

FIRE DEPARTMENT PENSION FUND

City of Urbana, Illinois

REPORT of EXAMINATION

June 30, 1977

Carpentier, Armstrong, Marshall & Acord

Certified Public Accountants

CARPENTIER, ARMSTRONG, MARSHALL & ACORD
CERTIFIED PUBLIC ACCOUNTANTS

524-15TH STREET
MOLINE, ILLINOIS 61265
PHONE 762-3826

ARTHUR F. CARPENTIER, C.P.A.
JERRY L. ARMSTRONG, C.P.A.
ROBERT D. MARSHALL, C.P.A.
J. STEPHEN ACORD, C.P.A.

309 WINDSOR ROAD
CHAMPAIGN, ILLINOIS 61820
PHONE 352-3324

MEMBERS OF AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

Champaign, Illinois
August 30, 1977

Board of Trustees
Fire Department Pension Fund
Urbana, Illinois 61801

We have examined the statement of financial position of the Fire Department Pension Fund of Urbana, Illinois, as of June 30, 1977, and the related statements of income and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly the financial position of the Fire Department Pension Fund of Urbana, Illinois at June 30, 1977 and the results of operation for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Carpentier, Armstrong, Marshall & Acord
Certified Public Accountants

FIRE DEPARTMENT PENSION FUND
— City of Urbana, Illinois —

INDEX

	<u>Page</u>
ACCOUNTANT'S LETTER	Preceding
STATEMENT of FINANCIAL POSITION	1
STATEMENT of INCOME	2
STATEMENT of CHANGES in FUND BALANCE	3
NOTES to FINANCIAL STATEMENTS	4-5
SCHEDULE of INVESTMENTS and INTEREST INCOME	6-8

FIRE DEPARTMENT PENSION FUND
City of Urbana, Illinois
STATEMENT OF FINANCIAL POSITION
June 30, 1977

ASSETS

Cash in Bank	\$ 7,432
Investments	
Interest bearing deposits	394,232
Savings and loan associations	387,540
Government securities	219,068
Interest receivable	
Interest bearing deposits	3,583
Savings and loan associations	748
Government securities	4,867
Property tax receivable (net of \$16,634 estimated uncollectible)	116,490
City of Urbana - contribution receivable	<u>5,342</u>
	<u>\$ 1,139,302</u>

FUND BALANCE

Automatic increase reserve	\$ 37,587
Statutory reserve	35,000
Unrestricted	<u>1,066,715</u>
	<u>\$ 1,139,302</u>

The accompanying notes to financial statements are a part of this statement.

FIRE DEPARTMENT PENSION FUND
 ——— City of Urbana, Illinois ———
STATEMENT OF INCOME
 ——— For the Fiscal Year Ending June 30, 1977 ———

REVENUE

Property taxes	\$ 180,352
Licenses	676
Salary deductions	43,290
Interest income	\$ 63,943
Plus: current years amortization of discount	1,512
Less: current years amortization of premium	<u>(97) 65,358</u>
Total revenue	<u>\$ 289,676</u>

EXPENSES

Fire fighters' pension	\$ 45,806
Disability pension	23,614
Dependant pension	13,423
Hospital and doctor fees	899
Clerk salary	420
Legal and accounting	1,123
Annual filing fee	50
Lock box rental	8
Pension contribution refund	<u>5,464</u>

Total expenses \$ 90,807

Net income, before prior period adjustment \$ 198,869

Prior period adjustment (see note) 1,786

NET INCOME \$ 200,655

The accompanying notes to financial statements are a part of this statement.

FIRE DEPARTMENT PENSION FUND
City of Urbana, Illinois
STATEMENT OF CHANGES IN FUND BALANCE
For the Fiscal Year Ending June 30, 1977

	<u>Unrestricted Fund</u>	<u>Automatic Increase Reserve</u>	<u>Statutory Reserve</u>
Balance, per audit, June 30, 1976	\$ 872,270	\$ 26,215	\$ 35,000
Net income fiscal year end- ing June 30, 1977	200,655		
Allocation to specific reserves for year	(6,210)	6,210	
Contribution receivable - City of Urbana June 30, 1977	_____	<u>5,162</u>	_____
Balance, per audit, June 30, 1977	<u>\$ 1,066,715</u>	<u>\$ 37,587</u>	<u>\$ 35,000</u>

The accompanying notes to financial statements are a part of this statement.

