Police and Fire Pension Fund

Financial Statements and Supplemental Schedules as of and for the Year Ended September 30, 2005, and Independent Auditors' Reports

POLICE AND FIRE PENSION FUND

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POLICE AND FIRE PENSION FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005 (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, 2005. 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 $795,367,451. 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 $795,367,451 value of net assets represents an increase of $55,994,269, or 7.6%. The increase was primarily a result of the substantial appreciation in the market value of equity securities. The rate of increase in net assets would have been higher had it not been for the negative cash flow fundamentally associated with the Fund's mature status and in the growth in liabilities to Deferred Retirement Option Program ("DROP") participants.

- 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, 2005, the funded ratio for the Fund was approximately 58.21%, which compares to the September 30, 2004 funded ratio of 59.55%. In general, the current funded ratio indicates that for every dollar of benefits due, the Fund has approximately $.58 of assets to cover it.

- The Fund's rate of return on investments of 11.3% on a market value basis over the fiscal year ended September 30, 2005 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, 2005 is evidenced from the 14.7% return for the Wilshire 5000, the 12.3% return for the S&P 500, and the 26.3% return for the EAFE (international equity). The return of 11.3% placed the Fund's investment performance in the 38th percentile when compared to other public pension funds as measured by the Fund's investment performance consultant. This means that the Fund's 11.3% return exceeded the returns generated by 62% of other public pension funds. The Fund's annualized rate of return over the last three years of 12.4% produced a ranking in the twenty-sixth percentile.

- Revenues (additions to plan net assets) other than investment income for the 2005 fiscal year were $49,326,132, which includes member and employer contributions of $36,734,654 and other additions of $12,591,478. This compares to revenues in the amount of $41,622,924 in the prior fiscal year. A large element of this increase was attributable to a $4,025,000 contribution of land, buildings and development subsidies from the city of Jacksonville (the "City") to support the Fund's efforts to redevelop certain downtown Jacksonville properties that have been placed into the Fund's real estate portfolio.

- Revenues (additions to plan net assets) derived from investment income for the 2005 fiscal year were $91,109,345. This compares to investment income in the amount of $73,279,514 that was recorded in the prior fiscal year as a result of the recovery in world equity markets that followed an earlier period of declining market values.

- Expenses (deductions in plan net assets) not related to investment activities for the 2005 fiscal year increased from $79,597,876 to $84,441,208 or approximately 6.08%. All of this increase was attributable to an increase in the level of benefits paid directly to plan participants. The magnitude of this increase was primarily linked to the large number of DROP participants who separated from service during the 2004 and 2005 fiscal years and commenced the receipt of pension distributions.

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** provides a view of current year additions to and deductions from the resources of the Fund during the fiscal year.

   Both statements are presented 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 property 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 9–14 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 16–18 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. The pension benefits, which are provided by the Fund, are funded by member and employer contributions, by earnings on investments, and by various revenue sources. The Fund's net assets held in trust for benefits at September 30, 2005 were $795,367,451, an increase of $55,994,269 or 7.6% from $739,373,182 at September 30, 2004. The increase was primarily a result of the substantial appreciation in the market value of equity securities in world equity markets.

As a supplement to the core mission of providing retirement benefits to members, the Fund additionally maintains a separate trust fund to manage a program that allows retirees to transfer the value of terminal leave balances for use in paying health insurance premiums in retirement. To date, 45 members of the Fund have participated in this Terminal Leave Conversion Program ("TLCP"). During fiscal year 2005, TLCP received $344,495 in participant-directed remittances and accommodated the payment of $243,735 in City health insurance premiums on behalf of participants. As of September 30, 2005, the cash balance held for the benefit of program participants was $548,123.

