

FIREMEN'S PENSION FUND

CITY OF URBANA

URBANA, ILLINOIS

A U D I T R E P O R T

FOR THE YEAR ENDED

APRIL 30, 1965

Gerald D. Brighton
Certified Public Accountant

May 24, 1965

Mr. William Uden, President
and Members of the Board of Trustees
Firemen's Pension Fund
Urbana, Illinois

Gentlemen:

In accordance with our engagement, we have audited the accounts and financial records of the Firemen's Pension Fund of the City of Urbana for the fiscal year ended April 30, 1965.

In addition, we did certain bookkeeping work as follows:

- (a) Entering and totalling cash receipts for the year.
- (b) Totalling cash disbursements for the year.
- (c) Making all ledger postings for the year.

We are submitting herewith our report including the following:

Comments and Recommendations

Schedule I: Comparative Balance Sheets, April 30,
1965 and 1964

Schedule II: Comparative Statements of Revenue Receipts,
Expenditures, and Fund Balance, for years
ended April 30, 1965 and 1964.

Schedule III: Statement of Receipts and Disbursements, for
year ended April 30, 1965.

Our examination was made in accordance with generally accepted auditing standards and accordingly included tests of the records and other auditing procedures appropriate in the circumstances.

In our opinion, the financial statements in the schedules above enumerated, attached to and forming a part of this report, fairly present the financial position of the Firemen's Pension Fund of the City of Urbana at April 30, 1965, and the results of operations for the fiscal year then ended, on a cash basis, in conformity with generally accepted municipal accounting principles on a basis consistent with the preceding year.

Respectfully submitted,

Gerald D. Brighton

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COMMENTS AND RECOMMENDATIONS

The fund balance showed an increase this past year, but by less than a desirable amount. The increase was \$3,548.61, as shown in Schedule II, compared with \$8,244.14, the year before. The decline was because of increased pension requirements. It was not unexpected. We predicted it in our comments in last year's report.

RECOMMENDED TAX LEVY

The law which regulates the Firemen's Pension Fund, unlike the one for Police Pension Funds, does not specify a required fund balance. There is a small specified statutory reserve which is simply the reserve that happened to be on hand on a certain date, and it has no relevance to actuarial requirements. If one were to apply the Police Pension Fund rules to the Firemen's Pension Fund situation, which we think it is possible to do, the recommended fund balance based on the twenty-three firemen plus six pensioners as of April 30, 1965, a total of twenty nine persons, would be $29 \times \$10,000 = \$290,000$. (But as of 5-1-65, three new men were added, so the target figure would go up to \$320,000.) In fact, the fund balance was \$95,518.21 as of 4-30-65. Again, using the Police Pension rules, the target date for the recommended balance is 1999, and prorata annual progress toward the reserve is required. Translated, this would mean that over the next 34 years, annual fund balance increases should be about \$7,000.

The 1963 tax levy for \$10,000 collected during the year ended April 30, 1965, along with investment income and salary withholding, provided a fund balance increase of only \$3,500, about one-half the recommended amount. The 1964 levy, however, was adjusted upward to reflect the increased pension load. It was for \$14,000, and will provide normal progress during the year ended April 30, 1966, if there are no further retirements during that year. Considering the fact that one man is eligible for retirement and expects to retire soon, we recommend that the 1965 levy which will be collected during the year ending April 30, 1967, be increased to \$17,000.

RECOMMENDED INVESTMENTS

Cash in bank, not drawing interest, at 4-30-65 was \$9,562.68. Most of this should be invested in U.S. Treasury bonds or other insured investments, which currently should provide a return of 4% or more. The present bank balance plus tax receipts which will

be received shortly will provide at least \$10,000 which should be invested promptly. This would still leave a cash balance to provide for any likely amount of increase in the pension roll.

RECEIVABLES

We wish to call attention to two receivables of the fund, mentioned in a footnote to Schedule I. An amount of \$25.37 is due from the City of Urbana for February, 1965 licenses not remitted. An amount of \$113.70 is due for pension withholding on a member who was on leave of absence from Nov. 15, 1963 to May 8, 1964.

