CITY OF URBANA, ILLINOIS

FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 1997 and 1996

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September 26, 1997

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

Independent Auditor's Report

We have audited the accompanying financial statements of City of Urbana, Illinois Firemen's Pension Fund, a trust and agency fund of the City of Urbana, as of and for the year ended June 30, 1997, as listed in the table of contents. 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. The financial statements of City of Urbana, Illinois Firemen's Pension Fund as of June 30, 1996, were audited by other auditors whose report, dated September 16, 1996, expressed an unqualified opinion on those statements. As discussed in Note 4, the City of Urbana, Illinois Firemen's Pension Fund has restated its June 30, 1996 financial statements to implement GASB 25 for presentation method and to report investments at fair value, in conformity with generally accepted accounting principles. The other auditors reported on the June 30, 1996 financial statements before the restatement.

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 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 audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the financial statements present only one trust and agency fund of the City of Urbana and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the plan net assets of the City of Urbana, Illinois Firemen's Pension Fund, a trust and agency fund of the City of Urbana, as of June 30, 1997, and the changes in plan net assets for the year then ended in conformity with generally accepted accounting principles.

We also audited the adjustments described in Note 4 that were applied to restate the June 30, 1996 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The required supplementary information listed in the table of contents has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.

Bray, Drake, Guthrie & Richardson LLP

BRAY, DRAKE, GUTHRIE & RICHARDSON LLP

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Statement of Plan Net Assets
As of June 30, 1997 and 1996

	1997	1996
ASSETS:		
Cash and Cash Equivalents:		
Checking Account	$ 178	$ -
Il. Public Treasurer's Pool	34,162	372,168
Busey Bank Savings	235,645	-
Money Market Accounts	11,854	29,103
Total Cash and Cash Equivalents	281,839	401,271
Receivables:		
Employer Contributions (Property and Replacement Tax)	158,232	157,754
Accrued Interest	32,734	32,614
Investments:		
U.S. Government Securities	13,845,755	12,754,929
Certificates of Deposit	1,091,002	938,909
Insurance Company Accounts	2,257,921	1,865,807
Total Assets	$ 17,667,483	$ 16,151,284
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented on page 10.)	$ 17,667,483	$ 16,151,284

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

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Statement of Changes in Plan
Net Assets Available for Benefits
For the Years Ended June 30, 1997 and 1996

	1997	1996
ADDITIONS:		
Contributions:		
Employer:		
Property Tax	$ 325,389	$ 308,111
Replacement Tax	36,000	36,000
Subtotal Employer Contributions	361,389	344,111
Employees	122,810	116,584
Subtotal Contributions	484,199	460,695
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	773,766	(568,456)
Interest	1,095,403	1,193,312
Subtotal Investment Income	1,869,169	624,856
Total Additions	2,353,368	1,085,551
DEDUCTIONS:		
Disability Benefits	136,767	134,745
Firemen's Pension Benefits	629,541	534,756
Dependent's Benefits	58,345	59,134
Administrative Costs	12,516	13,617
Total Deductions	837,169	742,252
NET INCREASE	1,516,199	343,299
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of Year	16,151,284	13,834,267
Prior Period Adjustment (See Note 4)	-	1,973,718
Beginning of Year, As Restated	16,151,284	15,807,985
End of Year	$ 17,667,483	$ 16,151,284

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

Notes to Financial Statements
June 30, 1997 and 1996

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 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 Pension fund is also included in the annual report of the City of Urbana, as a trust and agency fund, according to the criteria specified in governmental accounting standards.

Investments are reported at fair value. Fair values for U.S. government securities, insurance contracts and money funds are based upon latest quoted prices. Investment transactions are reported as of the trade date. Interest income is recognized as earned. Realized gains and losses on sales and exchanges of securities and unrealized gains and losses are reported as net appreciation (depreciation) in the fair value of investments.

The fund considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 1997 and 1996, there were no investments that were considered cash equivalents.

Property taxes are recognized for the year levied. The 1996 levy is reported in fiscal year 1997 and the 1995 levy in fiscal year 1996. The taxes are certified against appraised real property as of the beginning of the previous calendar year.

The preparation of financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions from plan net assets during the reporting period. Actual results could differ from those estimates.

