

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

February 28, 1999

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INDEPENDENT AUDITOR'S REPORT

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Board of Trustees
City of Springfield, Illinois
Firemen's Pension Fund

We have audited the general purpose financial statements of the Firemen's Pension Fund, a component unit of the City of Springfield, Illinois, as of and for the year ended February 28, 1999, as listed in the accompanying table of contents. These financial statements are the responsibility of the Firemen's Pension Fund management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Firemen's Pension Fund as of February 28, 1998, were audited by other auditors whose reported dated May 12, 1998, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. 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 general purpose 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, the general purpose financial statements referred to above present fairly, in all material respects, the plan net assets of the Firemen's Pension Fund of the City of Springfield, Illinois as of and for the year ended February 28, 1999, and the changes in plan net assets for the year then ended in conformity with generally accepted accounting principles.

The required supplementary pension information on pages 9 and 10 is not a required part of the general purpose 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 methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Firemen's Pension Fund of the City of Springfield has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Firemen's Pension Fund of the City of Springfield is or will become year 2000 compliant, that the Firemen's Pension Fund of the City of Springfield's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Firemen's Pension Fund of the City of Springfield does business are or will become year 2000 compliant.

Pandolfi, Topolski, Weiss & Co., Ltd.
PANDOLFI, TOPOLSKI, WEISS & CO., LTD.

Springfield, Illinois
June 2, 1999

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**STATEMENT OF PLAN NET ASSETS
February 28, 1999**

	1999	1998
ASSETS		
Cash	\$ -	\$ 10,000
Investments, at fair value		
U.S. Treasury securities	25,622,179	36,252,956
U.S. Government agency securities	29,137,119	20,235,009
Investment in The Illinois Funds	5,352,513	1,068,015
Insurance Company Contract - Separate Account	5,570,793	4,372,210
Accrued Interest	592,212	584,124
 Total Assets	 \$ 66,274,816	 \$ 62,522,314
 LIABILITIES		
Accounts Payable	10,786	-
Accrued expenses	16,760	8,667
 Total liabilities	 27,546	 8,667
 NET PLAN ASSETS HELD IN TRUST FOR PENSION BENEFITS		
	\$ 66,247,270	\$ 62,513,647

The accompanying notes to the financial statements are an integral part of this statement.

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended
February 28, 1999**

	1999	1998
ADDITIONS		
Contributions		
Employer contributions	\$ 1,757,785	\$ 1,720,000
Participant contributions	773,102	791,192
Donations	500	-
Other income	878	710
	2,532,265	2,511,902
Total contributions		
Investment income	4,688,905	5,390,925
Less investment expense	(52,000)	(64,500)
	4,636,905	5,326,425
Net investment income		
TOTAL ADDITIONS	7,169,170	7,838,327
DEDUCTIONS		
Pension benefits		
Retired	2,460,162	2,017,816
Disabled	500,093	437,646
Widows	402,585	382,741
Dependents	23,105	19,464
	3,385,945	2,857,667
Total pension benefits		
Administrative expenses		
Contractual services	12,250	11,900
Reimbursement for services	9,000	9,000
Professional fees	19,730	7,221
Travel and conferences	4,590	5,531
Medical examinations	368	2,834
Treasurer's bond	166	216
Computer services	1,275	3,625
Postage and office supplies	1,245	3,035
Miscellaneous	636	635
Relief work	342	2,492
	49,602	46,489
Total administrative expenses		
TOTAL DEDUCTIONS	3,435,547	2,904,156
NET INCREASE	3,733,623	4,934,171
NET PLAN ASSETS HELD IN TRUST FOR PENSION BENEFITS		
March 1, 1998	-	59,311,126
Prior period adjustment	-	(1,731,650)
March 1, 1998, restated	62,513,647	57,579,476
February 28, 1999	\$ 66,247,270	\$ 62,513,647

The accompanying notes to the financial statements are an integral part of this statement.