APPRECIATION

We wish to thank the Board members and City officials for their friendly cooperation.

The report schedules follow.

FIREMEN'S PENSION FUND
 URBANA, ILLINOIS
 COMPARATIVE BALANCE SHEETS, APRIL 30, 1965 AND 1964

ASSETS

	As of <u>4/30/65</u>	As of <u>4/30/64</u>
Cash in bank	\$ 9,562.68	\$ 6,447.27
Savings account in bank	1,132.56	1,099.36
Certificate of deposit in bank	10,400.00	10,000.00
Shares in Savings and Loan (cost)	30,000.00	30,000.00
Investment in U.S. Bonds (cost)	41,979.22	41,979.22
Investment in Stocks (cost)	<u>2,443.75</u>	<u>2,443.75</u>
TOTAL	<u>\$ 95,518.21</u>	<u>\$ 91,969.60</u>

LIABILITIES AND FUND BALANCE

Fund balance:

Statutory reserve	\$ 29,443.39	\$ 29,443.39(A)
Amount in excess of reserve	<u>66,074.82</u>	<u>62,526.21</u>
TOTAL	<u>\$ 95,518.21</u>	<u>\$ 91,969.60</u>

(A) The statutory reserve in no sense is intended to represent an actuarial figure. It does not represent a scientifically calculated amount required for future pensions.

NOTE: Assets not listed above include \$25.37 due from the City for 1964/65 licenses, and \$113.70 for pension withholding on a member who was on leave to 5-8-64, and taxes receivable from the 1964 levy.

SCHEDULE II

FIREMEN'S PENSION FUND
 COMPARATIVE STATEMENT OF REVENUE RECEIPTS, EXPENDITURES
 AND FUND BALANCE FOR YEARS ENDED APRIL 30, 1965 AND 1964

	<u>Year Ended</u> <u>4/30/65</u>	<u>Year Ended</u> <u>4/30/64</u>
Revenue Receipts:		
Taxes	\$ 10,111.80	\$ 9,940.86
Licenses	239.21	265.77
Salary deductions	6,686.62	5,982.55
Interest on U.S. Bonds	1,080.00	1,080.00
Interest on Building and Loan Shares	1,200.00	1,200.00
Dividends	200.00	192.50
Interest on savings account	33.20	32.26
Interest on cert. of deposit	400.00	
Gift from firemen	51.58	
TOTAL	<u>\$ 20,002.41</u>	<u>\$ 18,693.94</u>
Expenditures:		
Pensions paid	\$ 16,267.20	\$ 10,273.20
Auditing expense	155.00	145.00
Bank fees, and misc.	31.60	31.60
TOTAL	<u>\$ 16,453.80</u>	<u>\$ 10,449.80</u>
Excess of revenue over expenditures	<u>\$ 3,548.61</u>	<u>\$ 8,244.14</u>
Increase in fund balance	\$ 3,548.61	\$ 8,244.14
Fund balance at beginning of year	<u>91,969.60</u>	<u>83,725.46</u>
Fund balance at end of year	<u>\$ 95,518.21</u>	<u>\$ 91,969.60</u>

SCHEDULE III

FIREMEN'S PENSION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR YEAR ENDED APRIL 30, 1965

Cash in bank, April 30, 1965		\$ 6,447.27
Plus receipts:		
Total revenue receipts (See Schedule II)	\$ 20,002.41	
Other receipts	<u>None</u>	
Total Receipts		<u>\$ 20,002.41</u>
Total cash to be accounted for		\$ 26,449.68
Less disbursements:		
Expenditures for pensions, etc. (See Schedule II)	\$ 16,453.80	
Deposit in savings account	33.20	
Investments	<u>400.00</u>	
Total Disbursements		<u>\$ 16,887.00</u>
Cash in Champaign County Bank & Trust Co., April 30, 1965		<u>\$ 9,562.68</u>