For the 2005 fiscal year, employer and member contributions were $36,734,654 representing an increase of 14.8% over the $32,518,776 recorded during the 2004 fiscal year. The increase in the level of pension contributions experienced during fiscal year 2005 was higher than normal due to two primary factors. The first factor relates to the delay in settling various bargaining agreements for Jacksonville police officers and firefighters. Pay increases and the related pension contributions that would normally have been recorded throughout fiscal year 2004 were delayed until fiscal year 2005, along with the retroactive impact of such delay. The other factor relates to the sizeable replacement of DROP participants, whose salary only produces negligible pension contributions, by replacement employees, whose salary produces the full amount of pension contributions. The Fund recognized a net investment gain of $91,109,345 for the 2005 fiscal year, compared with a net investment gain of $73,279,514 for the 2004 fiscal year. The investment gain in 2005 reflected the continued rebound in world equity prices from the severe declines that were experienced in 2002. The magnitude of the continued rebound in world equity markets for the 2005 and 2004 fiscal years is evidenced from the returns from the Wilshire 5000 of 14.7% and 14.8%, respectively, and the returns from the EAFE (international equities) of 26.3% and 22.5%, 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 2005 fiscal year, these other revenue sources produced revenues in the amount of $12,591,478 for the Fund, and increase of 31.0% over the $9,614,589 recorded during the 2004 fiscal year. This increase was largely attributable to City contributions provided in support of the Fund's efforts to redevelop certain downtown Jacksonville properties and an expanding value of property insured under casualty insurance policies and increasing rates for coverage which collectively produced material increases in revenue from Chapters 175 and 185 proceeds.

Deductions from the Fund's net assets held in trust for benefits included mainly retirement and survivor benefits, refunds of contributions, and administrative expenses. For the 2005 fiscal year, retirement and survivor benefits (including DROP and TLCP expenditures and accruals) were $82,710,765, an increase of 5.6% over the $78,351,352 recorded during the 2004 fiscal year. The magnitude of this increase primarily results from the large number of DROP participants who separated from service during the 2004 and 2005 fiscal years and commenced the receipt of pension distributions. Administrative expenses during the 2005 fiscal year were $1,550,460 versus $1,340,815 in the prior year.

The Fund's investments, excluding accrued interest and dividends receivable, were $920,959,831 at September 30, 2005, which were $68,617,828 or 8.1% more than the $852,342,003 in total Fund investments at September 30, 2004. This increase was primarily a result of the substantial appreciation in world equity markets.

At September 30, 2005, the Fund held $551,119,447 in U.S. equity and international equity securities, an increase of $45,809,910 or 9.1% from the $505,309,537 held at September 30, 2004. The Fund's money managers administering U.S. equity and international equity securities earned returns of approximately 13.9% and 25.8%, respectively, for the 2005 fiscal year, compared to the Fund's benchmark returns of 11.4% and 26.3%, respectively, on such securities.

At September 30, 2005, the Fund held $282,484,072 in U.S. fixed income securities, a decrease of $21,216,266 or 7.0% from the $303,700,338 held at September 30, 2004. The Fund's money managers administering U.S. fixed income securities returned approximately 3.3% for the 2005 fiscal year, compared to the Fund's benchmark return of 2.3% on such securities. The decrease in fixed income allocations experienced in the 2005 fiscal year was attributable to rebalancing efforts undertaken during the year which drew down the Fund's allocations to fixed income securities primarily in favor of transfers to real estate mandates.

At September 30, 2005, the Fund held $25,456,929 in cash and short-term investments, which represent a moderate decrease in the $35,884,598 value of short-term investments held at September 30, 2004. Short-term investments generally represent liquid assets 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 2005 fiscal year, securities lending revenues were $369,089, an increase from the $321,101 recorded during the 2004 fiscal year. The increase in securities lending revenue for the 2005 fiscal year mainly represents an increase in demand by brokers to borrow the Fund's securities.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
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, 2005, as 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Fund as of September 30, 2005, and the changes in plan 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 on pages 1 through 4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Fund's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted 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 basic supplemental schedules on pages 16 through 18 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental 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 in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2005, 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. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

December 22, 2005

POLICE AND FIRE PENSION FUND

STATEMENT OF PLAN NET ASSETS
AS OF SEPTEMBER 30, 2005

ASSETS

CASH AND INVESTMENTS:	
Equity in pooled cash	$ 4,761,797
Short-term investments	20,695,132
Investments	895,502,902
Total cash and investments	920,959,831
INTEREST AND DIVIDENDS RECEIVABLE	3,150,257
DUE FROM CITY OF JACKSONVILLE	163,527
FURNITURE AND EQUIPMENT:	
Furniture and equipment	568,705
Accumulated depreciation	(425,133)
Net furniture and equipment	143,572
TOTAL	$ 924,417,187

LIABILITIES

DUE TO PARTICIPANTS	$ 128,102,873
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	926,872
ACCRUED COMPENSATED ABSENCES	19,991
TOTAL	129,049,736
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented on page 17)	$ 795,367,451

See notes to financial statements.

