CITY OF SPRINGFIELD, ILLINOIS
LOCAL FOREIGN FIRE INSURANCE FUND

(A SPECIAL REVENUE FUND OF THE CITY OF SPRINGFIELD, ILLINOIS)

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
FEBRUARY 28, 2023

800 East Monroe Street
Springfield, IL 62701
www.springfield.il.us
Phone: 217-789-2000
Fax: 217-789-2109

CITY OF SPRINGFIELD, ILLINOIS
LOCAL FOREIGN FIRE INSURANCE FUND

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INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Fund's independent auditing firm.

Lauterbach & Amen, LLP
CERTIFIED PUBLIC ACCOUNTANTS
668 N. RIVER ROAD • NAPERVILLE, ILLINOIS 60563
PHONE 630.393.1483 • FAX 630.393.2516
www.lauterbachamen.com

INDEPENDENT AUDITORS' REPORT

October 26, 2023

Members of the City Council
Local Foreign Fire Insurance Fund
City of Springfield, Illinois

Opinions

We have audited the accompanying financial statements of the Local Foreign Fire Insurance Fund, a special revenue fund of the City of Springfield, Illinois, as of and for the years ended February 28, 2023 and February 28, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Local Foreign Fire Insurance Fund, a special revenue fund of the as of the City of Springfield, Illinois, as of February 28, 2023 and February 28, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

As discussed in Note 1, these basic financial statements present only the Local Foreign Fire Insurance Fund and are not intended to present fairly the financial position and changes in financial position of the City of Springfield, Illinois, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

BASIC FINANCIAL STATEMENTS

CITY OF SPRINGFIELD, ILLINOIS
LOCAL FOREIGN FIRE INSURANCE FUND

Balance Sheet
February 28, 2023 and February 28, 2022

	2023	2022
ASSETS		
Cash and Investments	$ 366,452	371,810
LIABILITIES		
Accounts Payable	—	2,409
FUND BALANCES		
Restricted - Public Safety	366,452	369,401
Total Liabilities and Fund Balances	366,452	371,810

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

CITY OF SPRINGFIELD, ILLINOIS
LOCAL FOREIGN FIRE INSURANCE FUND

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended February 28, 2023 and February 28, 2022

		2023	2022
Revenues			
Taxes			
Fire Insurance Taxes	$	363,248	328,033
Investment Income		1,276	611
Total Revenues		364,524	328,644
Expenditures			
Public Health and Safety			
Health Club Dues		63,551	34,170
Legal/Accounting		5,488	4,589
Publications and Educational Materials		19,870	—
Appliances		44,994	10,200
Equipment		179,784	103,385
Furnishings		31,984	35,562
Kitchen Supplies		5,751	6,619
Office Supplies		—	1
Firehouse Improvements		—	16,000
Miscellaneous		16,051	8,388
Total Expenditures		367,473	218,914
Net Change in Fund Balance		(2,949)	109,730
Fund Balance - Beginning		369,401	259,671
Fund Balance - Ending		366,452	369,401

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Local Foreign Fire Insurance Fund, a special revenue fund of the City of Springfield, Illinois (the City), 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 principles and financial reporting practices. The more significant of the Fund's accounting policies are described below.

REPORTING ENTITY

The Fund, which functions as an agent for the City's Fire Department, is governed by an elected Board of Trustees. The Fund is not considered to be a component unit of the City as it is not legally separate nor fiscally independent. The Board of Trustees is elected by active firefighters of the City. These financial statements present the financial position and changes in financial position of the Fund as required by GAAP.

BASIS OF PRESENTATION

The accounts of the Fund are organized on the basis of a fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expense, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Fund is classified as a governmental fund type. Governmental funds are used to account for all or most of a government's general activities. The Fund is reported as a special revenue fund in the City's Annual Comprehensive Financial Report.

The financial statements present only the financial position and changes in financial position of the Fund. These financial statements are not intended to present fairly the financial position and changes in financial position of the City in conformity with GAAP.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets/ deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Basis of Accounting

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The Fund recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The foreign fire insurance tax receipts are considered to be measurable and available when cash is received by the Fund.

