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POLICE AND FIRE PENSION FUND

Financial Statements and Supplemental Schedules for the Year Ended September 30, 2003 and Independent Auditors' Reports

PRESENTED AT POLICE AND FIRE
PENSION TRUSTEES MEETING
ON FEB 12 2003 AS ITEM # 2004-01-6
FROM ADMINISTRATIVE REPORT
✓ APPROVED
___ DENIED
___ REC'D AS INFORMATION

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 and for the year ended September 30, 2003, 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 net assets of the Fund at September 30, 2003 and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis, listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

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 15 through 17 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 5, 2004 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 5, 2004

POLICE AND FIRE PENSION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2003 (UNAUDITED)

We are pleased to provide this overview and analysis of the financial activities of the Police and Fire Pension Fund (the "Fund") during the fiscal year ended September 30, 2003. This section presents management's discussion and analysis of key financial performance indicators in a narrative format.

Financial Highlights

- The net assets of the Fund as of the close of the reporting period were $704,068,620. All of these net assets, which are held in trust for pension benefits, are available to meet the Fund's ongoing obligations to plan participants and their beneficiaries.

- The $704,068,620 value of net assets represents an increase of $64,442,482, or 10.1%. The increase was primarily a result of the substantial appreciation in the market value of equity securities. The rate of increase would have been higher had it not been for the negative cash flow fundamentally associated with the Fund's mature status, the growth in liabilities to DROP participants and the City's election to rely upon assessments against reserve accounts embedded within the Fund as a source for meeting a portion of the City's contribution requirements.

- The Fund's ongoing funding objective is to meet long-term benefit obligations through contributions, investment income, and the receipt of various revenue sources. As of September 30, 2003, the funded ratio for the Fund was approximately 64.3%, which compares to the September 30, 2002 funded ratio of 75.4%. In general, the current funded ratio indicates that for every dollar of benefits due, the Fund has approximately $.64 of assets to cover it. The decline in the funded ratio was largely attributable to the actuarial recognition of previously deferred investment losses that were recorded during the thirty-month period ended September 30, 2002. Actuarial smoothing techniques defer the full recognition of such events until future periods. The magnitude of such losses overpowered the counter-balancing impact of the favorable returns that were recorded during fiscal year 2003, which will also be actuarially recognized over multiple years.

- The Fund's rate of return on investments of 15.5% on a market value basis over the fiscal year ended September 30, 2003 was primarily attributable to a substantial appreciation in the market value of equity securities on a global basis. The magnitude of the appreciation in world equity markets over the one-year period ended September 30, 2003 is evidenced from the 26.3% return for the Wilshire 5000, the 24.4% return for the S&P 500, and the 26.5% return for the EAFE (international equity). The return of 15.5% placed the Fund's investment performance in the 34th percentile when compared to other public pension funds as measured by the Fund's investment performance consultant. This means that the Fund's 15.5% return exceeded the returns generated by 66% of other public pension funds. The Fund's annualized rate of return over the last three years was 0.7%, which produced a ranking in the 23rd percentile.

- Revenues (additions to Plan Net Assets) other than investment income for the 2003 fiscal year were $27,258,358, which includes member and employer contributions of $18,331,477 and other additions of $8,926,881. This compares to revenues in the amount of $26,505,232 in the prior fiscal year. A large element of this increase was attributable to a $663,431 or 12.1% increase in Chapter 175 and 185 revenues derived from expanding casualty insurance premiums.

- Revenues (additions to Plan Net Assets) derived from investment income for 2003 fiscal year were $108,459,498. The compares to investment losses in the amount of $47,220,723 that were recorded in the prior fiscal year as a result of a severe decline in world equity markets.

- Expenses (deductions in Plan Net Assets), excluding investment losses, for the 2003 fiscal year increased from $67,319,958 to $71,275,374 or approximately 5.9%.

Overview of Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Fund's financial statements, which are comprised of these components: 1) Statement of Plan Net Assets, 2) Statement of Changes in Plan Net Assets, 3) Notes to the Financial Statements, and 4) Required Supplementary Information. The information available in each of these sections is briefly summarized as follows:

1. **The Statement of Plan Net Assets** is a snapshot of account balances at the end of the fiscal year. It indicates the assets available for future payments to retirees and beneficiaries and any current liabilities that are owed at this time.

2. **The Statement of Changes in Plan Net Assets,** on the other hand, provides a view of current year additions to and deductions from the resources of the Fund during the fiscal year.

   Both statements are in compliance with Governmental Accounting Standards Board ("GASB") pronouncements. These pronouncements require certain disclosures and reporting standards. The Fund complies with all material requirements of these pronouncements.

   The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets report information about the Fund's financial activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All realized and unrealized gains and losses are shown on investments, and all furniture and equipment (fixed assets) are depreciated over their useful lives.