POLICE AND FIRE PENSION FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

ADDITIONS:	
Contributions:	
Employee	$ 10,883,726
Employer	25,850,928
Total contributions	36,734,654
Other additions:	
Court fines and penalties	1,324,890
State insurance contributions	7,186,521
Contributions from other governmental units	4,025,000
Other	55,067
Total other additions	12,591,478
Investment income—net	
Net appreciation in fair value of investments	70,228,910
Interest and dividends	24,389,924
Rental revenue	809,294
	95,428,128
Investment expenses	(3,670,575)
Rental expenses	(648,208)
Total investment income—net	91,109,345
TOTAL ADDITIONS	140,435,477
DEDUCTIONS:	
Benefits remitted	82,710,765
Refunds of contributions	179,983
Administrative expenses:	
Personnel services	812,877
Central services	159,008
Supplies	11,404
Depreciation	79,799
Other services and charges	487,372
Total administrative expenses	1,550,460
TOTAL DEDUCTIONS	84,441,208
NET INCREASE	55,994,269
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	739,373,182
End of year	$ 795,367,451

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	1,730
DROP participants	281
Terminated employees entitled to benefits but not yet receiving them	35
Active plan members	2,450
Total	4,496

The Fund, as amended effective April 1, 2001, provides, in general, a 3% annual rate of accrual for retirement benefits after 20 years of credited membership, regardless of age, with a minimum benefit of 60% of the average salary received for the 52 pay periods immediately preceding retirement. An additional 2% for each completed year over 20 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 vest after a minimum of five years of membership. Benefits are computed based on average salary for the 52 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 60 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.

Eligible members of the Fund may elect to participate in the Terminal Leave Conversion Program ("TLCP") upon retirement. Upon election to participate, the members' credited Terminal Leave and Retirement Leave account balance is transferred into the Fund. The balance is then used to pay for biweekly health-care premiums. The member's TLCP balance in the Fund continues to accrue interest until the member's individual account balance is drawn to zero.

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, 2003. 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 or her 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.

New Accounting Pronouncements—In fiscal year 2005, the Fund implemented Government Accounting Standards Board ("GASB") Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends the disclosures required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The adoption of this standard had no effect on amounts reported in the financial statements.

In June 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting standards for other post employment benefit plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. Statement No. 43 is required to be adopted for periods beginning after December 15, 2005. As required, the Fund will adopt the requirements of Statement No. 43 on October 1, 2006. The Fund does not believe Statement No. 43 will have a material impact on its financial statements.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses standards for the measurement, As of September 30, 2005, the Fund's debt security investments had the following maturities (amounts are in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U. S. government and agency obligations	$ 126,835	$ 39,228	$ 47,532	$ 21,932	$ 18,143
Corporate Bonds	108,695	4,749	42,869	21,041	40,036
Total	$ 235,530	$ 43,977	$ 90,401	$ 42,973	$ 58,179

Other than a general limit on fixed income securities of 35 percent of Fund assets, the Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of September 30, 2005, the Fund's exposure to foreign currency risk is as follows (all such investments are held in foreign common stock):

Currency	Fair Value (thousands)
European Euro	$ 15,761
Japanese Yen	11,287
British Pound	8,023
Swiss Franc	2,969
Singapore Dollar	800
Australian Dollar	757
Swedish Krona	431
Hong Kong Dollar	390
South African Rand	245
	$ 40,663

The Fund's investment policy permits it to invest up to 10 percent of total investments in foreign investments. The Fund's current position is 4.4 percent.

Credit and Concentration Risk—The Fund's investment policy was designed to mitigate both credit and concentration risk by providing specific guidance as to the weighting and integrity of the deposit and investment instruments. The Statement of Investment Policy currently in effect provides for a strategic assets allocation mix that is comprised of domestic stock (50%), domestic fixed income securities (30%), real estate (10%), and international stocks (10%). The Trustees additionally seek diversification within the investment portfolio through the utilization of various investment styles, particularly within the stock component of the portfolio.

Custodial Credit Risk—For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund's investments are either held in the name of the Fund or held in trust under the Fund's name.