ASSETS, LIABILITIES, AND NET POSITION

Cash and Investments

For purpose of the Balance Sheet, the Fund's cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agent. Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Fund's investments are in 2a7-like investment pools that are measured at the net asset value per share determined by the pool.

REVENUE

Revenue consists primarily of the City's share of a 2 percent foreign fire insurance gross receipts tax levied by the State of Illinois. The State transmits the taxes collected to the Illinois Municipal League, which then distributes them to the entities entitled to receive them. Those receipts are solely for use by the Local Foreign Fire Insurance Fund for Fire Department related expenditures.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Annually, the City adopts a budget for the Fund. The budget is adopted using the modified accrual basis of accounting.

NOTE 3 - DETAILED NOTES

DEPOSITS AND INVESTMENTS

The Fund maintains a cash and investment pool that is available for use by all funds. The Fund's portion of this pool is displayed on the combined balance sheet as "cash and investments."

Permitted Deposits and Investments - The Fund's Board does not have a separate investment policy, however the Fund’s investments are included in the City’s investment policy. Statutes authorize the Fund to make deposits/ invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and Illinois Funds.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are valued at the share price, which is the price for which the investment could be sold.

Deposits. At year-end, the carrying amount of the Fund’s deposits totaled $343,804 and the bank balances totaled $343,804. Additionally, the Fund has $22,648 invested in the Illinois Funds at year-end.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. City policy limits the maximum maturity length of investments to five years three months from the date of purchase. Reserve funds, however, may be invested in securities exceeding five years three months if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. The Fund's investment in the Illinois Funds has an average maturity of less than one year.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s investment policy does not specifically address credit risk, but the City limits its exposure to credit risk by primarily investing in Illinois Funds. Illinois Funds are rated AAA by Fitch Ratings.

Concentration Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund’s investment in a single issuer. City’s investment policy calls for diversification of its investments by security type and institution. With the exception of U.S. Treasury notes, AAA rated agency discounts and authorized pools, no more than 50 percent of the City’s total investment portfolio will be invested in a single security type or with a single financial institution. Diversification levels in this policy are for the total investment portfolio. On February 28, 2023, the Fund was not exposed to a concentration of credit risk.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Fund’s deposits may not be returned to it. The City’s investment policy requires that deposits with financial institutions be collateralized at 105% of the market value of the principal and interest of the deposit. The collateral is to be held by an independent third party with whom the entity has a current custody agreement. At year-end, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance.

NOTE 3 - DETAILED NOTES

DEPOSITS AND INVESTMENTS - Continued

Custodial Credit Risk - Continued. For an investment, this 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 investment or collateral securities that are in the possession of an outside party. City policy requires all security transactions entered into by the City be conducted on a delivery versus payment basis. Securities will be held by a third-party custodian designated by the City Treasurer and evidenced by a safekeeping receipt. Illinois Funds are not subject to custodial credit risk.

FUND BALANCE CLASSIFICATIONS

In the governmental funds' financial statements, the Fund considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Fund first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

Nonspendable Fund Balance. Consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

Restricted Fund Balance. Consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance. Consists of resources constrained (issuance of an ordinance) to specific purposes by the government itself, using its highest level of decision-making authority, the Board of Trustees; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance. Consists of amounts that are constrained by the Board of Trustees' intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by a) the Board of Trustees itself or b) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. The Fund's highest level of decision-making authority is the Board of Trustees, who is authorized to assign amounts to a specific purpose.

Unassigned Fund Balance. Consists of residual deficit fund balance.

The entire fund balance of the Fund is classified as restricted. The Fund's Board has not established fund balance reserve policies.

NOTE 4 - OTHER INFORMATION

RISK MANAGEMENT

The Fund is exposed to various types of risk including, but not limited to, public official's liability. The Fund is insured for these losses through a third-party fidelity bond. Additional information regarding the limits of exposure to other types of risk can be found in the City's Annual Comprehensive Financial Report for the year ended February 28, 2023.