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
February 28, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of the Firemen's Pension Fund of the City of Springfield, Illinois (Plan), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Plan's accounting policies are described below.

- a. Reporting Entity - The Firemen's Pension Fund is a component unit of the City of Springfield, Illinois. The Board of Trustees is the administrator of the Fund that was established by the City in accordance with the City Charter and State Statutes. The Board of Trustees includes certain City officials and management.
- b. Fund Accounting - The Plan uses funds to report on its net assets and the changes in its net assets. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Plan's fund is classified in this report into the fiduciary category.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When pension plan assets are held under the terms of a formal trust agreement, a pension trust fund is used.

- c. Basis of Accounting - The pension trust fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of plan net assets. Pension trust fund operating statements present increases (e.g., additions) and decreases (e.g., deductions) in plan net assets.

The accrual basis of accounting is utilized by the pension trust fund. Under this method, additions are recorded when earned and deductions are recorded at the time liabilities are incurred.

- d. Investments - Government securities are reported at market value at February 28, 1999. Securities traded on material exchanges are reported at the last quoted market price. The investment in the insurance company - separate account is valued at redemption value which approximates market value. The investment in the Illinois Funds is reported at market value. Investment income is recognized as earned. Gains and losses on sales and exchanges of investment securities are recognized on the transaction date.

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
(Continued)
February 28, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e. Comparative Data – Comparative totals for the prior year have been presented in the financial statements in order to provide an understanding of changes in the pension fund's net assets. Some prior year balances have been reclassified to conform with the current year presentation.

2. CASH AND INVESTMENTS

- a. Cash – The Plan's cash balances are fully insured by the FDIC up to the \$100,000 limit.
- b. Investments – The Illinois Pension Code allows the Fund to invest in (1) interest-bearing bonds of the United States, or of the State of Illinois, or any county, city, township, village, incorporated town, municipal corporation, or school district in this state; (2) tax anticipation warrants issued by any city, township, village, incorporated town, or fire protection district; (3) notes, bonds, debentures or other similar obligations which are guaranteed as to principal and interest by the United States; (4) insured withdrawable capital accounts of state chartered savings and loan associations; (5) insured withdrawable capital accounts of federally chartered federal savings and loan associations if the withdrawable capital accounts are insured by the Federal Deposit Insurance Corporation; (6) insured investments in credit unions if the investments are insured by the National Credit Union Administration; (7) savings accounts or certificates of deposit of a national or state bank; (8) contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized to do business in Illinois; (9) separate accounts of a life insurance company authorized to do business in Illinois, comprised of common or preferred stocks, bonds, or money market instruments; (10) The Illinois Funds; (11) separate accounts managed by a life insurance company authorized to do business in Illinois, comprised of real estate or loans upon real estate secured by first or second mortgages; and (12) direct equities, mutual funds, and separate accounts. The total investments in direct equities and separate accounts shall not exceed 35% of the aggregate book value of all investments owned by the Plan.

Investments held by the Plan as of February 28, 1999 are summarized below. The investments that are represented by specific identifiable investment securities are classified as to custodial credit risk by the three categories described below:

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
(Continued)
February 28, 1999**

2. CASH AND INVESTMENTS (Continued)

Category 1 - Insured or registered, or securities held by the Plan or its agent in the Plan's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Plan's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Plan's name.

A summary of investments is as follows:

	Category			Market Value
	1	2	3	
U.S. Government Securities				
U.S. Treasury notes, bonds and guaranteed investments	\$ -	\$ 25,622,179	\$ -	\$ 25,622,179
U.S. Government agency securities	-	29,137,119	-	29,137,119
	\$ -	\$ 54,759,298	\$ -	\$ 54,759,298
Insurance Company Contract - Separate Account				\$ 5,570,793
Investment in The Illinois Funds				\$ 5,352,513
Total investments				\$ 65,682,604

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
(Continued)
February 28, 1999**

