



City of Urbana
400 South Vine Street
Post Office Box 219
Urbana, Illinois 61801-0219
(217) 384-2362
FAX (217) 384-2363

December 7, 1992

TO: Members, Urbana Firemen's Pension Fund

FROM: Ronald Eldridge, Fund Treasurer

Attached please find the annual audit and financial report for the fiscal year ended June 30, 1992. I have submitted this report to the Department of Insurance, as required. I believe the most important points are:

- a) The audit letter (page 1) indicates that the financial statements are prepared in accordance with generally accepted accounting principles ("clean opinion").
- b) In performing their work, the auditors did not discover any significant weaknesses in the Fund's internal accounting controls.
- c) Total net worth of the Fund is \$11,139,532, up \$881,248 over June 30, 1991. This growth in 1992 was 8.6% as compared to 10.1% in 1991 and 11.0% in 1990. If the Fund had grown at 1991's rate, net worth would have been \$153,000 higher. This can be attributed to three major factors:

1) Lower interest rates. In other words, if interest income had increased 10.5% (increase in average amount available to be invested in 1992 over 1991), interest income would have been \$67,000 higher. The affect of lower rates was significantly mitigated because the Fund has invested a substantial part of it's portfolio in longer-term maturities.

2) Lower employer contribution. The amount contributed was 5.3% lower than the amount in 1991, although the amount contributed was the level suggested by the Il. Department of Insurance. The contribution is broken down as follows:

	\$	%
Normal Cost	\$254,301	19.9%
Catchup	85,456	6.6%
Total	\$339,757	26.5%

3) Higher pension payments. The amount paid out in 1992 was 18% higher than 1991.

d) Fund investment strategy was marked by a shift from Certificates of Deposit to U.S. Government Securities. U.S. Government securities made up 75% of the total portfolio as compared to 65% one year ago.

	<u>1992</u>		<u>1991</u>	
	<u>\$</u>	<u>*</u>	<u>\$</u>	<u>*</u>
Checking & IPTIP	\$ 208,299	2%	\$ 475,921	5%
U.S. Govt	8,389,483	75%	6,651,494	65%
C.D.'s	1,738,987	16%	2,492,081	24%
Ins. Accts	<u>617,300</u>	6%	<u>408,800</u>	4%
Subtotal	10,954,069		10,028,296	
Receiv.	<u>185,463</u>		<u>229,988</u>	
	\$11,139,532		\$10,258,284	

* Percent of Portfolio

e) Ninety-two percent of the portfolio is either invested in U.S. Government obligations or insured by the U.S. Government agency (FDIC). Two percent is invested in IPTIP, a State of Illinois administered mutual fund. Six percent is invested in insurance company accounts which is only guaranteed by the insurance company.

f) The number and makeup of the fund members:

Retirees	30	28
Current Employees	<u>41</u>	<u>42</u>
Total	71	70

g) The Fund continued to reduce the unfunded liability. The unfunded liability is the amount on a present value basis that will have to be contributed in the future to catchup pension benefits owed current employees. By law, this amount will be caught up by 2020:

	<u>1992</u>	<u>1991</u>	<u>1983</u>
Liability	\$1,296,144	\$1,359,386	\$1,842,415
% Payroll	99%	108%	221%

h) A comparison of average investment earnings is:

	<u>1992</u>	<u>1991</u>	<u>1987</u>
Average Balance Available	\$10,336,769	\$9,090,856	\$6,051,985
Interest	\$ 783,650	\$ 777,915	\$ 588,704
Return	7.6%	8.6%	9.8%

**CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND**

AUDIT REPORT

For The Years Ended June 30, 1992 and 1991



CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 1992 and 1991

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 1992 and 1991

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1
Comparative Balance Sheet	2
Comparative Statement of Revenues and Expenses and Changes in Municipal Equity	3
Comparative Statement of Cash Flows	4
Notes to Financial Statements	5
Required Supplementary Information:	
Ten Year Trend Information on Pension Benefit Funding	12
Ten Year Trend Information on Revenues by Source and Expenses by Type	13

Board of Trustees
Firemen's Pension Fund
City of Urbana
Urbana, Illinois

Independent Auditor's Report

We have audited the accompanying financial statements of the Firemen's Pension Fund of the City of Urbana, Illinois, as of June 30, 1992 and 1991, and for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 and 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 audits provide a reasonable basis for our opinion.

As discussed Note 1, the financial statements present only the Firemen's Pension Fund and are not intended to present fairly the financial position of the City of Urbana, Illinois, and the results of its operations and cash flows of its proprietary and similar trust fund types in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Firemen's Pension Fund of the City of Urbana, Illinois, as of June 30, 1992 and 1991, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for the years ended June 30, 1992 and 1991 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Champaign, Illinois
August 26, 1992

Clifton, Gunderson & Co.