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 is required to contribute an actuarially determined percentage of the members' annual covered salary (18.55% for 2005). 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 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 $12,609,987 at September 30, 2005.

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 administrator believes that the Fund is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, Fund's administrator believes the Plan was qualified and the related trust was tax-exempt as of September 30, 2005.

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REQUIRED SUPPLEMENTAL SCHEDULES

POLICE AND FIRE PENSION FUND

SCHEDULE OF FUNDING PROGRESS

Plan Year Ended 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]
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 **	766,413,563	24,409,050	1,012,576,828	246,163,265	75.69	96,198,772	255.89
2002	725,416,325	12,264,500	977,779,454	252,363,129	74.19	101,698,016	248.15
2003	732,525,878	4,422,747	1,146,459,228	413,933,350	63.89	109,636,548	377.55
2004	727,955,101	18,959,684	1,222,354,766	494,399,665	59.55	118,510,432	417.18
2005	765,179,843	12,609,987 ***	1,314,423,639	549,243,796	58.21	130,392,284	421.22

* 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, 2005, the value of the City Budget Stabilization Account was $4,219,482, and the Enhanced Benefit Account was $8,390,505. These amounts are included in the Actuarial Value of Assets as of September 30, 2005.

See note to supplemental schedules.

POLICE AND FIRE PENSION FUND

SCHEDULE OF CONTRIBUTIONS FROM ALL SOURCES

Plan Year Ended September 30	Annual Required Contribution *	Percentage Contributed	Net Pension Obligation *
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	32,145,813	100.00	0
2001	26,874,610	100.00	0
2002	35,584,692	100.00	0
2003	36,310,748	100.00	0
2004	39,295,089	100.00	0
2005	50,727,035	100.00	0

* Excess contributions from all sources are accumulated in the City Budget Stabilization 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
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2005

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, 2005
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Remaining amortization period	24.5 years
Asset valuation method	Five-year smoothing
Actuarial assumptions:	
Net investment rate of return	8.50%
Projected salary increases	5.00%
Includes inflation percentage of	3.50%
Cost-of-living adjustments	3.00%

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

To the Board of Trustees of the
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, 2005, and have issued our report thereon dated December 22, 2005. 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.

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 an opinion 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.

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*.

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

December 22, 2005

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Board of Trustees of the
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, 2005, and have issued our report thereon dated December 22, 2005.

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 Internal Control over Financial Reporting and on Compliance Based upon an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, dated December 22, 2005, 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, 2005, 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.

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) (h) 1.) state that a management letter shall include a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no such findings or recommendations reported in the preceding annual financial audit report.

The *Rules of the Auditor General* (Section 10.554(1)(h) 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. In connection with our audit of the financial statements of the Fund, the results of our tests indicated that the Fund was in compliance with Section 218.415 regarding the investment of public funds.

The *Rules of the Auditor General* (Section 10.554(1) (h) 6a.) state that a management letter shall include a statement as to whether or not a unit of local government entity 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 occur:

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 pay uncontested claims from creditors within 90 days after the claim is presented, as a result of lack of funds.

c. 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.

d. 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.

e. An unreserved or total fund balance or retained earnings deficit, or unrestricted or total net assets deficit, as reported on the balance sheet or statement of net assets on the general purpose or fund financial statements, for which sufficient resources of the local governmental entity, as reported on the balance sheet or statement of net assets on the general purpose or fund financial statements, are not available to cover the deficit.

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 government 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) (h) 6b.) state that a management letter shall include a statement as to whether or not the financial report filed with the Florida Department of Financial Services 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.

The *Rules of the Auditor General* (Rule Section 10.554(1)(h) (6c1.and 2.) state that a management letter shall have a statement as to whether or not the Fund's auditor applied financial condition assessment procedures pursuant to Rule Section 10.556(7), and if deteriorating financial conditions are noted through application of these procedures, a description of conditions causing the auditor to make this conclusion must be prepared in accordance with Rule 10.557(6) In connection with our audit of the financial statements of the Fund for the year ended September 30, 2005, we applied financial condition assessment procedures pursuant to Rule 10.556(7) and did not note deteriorating financial conditions. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part by management and review of financial information provided by same. However, our audit was not directed toward obtaining knowledge regarding 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

December 22, 2005