

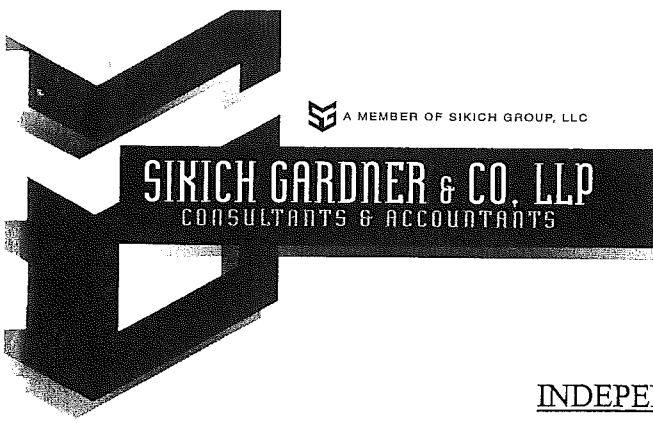
SPRINGFIELD FIREFIGHTERS' PENSION FUND
(A Component Unit of the City of Springfield, Illinois)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended February 28, 2002

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Springfield, Illinois
Springfield Firefighters' Pension Fund

We have audited the general purpose financial statements of the Springfield Firefighters' Pension Fund, a blended component unit of the City of Springfield, Illinois, as of and for the year ended February 28, 2002, as listed in the accompanying table of contents. These financial statements are the responsibility of the Springfield Firefighters' Pension Fund 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. 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.

As discussed in Note 1a, these financial statements present only the Firefighters' Pension Fund and are not intended to present fairly the financial position and results of operations of the City of Springfield, Illinois in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the plan net assets of the Springfield Firefighters' Pension Fund of the City of Springfield, Illinois as of February 28, 2002, 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.

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.

Sikich Gardner & Co., LLP

Springfield, Illinois
May 3, 2002

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

STATEMENT OF PLAN NET ASSETS

February 28, 2002

ASSETS

Cash and cash equivalents		\$ 2,293,925
Investments, at fair value		
U.S. government securities	\$ 22,464,316	
U.S. government agencies' securities	17,710,108	
Insurance company contracts - separate accounts	4,399,048	
Common stocks	19,909,383	
Total investments		<u>64,482,855</u>
Receivables		
Interest and dividends		<u>474,379</u>
Total assets		<u>67,251,159</u>

LIABILITIES

Accounts payable		<u>22,493</u>
Total liabilities		<u>22,493</u>

NET PLAN ASSETS HELD IN TRUST AVAILABLE
FOR PENSION BENEFITS (A Schedule of Funding
Progress is presented on page 9)

\$ 67,228,666

See accompanying Notes to Financial Statements.

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the Year Ended February 28, 2002

ADDITIONS	
Contributions	
Employer	\$ 2,869,394
Participants	961,705
Total contributions	3,831,099
Investment income	
Net appreciation (depreciation) in fair value of investments	(2,386,774)
Interest and dividends	2,974,606
Total investment income	587,832
Less investment expense	(135,468)
Net investment income	452,364
Total additions	4,283,463
DEDUCTIONS	
Pension benefits	
Retirement	3,542,938
Disability	638,688
Survivor	736,806
Refunds of contributions	24,545
Total pension benefits	4,942,977
Administrative expenses	
Professional fees	21,745
Other	45,946
Total administrative expenses	67,691
Total deductions	5,010,668
NET DECREASE	(727,205)
NET ASSETS HELD IN TRUST AVAILABLE FOR PENSION BENEFITS	
March 1, 2001	67,955,871
February 28, 2002	\$ 67,228,666

See accompanying Notes to Financial Statements.

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

February 28, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of the Springfield Firefighters' Pension Fund of the City of Springfield, Illinois (Plan), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). 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 Springfield Firefighters' Pension Fund is a component unit of the City of Springfield, Illinois because of the significance of its operational and financial relationship with the City. For financial reporting purposes the Fund is reported as a "blended" component unit of the City because it is fiscally dependent on the City. Blending is a financial reporting process that results in the reporting of the component unit's operations as part of the primary government's operations.

The Board of Trustees is the administrator of the Fund that was established by the City in accordance with the City Charter and Illinois Compiled Statutes.

- 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.

SPRINGFIELD FIREFIGHTERS' PENSION FUND
 CITY OF SPRINGFIELD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. Investments Investments are reported at fair value at February 28, 2002. 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. Investment income is recognized as earned. Gains and losses on sales and exchanges of investment securities are recognized on the transaction date.