   These two statements report the Fund's net assets held in trust for pension benefits (the difference between assets and liabilities) as one way to measure the Fund's financial position. Over time, increases and decreases in the Fund's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Fund's overall financial health (see the Fund's financial statements on pages 7 - 8 of this report.

3. **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements (see Notes to Financial Statements on pages 9 - 13 of this report).

4. **Required Supplementary Information.** In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Fund's progress in funding its obligations to provide pension benefits to members (see Required Supplementary Information on pages 15 - 17 of this report). Management's Discussion and Analysis described herein is additionally classified as Required Supplementary Information for reporting and auditing purposes even though it is not presented in the Required Supplementary Information section of this report.

Financial Analysis

The Fund provides retirement benefits to police officers and firefighters employed by the Consolidated City of Jacksonville. The pension benefits which are provided by the Fund are funded by member and employee contributions, by earnings on investments and by various revenue sources. The Fund's net assets held in trust for benefits at September 30, 2003 were $704,068,620, an increase of $64,442,482 or 10.1% from $639,626,138 at September 30, 2002. The increase was primarily a result of the substantial appreciation in the market value of equity securities in world equity markets.

For the 2003 fiscal year, employer and member contributions were $18,331,477, representing an increase of 1.8% over the $18,012,977 recorded during the 2002 fiscal year. The Fund recognized a net investment gain of $108,459,498 for the 2003 fiscal year, compared with a net investment loss of $47,220,723 for the 2002 fiscal year. The investment gain in 2003 reflected the substantial rebound in world equity prices from the severe declines that were experienced in 2002. The magnitude of the rebound in world equity markets between the 2002 and 2003 fiscal years is evidenced from the returns from the Wilshire 5000 negative 17.5% and positive 26.3%, respectively. Other revenues recorded by the Fund are largely represented by Court Fines and Penalties and Chapter Revenues authorized under Chapters 175 and 185 of the Florida Statutes. For the 2003 fiscal year, these other revenue sources produced revenues in the amount of $8,926,881 for the Fund, an increase of 5.1% over the $8,492,255 recorded during the 2002 fiscal year. The magnitude of this increase was largely attributable to an expanding value of property insured under casualty insurance policies and increasing rates for coverage which collectively produced material increases in revenue from Chapter 175 and 185 proceeds.

Deductions from the Fund's net assets held in trust for benefits include mainly retirement and survivor benefits, refunds of contributions and administrative expenses. For the 2003 fiscal year, retirement and survivor benefits (including DROP expenditures and accruals) were $69,640,000, an increase of 7.2% over the $64,958,496 recorded during the 2002 fiscal year. The magnitude of this increase primarily results from the periodic accumulation of deposits into the accounts of DROP participants, which is particularly felt in the early years of a DROP program. Administrative expenses during the 2003 fiscal year were $1,402,522 versus $1,937,335 in the prior year.

The Fund's investments, excluding accrued interest and dividends receivable were $804,040,618 at September 30, 2003, which were $91,501,490 or 12.8% more than the $712,539,128 in total Fund investments at September 30, 2002. This increase was primarily a result of the substantial appreciation in world equity markets.

At September 30, 2003, the Fund held $456,840,841 in U.S. equity and international equity securities, an increase of $99,761,408 or 27.9% from the $357,079,433 held at September 30, 2002. Money managers administering U.S. equity and international equity securities earned returns of approximately 24.1% and 24.9%, respectively, for the 2003 fiscal year, compared to the Fund's benchmark returns of 26.3% and 26.5%, respectively, on such securities.

At September 30, 2003, the Fund held $309,867,379 in U.S. fixed income securities, a decrease of $7,367,234 from the $317,234,613 held at September 30, 2002. Money managers administering U.S. fixed income securities returned approximately 5.8% for the 2003 fiscal year, compared to the Fund's benchmark return of 5.8% on such securities. The decrease in fixed income allocations experienced in the 2003 fiscal year was attributable to rebalancing efforts undertaken during the year which drew down the Fund's allocations to fixed income securities.

At September 30, 2003, the Fund held $7,810,000 in real estate investments, an increase of $560,000 from the $7,250,000 for the 2002 fiscal year. Real estate investments returned 9.65% for the 2003 fiscal year.

At September 30, 2003, the Fund held $29,522,397 in short-term investments, which was largely unchanged from September 30, 2002. Short-term investments generally represent funds that are held by investment counseling firms and awaiting investment decisions.

The Fund earns additional investment income by lending investment securities to brokers. The brokers provide collateral to the Fund as a part of the securities lending transaction. The Fund invests cash collateral received from the brokers in order to earn interest. For the 2003 fiscal year, securities lending revenues amounted to $404,284, a decrease from the $545,446 recorded during the 2002 fiscal year. The decrease in securities lending revenues for the 2003 fiscal year represents mainly an decrease in demand by brokers to borrow the Fund's securities.