Note 2 - Pension Disclosure Information:

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-

Notes to Financial Statements
June 30, 1997 and 1996

employer plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statues. 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, 1997, was $1,493,965 out of a total payroll of $8,946,620.

At June 30, 1997 and 1996, the pension plan membership consisted of:

	1997	1996
Retirees and beneficiaries currently receiving benefits	46	42
Terminated plan members entitled to but not yet receiving benefits	0	1
Active vested plan members	16	17
Active non vested plan members	24	23
Total	86	83
Number of participating employers	1	1

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 of the pension payable at the time of the increase.

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 necessary to finance the plan as actuarially determined by an enrolled actuary.

b. Plan Asset Matters:

The only 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 Policy and Annual Pension Cost:

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 accrued liability and is a component of the funding method used to determine contributions to the system.

The funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate

Notes to Financial Statements
June 30, 1997 and 1996

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 percentage amount method to amortize the unfunded liability over a 37 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.

Latest Actuarial Valuation Date	June 30, 1997
Asset Valuation Method	Market Value
Significant Actuarial Assumptions:	
Rate of return on investment of present and future assets	7.5% compounded annually
Projected salary increases	5.25% compounded annually
Post retirement benefit increases	3.0% interest annually
Mortality	1983 Group Annuity Mortality Table
Withdrawal	Graduated Rates
Disability	Graduated Rates
Retirement	Graduated Rates (100% by age 69)
Marital Status	85% married, spouse same age
Plan Expenses	None

Annual Required Contribution	$ 328,061
Interest on Net Pension Obligation	0
Adjustment to Annual Required Contribution	0
Annual Pension Cost	328,061
Contributions Made	361,389
Increase (Decrease) in Net Pension Obligation	(33,328)
Net Pension Obligation, Beginning of Year	0
Net Pension Obligation, End of Year	$ (33,328)

Notes to Financial Statements
June 30, 1997 and 1996

There were no changes in any actuarial assumptions that would significantly effect the pension benefit obligation or the required contribution.

Note 3 - 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), money market mutual funds which are backed by U.S. government securities and agencies, 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, 1997.

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.

	Risk Category	Amortized Cost	Fair Value
U.S. Government and Its Agencies	1	$13,448,104	$13,845,755
Certificates of Deposit	1	1,091,002	1,091,002
Subtotal, Category	1	14,539,106	14,936,757
Insurance Company Accounts	-	1,481,992	2,257,921
Investment in Illinois Public Treasurer's Pool	-	34,162	34,162
Money Market Accounts	-	11,854	11,854
Total		$16,067,114	$17,240,694

Notes to Financial Statements
June 30, 1997 and 1996

No credit risk is assigned to the insurance company accounts since the Fund does not own any specific identifiable securities. These amounts are not insured nor guaranteed by any federal agency.

No credit risk is assigned to the Illinois Public Treasurer's Investment Pool or the Money Market Accounts since the Fund does not own any specific identifiable securities.

Note 4 - Prior Period Adjustment and Restatement of Beginning Net Assets Available for Benefits:

The pension fund implemented Governmental Accounting Standards Board Statement Number 25 in this report. Statement 25 requires that investments be reported at market value instead of amortized cost, as the fund had previously valued it's investments. Reporting investments at market value increased the net assets available for benefits $1,973,718 at July 1, 1995. Thus, the amount of net assets available for benefits at the beginning of 1996 was restated for this change.

CITY OF URBANA, ILLINOIS
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Required Supplementary Information
Schedule of Funding Progress

June 30, 1997

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age Normal Cost	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Accrued Liability as a % of Covered Payroll
June 30, 1992	**Information before June 30, 1997 is not available.**					
June 30, 1993						
June 30, 1994						
June 30, 1995						
June 30, 1996						
June 30, 1997	$17,667,483	$17,765,535	$98,052	99.4%	$1,493,965	6.6%

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Required Supplementary Information
Schedule of Employee Contributions

June 30, 1997

Fiscal Year	Annual Required Contribution	Contributions Made	Percentage Contributed
1992	**Information before 1997 is not available.**		
1993			
1994			
1995			
1996			
1997	$328,061	$361,389	110.2%