

CITY OF URBANA, ILLINOIS

POLICE PENSION FUND

Audit Report

For the Years Ended June 30, 1987 and 1986

McNamara & Associates, P.C.
Certified Public Accountants

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Certified Public Accountants

Huntington Towers - 6 South
201 West Springfield Avenue
P.O. Box 1130
Champaign, IL 61820
(217) 352-7041

October 6, 1987

Board of Trustees
Urbana Police Pension Fund
Urbana, Illinois 61801

Gentlemen:

We have examined the financial statements of the Urbana Police Pension Fund for the year ended June 30, 1987, and have issued our report thereon dated September 4, 1987. As part of our examination, we made a study and evaluation of the Pension Fund's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Pension Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

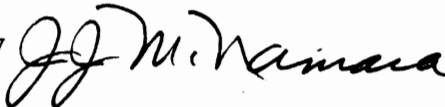
We did not find any weaknesses or deficiencies in the Urbana Police Pension Fund's accounting, financial, and administrative policies and procedures during the course of our engagement.

This letter is intended solely for the use of management.

We would like to take this opportunity to thank the officers and employees of the City of Urbana and the Urbana Police Pension Fund for their assistance and cooperation during our examination.

Very respectfully yours,

McNAMARA & ASSOCIATES

By 

JJM:sam

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Audit Report
For the Years Ended June 30, 1987 and 1986

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Board of Trustees
Police Pension Fund
Urbana, Illinois

We have examined the balance sheet of the Police Pension Fund of the City of Urbana, Illinois, as of June 30, 1987 and 1986, and the related statements of revenues and expenses, changes in municipal equity and changes in financial position for the years then ended. Our examinations were 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.

The Police Pension Fund is only one fund of many of the City of Urbana. Only the financial statements of this one fund are presented herewith and covered by this report.

In our opinion, the financial statements referred to above present fairly the financial position of the Police Pension Fund as of June 30, 1987 and 1986, and the results of its operations, changes in its municipal equity and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

McNamara & Associates, P.C.

September 4, 1987

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Comparative Balance Sheet
June 30, 1987 and 1986

ASSETS

	<u>1987</u>	<u>1986</u>
Cash in Bank-Checking Account	\$ 300	\$ 109
Property and Replacement Tax Receivable (Net of Allowance for Uncollectibles)	155,744	148,985
Accrued Investment Interest Receivable	94,071	103,450
Investments (Note 1 and Note 5):		
U.S. Government Securities	1,687,210	2,037,923
Certificates of Deposit	2,858,714	2,077,446
Savings Accounts	160,816	350,993
Insurance Company Accounts	309,648	-
Total Assets	<u>\$5,266,503</u>	<u>\$4,718,906</u>

LIABILITIES AND MUNICIPAL EQUITY

Liabilities:

Accounts Payable	\$ -	\$ 8,817
Due to City - General Fund	329	493
Total Liabilities	<u>329</u>	<u>9,310</u>

Municipal Equity:

Statutory Reserve (Note 3)	560,000	560,000
Reserve for Employees' Retirement System	4,706,174	4,149,596
Total Municipal Equity	<u>5,266,174</u>	<u>4,709,596</u>
Total Liabilities and Municipal Equity	<u>\$5,266,503</u>	<u>\$4,718,906</u>

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

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Comparative Statement of Revenues and Expenses
For the Years Ended June 30, 1987 and 1986

	<u>1987</u>	<u>1986</u>
<u>Revenues:</u>		
Property Tax Revenue	\$303,006	\$308,718
Replacement Tax Revenue	27,680	20,000
Interest Income	409,194	426,647
Employee Contributions	<u>96,181</u>	<u>89,693</u>
Total Revenues	<u>836,061</u>	<u>845,058</u>
<u>Expenses:</u>		
Disability Pension	54,229	43,165
Widow Pension	29,952	26,242
Service Pension	182,410	190,898
Refunds to Resigning Members	1,834	28,683
Professional Fees	3,444	31,447
Continuing Education	-	299
Clerk Salary	3,600	2,100
Physical Examination	1,969	2,069
Secretarial Services	400	165
Filing Fees	50	50
Miscellaneous	1,095	483
Dues and Memberships	<u>500</u>	<u>1,000</u>
Total Expenses	<u>279,483</u>	<u>326,601</u>
Excess of Revenues Over Expenses	<u>\$556,578</u>	<u>\$518,457</u>