2. CASH AND INVESTMENTS

- a. Cash At year-end the carrying amount of the Plan's deposits totaled \$4,345 and the bank balances totaled \$76,669. The bank balances can be categorized as follows:

	<u>Bank Balances</u>
Category 1	
Deposits covered by federal depository insurance or by collateral held by the Plan, or its agent, in the Plan's name.	\$ 76,669
Category 2	
Deposits covered by collateral held by the pledging financial institution's trust department, in the Plan's name.	-
Category 3	
Deposits covered by collateral held by the pledging financial institution, or its agent in the Plan's name or held by anyone but not in the Plan's name, and deposits which are uninsured and uncollateralized.	-
 TOTAL DEPOSITS	 <u>\$ 76,669</u>

CITY OF SPRINGFIELD, ILLINOIS
SPRINGFIELD FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS - Continued

- 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.

Investments held by the Plan as of February 28, 2002, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to custodial credit risk into the three categories described below:

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, whether or not in the Plan's name or by the counterparty's trust department or agent, but not in the Plan's name.

SPRINGFIELD FIREFIGHTERS' PENSION FUND
 CITY OF SPRINGFIELD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS - Continued

2. CASH AND INVESTMENTS – Continued

A summary of investments is as follows:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 22,464,316	\$ -	\$ -	\$ 22,464,316
U.S. government agencies' securities	17,710,108	-	-	17,710,108
Common stocks	<u>19,909,383</u>	<u>-</u>	<u>-</u>	<u>19,909,383</u>
	<u>\$ 60,083,807</u>	<u>\$ -</u>	<u>\$ -</u>	60,083,807
*Insurance company contracts - separate accounts				4,399,048
*Money market mutual fund				562,592
*Illinois Funds				<u>1,726,988</u>
Total investments				<u>\$ 66,772,435</u>

*Investments not subject to risk categorization

3. FIREFIGHTERS' PENSION PLAN

- a. Plan Description The City's firefighter 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 (40 ILCS 5/4-1) and may be amended only by the Illinois Legislature.

At February 28, 2001, the date of the most recent actuarial valuation, the plan covered substantially all City firefighter personnel, including those retired, disabled, and survivors, as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to, but not yet receiving benefits	187
Current employees	
Vested	127
Nonvested	<u>84</u>
Total	<u>398</u>

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

3. FIREFIGHTERS' PENSION PLAN – Continued

The Firefighters' Pension Plan provides retirement benefits, as well as, death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held at the date of retirement. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 years, but less than 20 years, of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

Covered employees are required to contribute 8.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the annual normal service cost of the fund or 17.5% of the firefighter personnel'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. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

- 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, 2002. There are no investments (other than U.S. government, U.S. government-guaranteed obligations and the insurance company contract – separate account) in any one organization that represents 5% or more of net assets available for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FUNDING PROGRESS

February 28, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2/28/98	62,513,647	71,619,186	9,105,539	87.29%	9,436,430	96.49%
2/28/99	66,247,270	77,033,770	10,786,500	86.00%	8,954,944	120.45%
2/29/00	67,815,356	86,618,474	18,803,118	78.29%	10,277,515	182.95%
2/28/01	70,596,231	92,727,674	22,131,443	76.13%	10,264,676	215.61%

Funding progress information is only available for these four years. Six years of information will eventually be presented.

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 date 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 the level dollar amount, and the amortization period was to the year 2033; the asset valuation was the four-year smoothed; and the significant actuarial assumptions were an investment rate of return at 8.00% compounded annually; a projected salary increase assumption of 4.0% compounded annually and an additional projected merit increase of 1.0% compounded annually.

SPRINGFIELD FIREFIGHTERS' PENSION FUND
CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

February 28, 2002

Fiscal Year	Annual Required Contribution (ARC)	Annual Pension Cost (APC)	Employer Contributions	Percentage of ARC Contributed	Net Pension Obligation (Asset) (NPO)
1997	1,798,017	1,795,176	1,800,000	100.11%	(102,014)
1998	1,718,128	1,715,211	1,720,000	100.11%	(106,803)
1999	1,757,785	1,754,804	1,757,785	100.00%	(109,784)
2000	2,054,221	2,051,236	2,054,221	100.00%	(112,769)
2001	2,076,874	2,073,895	2,076,874	100.00%	(115,748)
2002	2,869,394	n/a*	2,869,394	100.00%	n/a*

* Not available