

CITY OF URBANA, ILLINOIS

FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 1989 and 1988 .

McNAMARA & ASSOCIATES, P.C.
Certified Public Accountants

CITY OF URBANA, ILLINOIS

FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 1989 and 1988

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McNAMARA & ASSOCIATES, P.C.

Certified Public Accountants

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Board of Trustees
Firemen's Pension Fund
Urbana, Illinois

We have audited the accompanying component unit balance sheet of the City of Urbana, Illinois, Firemen's Pension Fund as of June 30, 1989, and 1988, and the related statements of revenue and expenses and changes in municipal equity and changes in financial position for the years then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 of disclosures in the 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.

The financial statements referred to above include only the financial activities of the Firemen's Pension Fund component unit. Financial activities of other component units that form the reporting entity are not included.

In our opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Urbana, Illinois, Firemen's Pension Fund, as of June 30, 1989 and 1988 and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

McNamara & Associates, P.C.

August 18, 1989

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Balance Sheet
As of June 30, 1989 and 1988

<u>ASSETS</u>	<u>1989</u>	<u>1988</u>
Cash in Bank-Checking Account and on Hand	\$ 186,102	\$ 90,317
Property and Replacement Tax Receivable (Net of Allowance for Uncollectibles)	178,592	146,532
Accrued Investment Interest Receivable	191,843	103,746
Investments (Note 1):		
U.S. Government Securities	1,490,026	694,145
Certificates of Deposit	6,241,121	6,373,202
Insurance Company Accounts	100,000	100,000
Savings Accounts	3,939	--
Total Assets	<u>\$8,391,623</u>	<u>\$7,507,942</u>

LIABILITIES AND MUNICIPAL EQUITY

Municipal Equity:

Statutory Reserve (Note 4)	\$ 37,000	\$ 37,000
Reserve for Employees' Retirement System	<u>8,354,623</u>	<u>7,470,942</u>
Total Municipal Equity	<u>8,391,623</u>	<u>7,507,942</u>
Total Liabilities and Municipal Equity	<u>\$8,391,623</u>	<u>\$7,507,942</u>

The accompanying notes are an integral part of these financial statements.

CITY OF URBANA, ILLINOIS
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Comparative Statement of Revenues and Expenses
For the Years Ended June 30, 1989 and 1988

	<u>1989</u>	<u>1988</u>
<u>Revenues:</u>		
Employer Contributions:		
Property Tax Revenue	\$ 321,353	\$ 273,178
Replacement Tax Revenue	37,311	35,395
Interest Income	675,927	628,633
Employee Contributions	<u>100,042</u>	<u>98,365</u>
Total Revenues	<u>1,134,633</u>	<u>1,035,571</u>
 <u>Expenses:</u>		
Disability Pension	61,260	54,757
Firemen's Pension	140,043	107,075
Dependent Pension	43,984	37,029
Insurance	517	317
Hospital and Doctor Fees	1,762	694
Clerk Salary and Taxes	3,225	3,220
Filing Fees	50	50
Miscellaneous	<u>111</u>	<u>41</u>
Total Expenses	<u>250,952</u>	<u>203,183</u>
Excess of Revenues Over Expenses	<u>\$ 883,681</u>	<u>\$ 832,388</u>

The accompanying notes are an integral part of these financial statements.

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Statement of Changes in Municipal Equity
For the Years Ended June 30, 1989 and 1988

	1989		1988	
	Statutory Reserve	Reserve for Employees' Retirement System	Statutory Reserve	Reserve for Employees' Retirement System
Balance, Beginning of Year	\$37,000	\$7,470,942	\$37,000	\$6,638,554
		<u>\$7,507,942</u>		<u>\$6,675,554</u>
Excess of Revenues Over Expenses	--	<u>883,681</u>	--	<u>832,388</u>
		<u>\$8,391,623</u>		<u>\$7,507,942</u>
Balance, End of Year	<u>\$37,000</u>	<u>\$8,354,623</u>	<u>\$37,000</u>	<u>\$7,470,942</u>

The accompanying notes are an integral part of these financial statements.