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

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Comparative Statement of Changes in Municipal Equity
For the Years Ended June 30, 1987 and 1986

	1987			1986		
	<u>Statutory Reserve</u>	<u>Reserve for Employees' Retirement System</u>	<u>Total</u>	<u>Statutory Reserve</u>	<u>Reserve for Employees' Retirement System</u>	<u>Total</u>
Balance, Beginning of Year	\$560,000	\$4,149,596	\$4,709,596	\$560,000	\$3,631,139	\$4,191,139
Excess of Revenues Over Expenses	-	556,578	556,578	-	518,457	518,457
Balance, End of Year	<u>\$560,000</u>	<u>\$4,706,174</u>	<u>\$5,266,174</u>	<u>\$560,000</u>	<u>\$4,149,596</u>	<u>\$4,709,596</u>

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

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Comparative Statement of Changes in Financial Position
For the Years Ended June 30, 1987 and 1986

	1987	1986
Funds provided from:		
Operations		
Net Income	<u>\$556,578</u>	<u>\$518,457</u>
Funds provided from operations	556,578	518,457
Decrease in accrued investment interest receivable	9,379	-
Increase in accounts payable	-	8,817
Increase in amount due the City-General Fund	-	<u>493</u>
Total funds provided	<u>\$565,957</u>	<u>\$527,767</u>
Funds used for:		
Increase in cash	\$ 191	\$ 33
Increase in investments	550,026	515,362
Increase in property and replacement tax receivable	6,759	2,752
Increase in accrued investment interest receivable	-	9,620
Decrease in accounts payable	8,817	-
Decrease in amount due the City-General Fund	<u>164</u>	<u>-</u>
Total funds used	<u>\$565,957</u>	<u>\$527,767</u>

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

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1987 and 1986

Note 1 - Summary of Significant Accounting Policies:

The pension fund was organized on April 4, 1927, and is exempt from federal income tax. The fund maintains its books and records on the cash basis of accounting. The statements presented in this report use the accrual basis of accounting. Revenues are recognized when earned and expenses when incurred. Property tax revenue includes the 1986 tax levy for fiscal year 1987 and the 1985 tax levy for fiscal year 1986 certified against real property as of the beginning of the calendar year. Interest on investments is accrued as of June 30, 1987 and 1986. Investments are carried at cost, which approximates market.

Note 2 - Actuarial Deficiency:

Unfunded accrued liabilities existed at the end of each fiscal year. These amounts of \$2,459,337 at 1986 and \$2,605,509 at 1985 are the required amounts necessary to meet the actuarial reserve requirement of the State of Illinois Department of Insurance. This deficiency is being funded over the next 33.5068 years at \$181,922 per year. The 1987 tax levy amount includes \$127,768 for the current portion plus \$181,922 for the accrued liability. The deficiency occurred as the result of prior year's tax levies not meeting the minimum levy requirements as prescribed in Section 4-118 of the Illinois Pension Code.

Note 3 - Statutory Reserve:

As revised November 15, 1979, 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 Section 3-127 of the code is to be no less than \$10,000 for each policeman covered by the pension code in the municipality. At June 30, 1987 and 1986, 43 policemen, in both years, were participants in the pension fund. This would require that a reserve of at least \$430,000 be set up. The reserve balance is \$560,000.

Note 4 - Due to City General Fund:

By error, the city general fund overpaid various amounts due to the pension fund during the years ended June 30, 1987 and 1986. The amounts of \$329 and \$493 were repaid to the city general fund shortly after the respective year-ends.

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1987 and 1986
(Continued)

Note 5 - 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, the 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, 1987:

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. At year-end there were 27 fully vested members.

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	\$1,687,210	\$1,722,929
Certificates of Deposit	1	2,858,714	2,858,714
Checking and Savings Accounts	1	161,116	161,116
Insurance Company Accounts	2	<u>309,648</u>	<u>302,641</u>
Total		<u>\$5,016,688</u>	<u>\$5,045,400</u>

ACCOMPANYING INFORMATION

ACCOUNTANTS' REPORT ON INFORMATION ACCOMPANYING
THE BASIC FINANCIAL STATEMENTS

Our examination of the basic financial statements for the year ended June 30, 1987, presented in the preceding section of this report, was made for the purpose of forming an opinion on such financial statements taken as a whole. The accompanying financial information shown on pages 10, 11, and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 1987, taken as a whole.

McNamara & Associates, P.C.

