

H. E. BREEN
CERTIFIED PUBLIC ACCOUNTANT
608 SOUTH RIDGEWAY
CHAMPAIGN, ILLINOIS

October 22, 1952

Honorable Glen Chapman, Mayor
City Building
Urbana, Illinois

Dear Mr. Mayor:

In accordance with the request of Mr. Guy Frampton, President of the Board of Trustees of the Urbana Firemen's Pension Fund we wish to call your attention to the following:

1. The financial condition of the Urbana Firemen's Pension Fund as of April 30, 1952,
2. The current tax requirements of the Urbana Firemen's Pension Fund, and
3. The need for immediate action concerning a financial plan which will enable the Urbana Firemen's Pension Fund to meet #2 above, and the Statutory Requirements pertaining to Firemen's Pension Funds.

1. Financial Condition

The total assets of the Fund amounted to \$18,728.27. There were no outstanding liabilities as of April 30, 1952. The assets consisted of Cash \$3,444.10, Bonds \$12,600, Note Receivable \$240.42, and Stock \$2,443.75.

2. Current tax requirement of the Urbana Firemen's Pension Fund.

As stated in a letter presented to the Board of Trustees which was read at a meeting which you attended, we pointed out that the financial position of the Fund had grown steadily worse. The cash balance of the Fund on April 30, 1952 amounted to \$3,444.10.

The estimated receipts of the Fund during the year 1952-1953 will be made up of the following:

Taxes (levy of 1951, \$4,000) actually received	\$3,740.12
Business licenses (estimated)	250.00
Salary deductions (estimated)	2,400.00
Income from Investments	390.00
Total Estimated Receipts	(a) <u>\$6,780.12</u>

The estimated disbursements for the year will consist of the following:

Pension payments (estimated)	\$9,249.00
Miscellaneous Expenses (estimated)	150.00
Total Estimated Disbursements	(b) <u>\$9,399.00</u>

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The comparison of items (a) and (b) shows that the income to be received is not adequate. The difference between items (a) and (b) reveals that the estimated annual cash disbursements will probably exceed estimated annual cash receipts by (\$9,399 less \$6,780.12) \$2,618.88. This deficiency (excess of disbursements over receipts) can be covered because of the cash of \$3,444.10 carried over from the preceding year.

To summarize, the tax levy should be increased by approximately \$2,600 to meet the current requirement of the Urbana Firemen's Pension Fund. Please note that this increase in the tax levy is just for current purposes. The computation of the above amount is derived in the following manner:

Estimated total expenses	\$9,399.00
Deduct estimated income exclusive of taxes	<u>3,040.00</u>
Tax levy necessary to meet current needs	<u>\$6,359.00</u>

3. Financial Plan which will enable the Fund to meet #2 above, and the State Requirement (Statutory Reserve).

The State Auditors have computed the Statutory Reserve at \$29,443.39. Based upon this fixed amount the assets of the Fund at April 30, 1952 were deficient by \$10,440.60. The deficiency as of April 30, 1951 amounted to \$4,737.68. In other words, the deficiency during the year 1951-1952 increased by \$5,702.92. However, this deficiency may be reduced by \$1,863.00 during the year ending April 30, 1954. (See discussion which follows).

The Firemen's Pension Fund has only one method available as a solution for eliminating the deficiency, and that is a levy of taxes in excess of an amount necessary to meet current requirements.

The members of the Board of Trustees of the Urbana Firemen's Pension Fund urgently request that you include in your annual tax levy an additional amount which will eliminate the deficiency of \$8,577.00 in either a five or a ten year period.

After checking the City's records we have found that on July 21, 1952, the Annual Appropriation Ordinance provided \$7,000 for the Firemen's Pension Fund. On August 8, 1952 the Tax Levy Ordinance of the City of Urbana levied taxes in the amount of \$12,000 for the Fund. Based upon an estimated collection of 90% of the tax levy, the \$10,800

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collected will provide approximately \$4,481.00 in excess of the current needs of the fund. If this amount is collected the deficiency in the Statutory Reserve will be reduced by \$1,863.00, or from \$10,440 to \$8,577.00.

4. Summary of Plan

Based upon the above facts, the tax levy necessary to meet the requirements of the Urbana Firemen's Pension fund is herewith presented:

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|--|-------------------|
| 1. Amount of taxes necessary to meet the fiscal requirements | \$6,359.00 |
| 2. Amount of taxes necessary to amortize the deficiency of \$8,577.00 on a five year estimated basis | <u>1,715.00</u> |
| Annual tax levy to meet the requirements | <u>\$8,074.00</u> |
| 3. If the City desires to amortize the deficiency in the Statutory Reserve in ten years the annual tax levy would be approximately | <u>\$7,219.00</u> |

We believe that this report is a complete summary representing the wishes of the Board of Trustees of the Urbana Firemen's Pension Fund at the meeting which you attended. We wish to call your attention to the fact that this report is predicated upon the facts presented, and any increase in pension payments would change the amount of taxes necessary to meet the current needs of the Fund.

Any further information needed will be gladly furnished upon request.

Respectfully submitted



H. E. Breen

Certified Public Accountant

CC--Guy Frampton
--Gene Weisiger