term loans from banks or failure to make bond debt service payments when due.
- b) Failure to transfer at the appropriate time, due to lack of funds: (1) taxes withheld on the income of employees; or (2) employer and employee contributions for a) federal social security, or b) any pension, retirement, or benefit plan of an employee.
- c) Failure for any one pay period to pay, due to lack of funds: (1) wages and salaries owed to employees; or (2) retirement benefits owed to former employees.
- d) An unreserved or total fund balance or retained earnings deficit for which sufficient resources of the local governmental entity are not available to cover the deficit for two successive years.
- e) Noncompliance of the local government retirement system with actuarial conditions provided by law.

Section 218.503(2) states that a local governmental entity shall notify the Governor and the Legislative Auditing Committee when one or more of the conditions specified in Section 218.503(1) have occurred or will occur if action is not taken to assist the local governmental entity.

Management of the Fund has determined that the Fund is not in a state of financial emergency under Section 218.503(1). In connection with our audit of the financial statements of the Fund, the results of our tests did not indicate that the Fund is in a state of financial emergency as a consequence of the conditions in Section 218.503(1). However, our audit does not provide a legal determination on the Fund's compliance with this requirement.

The Rules of the Auditor General (Section 10.554(1)(g)(6.b.)) state that a management letter shall include a statement as to whether or not the financial report filed with the Florida Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period and, if not, explanations of any significant differences. As of the date of our report, the financial information for the Fund for the year ended September 30, 2001, had not been filed with the Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes. The information will be filed on a combined basis with the City of Jacksonville.

The Rules of the Auditor General (Rule Section 10.554(1)(g) 6.c.) state that a management letter shall include the following information regarding the auditor's application of financial condition assessment procedures pursuant to Rule Section 10.556(8):

1. A statement that the auditor applied financial condition assessment procedures pursuant to Rule Section 10.556(8).

2. If deteriorating financial conditions are noted, a statement that the local governmental entity's financial condition is deteriorating and a description of conditions causing the auditor to make this conclusion. Findings regarding deteriorating financial condition must be prepared in accordance with Rule Section 10.557(6).

Management of the Fund has determined that the Fund is not in a state of deteriorating financial condition. We have applied financial condition assessment procedures pursuant to Rule 10.556(8). The results of those procedures did not indicate that the Fund is in a state of deteriorating financial condition. However, our audit does not provide a legal determination of on the Fund's compliance with this requirement.

This management letter is intended solely for the information and use of the Board of Trustees, management of the Fund and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

January 18, 2002