Certified Public Accountants

September 4, 1987

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Schedule of Government Investments
June 30, 1987

	<u>Interest Rate</u>	<u>Investments at Par June 30, 1987</u>	<u>Investments At Amortized Cost June 30, 1987</u>	<u>Maturity Date</u>
<u>U.S. Securities:</u>				
U.S. Treasury Note	8.25 %	\$ 30,000	\$ 29,962	05/15/88
U.S. Treasury Bond	8.25	20,000	19,927	05/15/90
U.S. Treasury Note	11.75	100,000	100,176	01/15/91
U.S. Treasury Note	12.0	40,000	40,004	03/31/88
U.S. Treasury Note	10.0	135,000	135,345	05/15/88
U.S. Treasury Note	10.625	40,000	40,029	12/31/88
U.S. Treasury Note	11.25	60,000	60,184	03/31/89
U.S. Treasury Note	9.5	100,000	100,157	08/15/88
U.S. Treasury Note	9.5	175,000	175,389	08/15/88
U.S. Treasury Note	9.375	250,000	250,631	09/30/89
U.S. Treasury Note	8.125	40,000	40,083	01/31/88
U.S. Treasury Note	7.125	300,000	296,319	04/30/89
U.S. Treasury Note	6.375	200,000	200,143	09/30/88
G.N.M.A. Certificate	8.0	<u>198,861</u>	<u>198,861</u>	08/15/16
Total		<u>\$1,688,861</u>	<u>\$1,687,210</u>	

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Schedule of Other Investments
June 30, 1987

	<u>Interest Rate</u>	<u>Investments At Cost June 30, 1987</u>	<u>Maturity Date</u>
<u>Certificates of Deposit:</u>			
Busey First National Bank	7.1 %	\$ 60,000	05/05/88
Busey First National Bank	7.5	140,000	12/10/89
Champaign County Bank and Trust	8.75	30,000	11/29/87
Champaign County Bank and Trust	8.05	32,514	02/14/88
Champaign County Bank and Trust	9.5	140,000	07/01/87
Champaign County Bank and Trust	8.9	75,000	04/02/88
Champaign County Bank and Trust	8.9	80,000	08/02/87
National Bank of Urbana	7.2	130,000	08/23/88
Champion Federal Savings and Loan	10.5	20,000	10/04/87
Champion Federal Savings and Loan	7.4	100,000	08/20/90
Champion Federal Savings and Loan	7.0	151,000	09/02/88
Champion Federal Savings and Loan	8.0	15,000	10/20/94
Champion Federal Savings and Loan	6.8	259,754	06/03/89
American Savings Bank	9.0	40,000	04/05/88
First Federal Savings and Loan	9.0	20,000	12/24/87
First Federal Savings and Loan	9.5	50,000	10/22/87
First Federal Savings and Loan	8.274	60,000	08/09/88
Mutual Savings and Loan	8.0	20,000	09/17/88
Mutual Savings and Loan	6.45	104,166	11/10/89
Commercial Bank	7.25	150,000	05/20/87
Olympic Federal Savings and Loan	7.5	65,000	01/09/92
American Savings Bank	9.5	141,701	08/16/89
Champion Federal Savings and Loan	8.75	20,000	07/07/88
Gibson Federal Savings and Loan	9.0	85,799	12/13/88
Mid-State Savings	8.5	80,000	02/28/88
Champaign National Bank	6.9	157,905	01/03/88
Bank of Illinois	7.5	300,000	08/15/90
Busey First National Bank	6.0	30,000	06/18/90
Mattoon Savings and Loan	8.8	40,000	04/02/88
Rantoul First Federal	7.15	40,000	04/23/89
American Savings Bank	7.0	160,875	01/03/88
Atlantic Federal (Edward D. Jones and Company)	8.35	60,000	06/25/90
Total		<u>\$2,858,714</u>	

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Schedule of Other Investments
June 30, 1987
(Continued)

	<u>Interest Rate</u>	<u>Investments At Cost June 30, 1987</u>	<u>Maturity Date</u>
<u>Savings Account:</u>			
Champaign County Bank and Trust Money Market Account	5.3%	<u>\$160,816</u>	-
<u>Insurance Company Accounts:</u>			
Prudential-Bache Certificate of Deposit	6.6	\$200,000	10/06/88
Prudential-Bache Mutual Funds	-	<u>109,648</u>	-
Total		<u>\$309,648</u>	