

INDEPENDENT AUDITOR'S 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") of the Consolidated City of Jacksonville, Florida (the "City") as of and for the year ended September 30, 2007, as listed in the 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, 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.

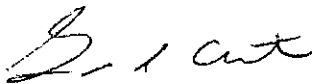
As discussed in Note 1, the financial statements present only the Police and Fire Pension Fund and do not purport to, and do not, present fairly the financial position of the City as of September 30, 2007 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2008, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

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 such information and we do not express an 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.



January 11, 2008

**CITY OF JACKSONVILLE, FLORIDA
POLICE AND FIRE PENSION FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

ADDITIONS:	
Contributions:	
Employee	\$ 11,451,060
Employer	45,507,990
Total contributions	<u>56,959,050</u>
Other additions:	
Court fines and penalties	1,341,955
State insurance contributions	8,878,324
Other	59,053
Total other additions	<u>10,279,332</u>
Investment income	
From investment activities:	
Net appreciation in fair value of investments	113,614,122
Interest and dividends	30,806,444 ✓
Rental revenue	1,871,033
Investment expenses	(4,552,979)
Rental expenses	(186,350)
Net income from investing activities	<u>141,552,270</u>
From securities lending activities:	
Securities lending income	9,356,935 ✓
Securities lending expenses:	
Interest expense (returned to Borrower)	(8,733,853) ✓
Agent fees	(155,656)
Total securities lending activities expenses	<u>(8,889,509)</u>
Net income from securities lending activities	467,426
Total net investment income	<u>142,019,696</u>
TOTAL ADDITIONS	<u>209,258,078</u>
DEDUCTIONS:	
Pension benefits remitted	71,913,193
DROP benefits remitted	23,987,317
Total benefits remitted	<u>95,900,510</u>
Refunds of contributions	<u>124,292</u>
Administrative expenses:	
Personnel services	1,162,768
Central services	473,564
Supplies	14,673
Depreciation	49,516
Other services and charges	698,269
Total administrative expenses	<u>2,398,790</u>
TOTAL DEDUCTIONS	<u>98,423,592</u>
NET INCREASE	110,834,486
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>839,515,351</u>
End of year	<u>\$ 950,349,837</u> ✓

See notes to the financial statements

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BALANCE (Y,M,Q,A) : Y TITLE NOTFOUND : CURRENCY CODE :
 FISCAL MO/YEAR : 14 2007 YREND2007
 FUND TYPE : 60 TRUST AND AGENCY FUNDS
 FUND : 620 POLICE & FIREMENS PENSION TRUST
 SUBFUND : 621 POLICE & FIREMENS PENSION TRUST
 CHARACTER : 360 MISCELLANEOUS REVENUE
 OBJECT : 361 INTEREST, INCL PROFITS ON INVESTMENTS
 PROJECT :
 GRANT :

S	SUBOBJ	DESCRIPTION	BUDGET	ACTUAL	ENCUMBERED	BALANCE
	36100	2400 FUND -		4,816,024		4,816,024
	36104	REALIZED GAI		1,203,023		1,203,023
	36105	EARNINGS OTH		4,260,546		4,260,546
	36112	REBATE OF CO		299,567 ✓		299,567
	36113	DIVIDENDS ON		10,784,733		10,784,733
	36118	2300 FUND -		5,199,204		5,199,204
	36120	INVESTMENT P		-455,574		-455,574

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 PROJECT :
 GRANT :

S	SUBOBJ	DESCRIPTION	BUDGET	ACTUAL	ENCUMBERED	BALANCE
	36121	2100 FUND -		4,698,922		4,698,922
	36124	SECURITIES L		9,356,935 ✓		9,356,935
	36128	CONTRA-SECUR		-8,733,853 ✓		-8,733,853
		REVENUE TOT		31,429,526		31,429,526

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FISCAL MO/YEAR : 14 2007 CURRENCY CODE :
 FUND TYPE : 60 TRUST AND AGENCY FUNDS
 FUND : 620 POLICE & FIREMENS PENSION TRUST
 SUBFUND : 621 POLICE & FIREMENS PENSION TRUST

S ACCT	DESCRIPTION	YREND2007	BALANCE
24100	APPROPRIATIONS	8,089,857.00	0.00
24110	ALLOTMENTS	8,296,987.00	0.00
24150	REVISIONS TO APPROPRIATIONS	207,130.00	0.00
24190	ALLOTMENTS - CONTRA (NON-CON	-8,296,987.00	0.00
24200	EXPENDITURES	-103,127,809.52	0.00
27105	FUND BALANCE - UNRESERVED	-110,834,486.26	-950,349,837.04 ✓
27106	FUND BALANCE - APPROPRIATED	-207,130.00	0.00
27300	BUDGETARY FUND BALANCE	0.00	0.00
	SUBFUND TOTAL	0.00	0.00

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