FIRE DEPARTMENT PENSION FUND
City of Urbana, Illinois
NOTES to FINANCIAL STATEMENTS
June 30, 1977

SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Income recognition

The financial statements of the Fire Department Pension Fund are prepared on the accrual basis method of accounting. Revenues are recognized when earned and expenditures when incurred.

Investments

Investments in banks and savings and loans are recorded at cost. Investments in government securities are stated at book value. In prior years there has been no amortization of premiums or discounts incurred when government securities were purchased. Generally accepted accounting principles require the recording of investments at cost by increasing or decreasing the original cost. We have therefore made an adjustment to reflect the \$1,786 which should have been amortized in prior years and classified this amount as a prior period adjustment in the income statement.

AUTOMATIC INCREASE RESERVE

The September 1971 amendment to the Illinois Pension Code specifies that an Automatic Increase Reserve is to be established and maintained into which $\frac{1}{2}\%$ of participants' salaries including longevity and an equal amount, to be contributed by the municipality, is to be allocated to this account. As of January 1976, the rate was increased to 1% per section 4-109.1. An additional allocation for interest of 4% on the beginning reserve balance is to be made each year. For the fiscal year ending June 30, 1977 the additional amount allocated to this reserve was 1% of participants salaries of \$5,162, the city's contribution of \$5,162, which is receivable as of June 30, 1977, plus 4% interest on the beginning balance amounting to \$1,048. This results in a total increase of \$11,372.

STATUTORY RESERVE

As amended in September 1971, the Illinois Pension Code requires the establishment and maintenance of a reserve to ensure the payment of obligations incurred under the pension code. The minimum as specified in the code is to be no less than \$1,000 per 1,000 inhabitants in the municipality. The most recent population figure for the City of Urbana was 34,625 people. Thus, the reserve balance as of June 30, 1977 is \$35,000. This reserve is not to be considered as an actuarial reserve.

NOTES to FINANCIAL STATEMENTS, Cont'd.ACTUARIAL DEFICIENCY

As of June 30, 1975, an unfunded accrued liability of \$1,424,723 existed, which represents the difference between the total reserve requirements and the present assets of the Fund. This amount is being funded through tax levies for the next 30 2/3 years of \$80,352 per year. The \$80,352 is included in the 1976 tax levy of \$180,000 with the remaining \$99,648 being levied to meet current requirements. The deficiency above occurred as a result of prior years tax levies not meeting the minimum levy requirements as prescribed in Section 4-118 of the Illinois Pension Code.

FIRE DEPARTMENT PENSION FUND
City of Urbana, Illinois
SCHEDULE of INVESTMENTS and INTEREST INCOME
June 30, 1977

<u>Interest Bearing Deposits</u>	<u>Investments at cost June 30, 1977</u>	<u>Interest Income Fiscal Year Ending June 30, 1977</u>
<u>Certificates of Deposit</u>		
National Bank of Urbana		
#377 - retired	\$ 00	\$ 83
#435 R	5,000	332
#498 R	2,000	143
#616	13,000	871
#625	20,000	1,206
Busey First National Bank		
#51239	20,000	1,444
#45426	10,000	718
Champaign National Bank		
#7073	25,000	1,155
#7175	15,000	587
Champaign County Bank and Trust		
#11889	5,000	332
#11242	15,000	1,056
City Bank of Champaign		
#1178	30,000	1,172
#1208	10,000	251
Commercial Bank		
#2122	20,000	1,449
#5835	20,000	1,249
First National Bank of Champaign		
#A 2406	20,000	1,266
#A 4356	20,000	924
Market Place National Bank		
#1001	25,000	489
#1004	15,000	92
First National Bank of Rantoul		
#55190	20,000	1,450
Bank of Illinois		
#50331	20,000	1,227
#50332	20,000	1,227
American National Bank		
#1248	40,000	980
<u>Passbook Savings</u>		
Busey First National Bank	3,413	411
Champaign County Bank and Trust	819	373
Bank of Illinois - closed	00	159
	\$ <u>394,232</u>	\$ <u>20,646</u>

SCHEDULE OF INVESTMENTS and INTEREST INCOME cont'd.