3. FIREMEN'S PENSION PLAN

- a. Plan Description - The City's Firemen's Pension Plan is a single-employer defined benefit pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40, Section 5) and may be amended only by the Illinois Legislature. At February 28, 1998, the date of the most recent actuarial valuations, the plan covered substantially all City firemen, including those retired, disabled, and survivors, as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to, but not yet receiving benefits	157
Current employees	
Vested	128
Nonvested	<u>79</u>
Total	<u>364</u>

Firemen are eligible to participate within the first three months of service. Firemen are vested after ten years for termination benefits. Retirement is available at age 50 with 20 or more years of service. The annual pension benefit at retirement is 50% of final salary, plus 2% of final salary per year over 20 years through 30 years, and 1% of final salary per year over 30 years, to a maximum of 75% of such salary.

Employees covered by the Firemen's Pension Plan are required to contribute 8.25% of their salary. The City is required to contribute the annual normal service cost of the fund or 17.5% of the firemen's salaries, whichever is greater, plus the amount necessary to amortize the fund's unfunded accrued liabilities, as actuarially determined, over a period of 40 years beginning January 1, 1993. The entry age (normal) actuarial cost method was used with costs allocated on the basis of earnings.

- b. Related Party Transactions and Significant Investments - There were no securities of the City or related parties included in the assets of the pension trust fund during the year ended February 28, 1999. There are no investments (other than U.S. government, U.S. government-guaranteed obligations, state investment pool and the insurance company contract - separate account) in any one organization that represents 5% or more of net assets available for benefits.

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

(Continued)

February 28, 1999

4. PRIOR PERIOD ADJUSTMENTS

Plan net assets have been restated as of February 28, 1998, to implement GASB Statement No. 25 and GASB Statement No. 27, to report assets at fair market value and to adjust the receivable for an employer contribution. The net effect was a reduction to Plan net assets of \$1,731,650.

REQUIRED SUPPLEMENTARY INFORMATION

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**SCHEDULE OF FUNDING PROGRESS
February 28, 1999**

Fiscal Year Ending On Last Day of February	(1) Actuarial Value Of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage Of Covered Payroll (4) / (5)
1993	N/A	N/A	N/A	N/A	N/A	N/A
1994	N/A	N/A	N/A	N/A	N/A	N/A
1995	N/A	N/A	N/A	N/A	N/A	N/A
1996	N/A	N/A	N/A	N/A	N/A	N/A
1997	N/A	N/A	N/A	N/A	N/A	N/A
1998	\$ 62,513,647	\$ 71,619,186	87.30%	\$ 9,105,539	\$ 9,436,430	96.49%

N/A - Information is presented for as many of the six prior years as information according to the disclosure parameters is available. Information for these years is not available.

Notes to the Required Supplementary Information

This information is presented in accordance with GASB Statement No. 25. The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry age normal; the amortization method was level percent of pay, open and the amortization period was 35 years; the asset valuation method was market value; and the significant actuarial assumptions were an investment rate of return at 8% compounded annually including a 5% inflation factor, projected salary increases assumption of 5% and post-retirement benefit increases of 3% compounded annually.

**FIREMEN'S PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
February 28, 1999**

Fiscal Year Ending On Last Day of February	Employer Contributions	Annual Required Contribution	Percent Contributed
1993	N/A	N/A	N/A
1994	N/A	N/A	N/A
1995	N/A	N/A	N/A
1996	N/A	N/A	N/A
1997	N/A	N/A	N/A
1998	\$ 1,720,000	\$ 1,718,128	100.11%

N/A - Information is presented for as many of the six prior years as information according to the disclosure parameters is available. Information for these years is not available.

Notes to the Required Supplementary Information

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry age normal; the amortization method was level percent of pay, open and the amortization period was 35 years; the asset valuation method was market value; and the significant actuarial assumptions were an investment rate of return at 8% compounded annually including a 5% inflation factor, projected salary increases assumption of 5% and post-retirement benefit increases of 3% compounded annually.