CITY OF URBANA, ILLINOIS
 FIREMEN'S PENSION FUND
 Comparative Balance Sheet
 As of June 30, 1992 and 1991

ASSETS

	<u>1992</u>	<u>1991</u>
Cash and Cash Equivalents:		
Checking Account	\$7,837	\$138,192
Il. Public Treasurer's Pool	200,462	337,729
Total Cash and Cash Equivalents	<u>208,299</u>	<u>475,921</u>
Accounts Receivable, Due from City	--	934
Property and Replacement Tax		
Receivable (Net of Allowance		
for Uncollectibles)	161,358	177,164
Accrued Interest Receivable	24,105	51,947
Investments:		
U.S. Government Securities	8,389,483	6,651,494
Certificates of Deposit	1,738,987	2,492,081
Insurance Company Accounts	617,300	408,800
Total Assets	<u>\$11,139,532</u>	<u>\$10,258,341</u>

LIABILITIES AND MUNICIPAL EQUITY

Liabilities:		
Payroll Taxes Withheld	\$ --	\$57
Municipal Equity:		
Statutory Reserve	37,000	37,000
Reserve for Employee's		
Retirement	11,102,532	10,221,284
Total Municipal Equity	<u>11,139,532</u>	<u>10,258,284</u>
Total Liabilities		
and Municipal Equity	<u>\$11,139,532</u>	<u>\$10,258,341</u>

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

CITY OF URBANA

-3-

FIREMEN'S PENSION FUND

Comparative Statement of Revenues and Expenses
and Changes in Municipal Equity

For the Years Ended June 30, 1992 and 1991

Revenues:	1992	1991
	-----	-----
Employer Contributions:		
Property Tax	\$303,757	\$322,734
Replacement Tax	36,000	36,000
Interest Income	783,650	777,915
Employee Contributions	112,126	107,244
Gain on Sale Investments	4,467	--
	-----	-----
Total Revenues	1,240,000	1,243,893
	-----	-----
Expenses:		
Disability Pension	41,235	69,981
Firemen's Pension	265,469	183,828
Dependent's Pension	45,358	46,629
Hospital and Doctor Fees	2,546	791
Clerk's Salary and Taxes	3,933	3,172
Filing Fee	50	50
Miscellaneous	161	64
	-----	-----
Total Expenses	358,752	304,515
	-----	-----
Excess of Revenues Over Expenses	881,248	939,378
Municipal Equity, Beginning of Year	10,258,284	9,318,906
	-----	-----
Municipal Equity, End of Year	\$11,139,532	\$10,258,284
	=====	=====

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

CITY OF URBANA

-4-

FIREMEN'S PENSION FUND

Comparative Statement of Cash Flows

For the Years Ended June 30, 1992 and 1991

	1992	1991
	-----	-----
Cash Flows From Operations:		
Operating Income	\$881,248	\$939,378
Changes in Assets and Liabilities:		
Decrease (Increase) in receivables	44,582	123,846
Increase (Decrease) in payables	(57)	57
	-----	-----
Net Cash Provided by Operating Activities	925,773	1,063,281
	-----	-----
Cash Flows from Investing Activities:		
Purchase of Investments	(2,491,119)	(3,259,270)
Interest Added to Accounts	(565,550)	(658,738)
Proceeds from Maturities of Investments	1,863,274	2,909,849
	-----	-----
Net Cash Provided by (used in) Investing Activities	(1,193,395)	(1,008,159)
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	(267,622)	55,122
Beginning Cash and Cash Equivalents	475,921	420,799
	-----	-----
Ending Cash and Cash Equivalents	\$208,299	\$475,921
	=====	=====

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

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

-5-

Notes to Financial Statements
June 30, 1992 and 1991

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 board.

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. Market values for U.S. government securities, insurance contracts and money funds are based upon latest quoted prices. Investment income is recognized as earned. Gain and losses on sales and exchanges of securities are recognized on the transaction date.

The fund considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property taxes are recognized for the year levied. The 1991 levy is reported in fiscal year 1992 and the 1990 levy in fiscal year 1991. 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 contribution 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,

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Notes to Financial Statements
June 30, 1992 and 1991

1992, was \$1,489,165 out of a total payroll of \$7,256,493.

At June 30, 1992, the pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits (none entitled but not receiving benefits)	30
Current employees	<u>41</u>
Total	<u>71</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 between 30 and 35 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

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

-7-

Notes to Financial Statements
June 30, 1992 and 1991

accumulated interest. The City of Urbana is required to contribute the remaining amounts 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.

b. Plan Asset Matters:

The Plan holds \$716,707 in certificates of deposit in a single financial institution, Citibank Savings. The only other investments which are greater than 5% of net assets and held by a single organization are 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 value of accredited projected benefits and is independent of the funding method used to determine contributions to the system.

Latest Actuarial Valuation Date	July 1, 1991
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

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

-8-

Notes to Financial Statements
June 30, 1992 and 1991

Projected salary increases attributable to other than inflation (merit, etc.)	separate information not available
Post retirement benefit increases	3.0% simple interest annually
Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits	\$4,435,007
Current employees Accumulated employee contributions including allocated investment earnings and employer financed	<u>7,119,421</u>
Total Pension Benefit Obligation	11,554,428
Net Assets Available for Benefits (lower of cost or market, market (\$10,269,541))	<u>10,258,284</u>
Unfunded Pension Benefit Obligation	<u>\$ 1,296,144</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

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

-9-

Notes to Financial Statements
June 30, 1992 and 1991

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.