POLICE AND FIRE PENSION FUND

STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2003

ASSETS

CASH AND INVESTMENTS:	
Equity in pooled cash	$ 1,500,869
Short-term investments	28,021,528
Investments	774,518,221
Total cash and investments	804,040,618
INTEREST AND DIVIDENDS RECEIVABLE	3,867,753
DUE FROM CITY OF JACKSONVILLE	273,847
FURNITURE AND EQUIPMENT:	
Furniture and equipment	512,649
Accumulated depreciation	(338,741)
Net furniture and equipment	173,908
TOTAL ASSETS	808,356,126

LIABILITIES

DUE TO DROP PARTICIPANTS	103,461,776
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	783,407
ACCRUED COMPENSATED ABSENCES	42,323
TOTAL LIABILITIES	104,287,506

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

(A schedule of funding progress is presented on page 15)	$ 704,068,620

See notes to financial statements.

POLICE AND FIRE PENSION FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2003

ADDITIONS	
CONTRIBUTIONS:	
Employee	$ 8,597,199
Employer	9,734,278
Total contributions	18,331,477
OTHER ADDITIONS:	
Court fines and penalties	3,040,897
State insurance contributions	5,855,417
Other	30,567
Total other additions	8,926,881
INVESTMENT INCOME, NET	
Net appreciation in fair value of investments	87,583,977
Interest and dividends	23,545,773
Rental revenue	705,853
	111,835,603
Investment expenses	(3,265,680)
Rental expenses	(110,425)
Total investment income, net	108,459,498
TOTAL ADDITIONS	135,717,856
DEDUCTIONS	
BENEFITS PAID DIRECTLY TO PARTICIPANTS	69,640,000
REFUNDS OF CONTRIBUTIONS	232,852
ADMINISTRATIVE EXPENSES:	
Personnel services	633,460
Central services	58,316
Supplies	19,009
Depreciation	123,294
Other services and charges	462,393
Interest expense	106,050
Total administrative expenses	1,402,522
TOTAL DEDUCTIONS	71,275,374
NET INCREASE	64,442,482
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	639,626,138
End of year	$704,068,620

See notes to financial statements.

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	1,490
DROP participants	482
Terminated employees entitled to benefits but not yet receiving them	22
Active plan members	2,182
Total	4,176

The Fund, as amended effective April 1, 2001, provides, in general, a 3% annual rate of accrual for 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 3% 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 (the "City") 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 October 1, 2001. The Jacksonville City Council has the authority to amend its contribution to the Fund to not less than the minimum state requirement.

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 include 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, other than real estate, are valued at fair market value determined by quoted prices in an active market. Investments in real estate are valued at fair market value as determined by appraisals. 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.

Furniture and Equipment—Furniture 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, 2003, the carrying amount of cash on hand and on deposit with banks, including interest bearing accounts, was $1,500,869.

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, 2003, the carrying amount of these deposits and investments (including the pooled cash account) was $804,040,618. 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, 2003.

The Fund purchased land, an office building with related improvements and a parking garage in fiscal year 1999. 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, 2003. 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 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) Category			
	1	2	3	Value
U. S. government and agency obligations	$ 182,904			$ 182,904
Corporate bonds	126,963			126,963
Common stocks	455,940			455,940
Convertible equity	901			901
Real estate	7,810			7,810
	$ 774,518			774,518
Short-term investments				28,022
Equity in pooled cash				1,501
Total cash and investments				$ 804,041

During 2003, the Fund's investments (including investments bought and sold as well as held during the year) appreciated (depreciated) in value as follows:

	(In Thousands)
U.S. government and agency obligations	$ 1,454
Corporate bonds	1,010
Common stocks	85,161
Convertible equity	(232)
Real estate	191
	$ 87,584

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 2003). 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 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 $4,422,747 at September 30, 2003.

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 Plan has been amended since receiving the determination letter. The Fund's sponsor and administrator believe 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, 2003.

* * * * * *

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)	Percentage of Covered Payroll [(c-a)/d]
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							
1996							
1997							
1998							
1999							
2003	736,948,625	4,422,747 *					

* Rederived as of April 1, 2000.

** The values published in January 2002 were later revised with the release of the October 1, 2001 Actuarial Report.

*** These accounts were redefined by the Restated Agreement effective April 1, 2000. As of September 30, 2003, the value of the City Budget Stabilization Account was $285,901, and the Enhanced Benefit Account was $4,136,846. These amounts are included in the Actuarial Value of Assets as of September 30, 2003.

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 *
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
2002	35,584,692	100.00	0
2003	36,310,748	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, 2003

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 is as follows:

Valuation date	October 1, 2001
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Remaining amortization period	26.5 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, 2003, and have issued our report thereon dated January 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 5, 2004

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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, 2003, and have issued our report thereon dated January 5, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 5, 2004, 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, 2003 (on which we have issued our report dated January 5, 2004), 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; o (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. 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 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 5, 2004