<u>Savings and Loan Associations</u>	<u>Investments at cost June 30, 1977</u>	<u>Interest Income Fiscal Year Ending June 30, 1977</u>	
<u>Certificates of Deposit Cont'd.</u>			
Commercial Savings and Loan			
#13712	\$ 20,000	\$ 1,564	
#216	20,000	1,576	
Gibson Federal Savings and Loan			
#C-000835	40,000	261	
First Federal Savings and Loan			
#4C-245-1 (R)	10,000	773	
#4C-1931-5	30,000	1,867	
Urbana Savings and Loan			
#1235	20,000	1,536	
#1268 (R)	20,000	1,536	
Citizens Building and Loan - Normal			
#4998	40,000	17	
Citizens Building and Loan - Urbana			
#218 (R)	20,000	1,544	
#451 (R)	20,000	1,544	
Bloomington Federal Savings and Loan			
#3426-7	40,000	8	
University Federal Savings and Loan			
#15-12 - retired	00	11	
#05-500126	25,000	1,213	
Champaign Loan and Building			
#NNN-408-7	6,540	463	
#RRR-77-109-7	35,000	2,225	
Rantoul First Federal			
#C6-219	40,000	269	
<u>Passbook Savings</u>			
University Federal Savings and Loan	<u>1,000</u>	<u>501</u>	
	\$ <u>387,540</u>	\$ <u>16,908</u>	
<u>U.S. Treasury Notes</u>	<u>Original Cost</u>	<u>Book Value June 30, 1977</u>	<u>Interest Income Fiscal Year Ending June 30, 1977</u>
#7251-5, 7 3/4% due 6/30/79 par \$50,000 interest dates 6/30 and 12/31	\$ 49,517	\$ 49,736	3,875
#27207-8 - retired 8/15/76	00	00	312
#14364-6, 7 3/4% due 11/15/81 par \$30,000 interest dates 5/15 and 11/15	29,417	29,577	2,325

SCHEDULE of INVESTMENTS and INTEREST INCOME cont'd.

<u>U.S. Treasury Notes cont'd.</u>	<u>Original Cost</u>	<u>Book Value June 30, 1977</u>	<u>Interest Income Fiscal Year Ending June 30, 1977</u>
#14195, 36822 - retired 2/15/77 \$	00	\$ 00	\$ 763
#13507-11, 8 1/8% due 8/15/82 par \$50,000 interest dates 2/15 and 8/15	49,861	49,895	4,071
#2662-66 - retired 2/15/77	00	00	2,542
#16891 - retired 2/15/77	00	00	254
#6320-5, 7 7/8% due 5/15/86 par \$60,000 interest dates 5/15 and 11/15	60,000	60,000	4,745
#9529-32, 9546-9 - retired 5/15/77	00	00	5,419
<u>U.S. Treasury Bond</u>			
#11473-4, 7% due 8/15/81 par \$20,000 interest dates 2/15 and 8/15	19,884	19,952	1,408
<u>Federal National Mortgage Association</u>			
#927, 6 3/4% due 6/10/83 par \$10,000 interest dates 6/10 and 12/10	<u>9,815</u>	<u>9,908</u>	<u>675</u>
	\$ <u>218,494</u>	\$ <u>219,068</u>	\$ <u>26,389</u>
TOTAL	\$ <u>218,494</u>	\$ <u>1,000,840</u>	\$ <u>63,943</u>