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Statement of Changes in Financial Position
For the Years Ended June 30, 1989 and 1988

	<u>1989</u>	<u>1988</u>
Funds provided from:		
Operations		
Net Income	<u>\$883,681</u>	<u>\$832,388</u>
Funds used for:		
Increase in cash	\$ 95,785	\$ 46,620
Increase in investments	667,739	762,982
Increase in property and replacement tax receivable	32,060	5,079
Increase in accrued investment interest receivable	<u>88,097</u>	<u>17,707</u>
Total funds used	<u>\$883,681</u>	<u>\$832,388</u>

The accompanying notes are an integral part of these financial statements.

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Notes to Financial Statements
June 30, 1989 and 1988

Note 1 - Summary of Significant Accounting Policies:

The pension fund was organized on April 4, 1927, and is exempt from federal income tax. The pension fund is only one fund of many of the City of Urbana. Only the financial statements of this fund are presented in this report. The pension fund is created and operated under state laws that provide for a fund to be established to provide certain retirement benefits to firefighters and their dependents (see Note 2). The fund is managed by a board of seven trustees made up of three city officials and four persons elected by the members of the fund.

The fund's books and records are maintained on the cash basis and converted to accrual basis for preparation of the statements in this report. The accrual basis means revenues are recognized when earned, and expenses when incurred.

Investments are reported at lower of cost or market. Investment income is recognized as earned. Gains and losses on sales and exchanges of securities are recognized on the transaction date.

Property taxes are recognized for the year levied. The 1988 levy is reported in fiscal year 1989 and 1987 levy in fiscal year 1988. The taxes are certified against appraised real property as of the beginning of the previous calendar year.

Note 2 - Retirement Commitments:

a. Plan Description:

The pension fund is a defined benefit single-employer pension plan that covers all sworn firefighting personnel. Although this is a single-employer plan, the defined benefits and employee and employer contributions levels are governed by Illinois State Statutes. This fund is accounted for and reported as a pension trust fund. The City's payroll for employees covered by the pension plan for the year ended June 30, 1989, was \$1,212,630 out of a total payroll of \$5,496,034.

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Notes to Financial Statements
June 30, 1989 and 1988

Note 2 - Retirement Commitments (Continued):

At June 30, 1989, the pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits (none entitled but not receiving benefits)	26
Current employees	<u>42</u>
Total	<u>68</u>

Following is a summary of the firemen's pension plan as, provided for in the Illinois Statutes.

The firemen's pension plan provides retirement benefits as well as death and disability benefits. 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 salary attached to the rank held at the date of retirement. The pension shall be increased by one-twelfth of 2% of such salary for each month over 20 years of service through 30 years of service and one-twelfth of 1% of such service for each additional month over 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 paid upon reaching at least the age 55, by 3% of the original pension times the number of whole years the employee has been retired since age 50 (up to a maximum of 15%) and 3% annually thereafter on new gross wages.

Covered employees are required to contribute 8 1/4% of their salary to the Firemen's 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 of Urbana is required to contribute the remaining amounts (not less than 9 1/4%) necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2020, the City's contributions must accumulate to the point where the past service cost for the Firemen's Pension Plan is fully funded.

CITY OF URBANA, ILLINOIS
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Notes to Financial Statements
June 30, 1989 and 1988

Note 2 - Retirement Commitments (Continued):

b. Plan Asset Matters:

There are no significant (more than 5% of net assets available) investments in any one organization, other than U. S. government and U. S. government guaranteed obligations.

There are no investments that are securities or obligations of the City of Urbana.

c. Funding Status and Progress:

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the system.