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, 1991	
	<u>Dollar Amount</u>	<u>% Covered Payroll</u>
Actuarially Determined Contribution Requirement - Employer:		
Normal Cost	\$258,589	19.86%
Amortization of unfunded actuarially accrued liability	<u>85,456</u>	<u>6.57</u>
Total	<u>\$344,045</u>	<u>26.42%</u>
Contribution Made:		
Employer	\$339,757	26.10%
Employee	<u>112,126</u>	<u>8.62</u>
Total	<u>\$451,883</u>	<u>34.72%</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.

Ten year trend information, which is designed to provide information about progress made in accumulating sufficient assets to pay benefits when due, may be found in the Required Supplementary Information, in this report.

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

-10-

Notes to Financial Statements
June 30, 1992 and 1991

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, 1992 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, 1992.

Category 1 - includes amount 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 insured banks and savings accounts. Certificates of deposit in federally insured banks and savings and loans are insured in an 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.

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

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

-11-

Notes to Financial Statements
June 30, 1992 and 1991

	<u>Risk Category</u>	<u>Carrying Value</u>	<u>Market Value</u>
U.S. Government and Its Agencies	1	\$8,389,483	\$8,973,800
Certificates of Deposit	1	1,738,987	1,738,987
Checking & Savings Accts	1	<u>7,838</u>	<u>7,838</u>
Subtotal, Category	1	\$10,136,308	\$10,720,625
Insurance Company Accounts	2	<u>617,300</u>	<u>685,832</u>
Subtotal		\$10,753,608	\$11,406,457
Investment in Illinois Public Treasurer's Pool	-	<u>200,462</u>	<u>200,462</u>
Total		<u>\$10,954,070</u>	<u>\$11,606,919</u>

No credit risk is assigned to the Illinois Public Treasurer's Investment Pool since the Fund does not own any specific identifiable securities but rather a percentage of the pool.

This information is an integral part of the accompanying financial statements.

CITY OF URBANA
FIREMEN'S PENSION FUND

Required Supplementary Information
Ten Year Trend Information on Pension Benefit Funding

June 30, 1992 and 1991

	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Available for Benefits	\$10,258,284	\$9,318,905	\$8,391,622	\$7,507,942	\$6,675,553	\$5,868,300	\$5,075,970	\$4,323,796	\$3,687,077	\$3,046,603
Pension Benefit Obligation	\$11,554,428	\$10,678,291	\$10,103,496	\$9,135,370	\$8,555,196	\$6,965,186	\$6,567,394	\$6,025,077	\$5,730,113	\$4,889,018
Percentage Funded	88.78%	87.27%	83.06%	82.19%	78.03%	84.25%	77.29%	71.76%	64.35%	62.32%
Unfunded Pension Benefit Obligation	\$1,296,144	\$1,359,386	\$1,711,874	\$1,627,428	\$1,879,643	\$1,096,886	\$1,491,424	\$1,701,281	\$2,043,036	\$1,842,415
Annual Covered Payroll	\$1,301,950	\$1,258,643	\$1,229,583	\$1,177,261	\$1,143,901	\$1,088,042	\$1,061,874	\$1,002,514	\$965,736	\$833,860
Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll	99.55%	108.00%	139.22%	138.24%	164.32%	100.81%	140.45%	169.70%	211.55%	220.95%
City's Contribution to the Pension Plan	\$339,757	\$358,734	\$351,229	\$358,664	\$308,573	\$312,298	\$324,888	\$323,888	\$327,982	\$373,016
City's Contribution to the Pension Plan as a Percentage of Annual Covered Payroll	26.10%	28.50%	28.56%	30.47%	26.98%	28.70%	30.60%	32.31%	33.96%	44.73%

CITY OF URBANA
FIREMEN'S PENSION FUND

Required Supplementary Information
Ten Year Trend Information on Revenues by Source and Expenses by Type
June 30, 1992 and 1991

	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Revenues by Source:										
Employee Contributions	\$112,126	\$107,244	\$103,774	\$100,042	\$98,365	\$90,533	\$85,951	\$81,691	\$79,945	\$71,997
Employer Contributions	339,757	358,734	351,229	358,664	308,573	312,298	323,888	327,982	282,429	373,016
Investment Income	788,117	777,915	743,688	675,927	628,633	588,704	559,292	493,217	416,734	398,904
Total	\$1,240,000	\$1,243,893	\$1,198,691	\$1,134,633	\$1,035,571	\$991,535	\$969,131	\$902,890	\$779,108	\$843,917
Expenses by Type:										
Benefits	\$352,062	\$266,563	\$245,287	\$198,861	\$179,633	\$172,975	\$147,348	\$147,470	\$138,165	\$155,942
Administrative Expense	6,690	4,845	5,665	4,322	4,649	3,825	3,369	3,321	4,381	2,904
Refunds	--	--	--	--	--	--	--	--	11,688	1,533
Total	\$358,752	\$271,408	\$250,952	\$203,183	\$184,282	\$176,800	\$150,717	\$150,791	\$154,234	\$160,379