Latest Actuarial Valuation Date July 1, 1988

Significant Actuarial Assumptions:

Rate of return on investment of present and future assets	7.0% compounded annually
Projected salary increases, attributable to inflation	5.5% compounded annually
Projected salary increases attributable to other than inflation (merit, etc.)	separate information not available
Post retirement benefit increases	3.0% simple interest annually

CITY OF URBANA, ILLINOIS
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Notes to Financial Statements
June 30, 1989 and 1988

Note 2 - Retirement Commitments (Continued):

Pension Benefit Obligation:

Retirees and beneficiaries currently receiving benefits	\$3,084,162
Current employees Accumulated employee contributions including allocated investment earnings and employer financed	<u>5,834,629</u>
Total Pension Benefit Obligation	\$8,918,791
Net Assets Available for Benefits (lower of cost or market, market \$7,506,022)	<u>7,507,942</u>
Unfunded Pension Benefit Obligation	<u>\$1,410,848</u>

Note: Since no allocation can be made between vested and nonvested, these are not stated separately

Effects on the Pension Benefit Obligation of Current-Year Changes:

There were no significant changes in the actuarial assumptions and benefit provisions.

d. Actuarially Determined Contribution Requirements and Contributions Made:

The funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the entry age normal actuarial funding method. The system used a level dollar amount method to amortize the unfunded liability over a 40 year period.

CITY OF URBANA, ILLINOIS
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Notes to Financial Statements
June 30, 1989 and 1988

Note 2 - Retirement Commitments (Continued):

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation, as described above.

Actuarial Valuation Date	July 1, 1988	
	<u>Dollar Amount</u>	<u>% Covered Payroll</u>
Actuarially Determined Contribution Requirement - Employer:		
Normal cost	\$235,099	19.97%
Amortization of unfunded actuarially accrued liability	<u>112,061</u>	<u>9.52</u>
Total	<u>\$347,160</u>	<u>29.49%</u>
Contribution Made:		
Employer	358,664	29.58%
Employee	<u>100,042</u>	<u>8.25</u>
Total	<u>\$458,706</u>	<u>37.83%</u>

Effects on the Contribution Requirements of Current-Year Changes:

There were no significant changes in the actuarial assumptions, actuarial funding methods, and benefit provisions.

CITY OF URBANA, ILLINOIS
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Notes to Financial Statements
June 30, 1989 and 1988

Note 3 - 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 approximately 37,000 people. The reserve balance as of June 30, 1989 is \$37,000. This reserve is not to be considered as an actuarial reserve.

Note 4 - Deposits and Investments:

The pension fund is authorized by State Statutes to invest in obligations of the U.S. Treasury and its agencies, non-negotiable certificates of deposit, and Illinois Public Treasurer's Investment Pool, savings accounts, general and separate accounts of approved life insurance companies (up to a maximum of 10% of the fund's aggregate investment book value), obligations of the State of Illinois or its political subdivisions, credit union shares (if insured by the National Credit Union Administration), and obligations of the State of Israel (up to a maximum of 5% of the fund's aggregate investment book value).

The fund's deposits and investments are categorized below to give an indication of the level of risk assumed at June 30, 1989:

Category 1 - includes amounts that are insured and for which the securities are held by the fund or its agent in the fund's name. These are U.S. Government and its agencies obligations, certificates of deposit, and checking and savings accounts. Certificates of deposit in federally insured banks and savings and loans are insured in amount equal to \$100,000 per fund plus an amount equal to each member's vested beneficial interest up to a maximum of \$100,000 per member.

CITY OF URBANA, ILLINOIS
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Notes to Financial Statements
June 30, 1989 and 1988

Note 4 - Deposits and Investments (Continued):

Category 2 - includes amounts invested in separate accounts of life insurance companies. These amounts are not insured nor guaranteed by any federal agency.

	<u>Risk Category</u>	<u>Carrying Value</u>	<u>Market Value</u>
U.S. Government and Its Agencies	1	\$1,490,026	\$1,623,123
Certificates of Deposit	1	6,241,121	6,241,121
Checking and Savings Accounts	1	190,041	190,041
Insurance Company Accounts	2	<u>100,000</u>	<u>108,498</u>
Total		<u>\$8,021,188</u>	<u>\$8,162,783</u>