

CITY OF URBANA, ILLINOIS

POLICE PENSION FUND

Audit Report

For the Years Ended June 30, 1988 and 1987

McNAMARA, PIRAINO & ASSOCIATES, P.C.

SUCCESSOR TO

McNamara & Associates, P.C.
Certified Public Accountants

CITY OF URBANA, ILLINOIS

POLICE PENSION FUND

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McNAMARA, PIRAINO & ASSOCIATES, P.C.

Certified Public Accountants

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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, 1988, and the related statements of revenue and expenses and 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, 1988 and 1987, 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, Piraino & Associates, P.C.

September 9, 1988

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Comparative Balance Sheet
As of June 30, 1988 and 1987

ASSETS

	1988	1987
Cash in Bank-Checking Account	\$ 300	\$ 300
Property and Replacement Tax Receivable (Net of Allowance for Uncollectibles)	161,476	155,744
Accrued Investment Interest Receivable	85,103	94,071
Investments (Note 1 and Note 5):		
U.S. Government Securities	2,000,036	1,687,210
Certificates of Deposit	3,174,722	2,858,714
Savings Accounts	245,355	160,816
Insurance Company Accounts	116,906	309,648
	<u>\$5,783,898</u>	<u>\$5,266,503</u>
Total Assets		

LIABILITIES AND MUNICIPAL EQUITY

Liabilities:

Due to City - General Fund	\$ --	\$ 329
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Municipal Equity:

Statutory Reserve (Note 3)	560,000	560,000
Reserve for Employees' Retirement System	5,223,898	4,706,174
	<u>5,783,898</u>	<u>5,266,174</u>
Total Municipal Equity		
Total Liabilities and Municipal Equity	<u>\$5,783,898</u>	<u>\$5,266,503</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, 1988 and 1987

	<u>1988</u>	<u>1987</u>
<u>Revenues:</u>		
Employer Contributions:		
Property Tax Revenue	\$308,001	\$303,006
Replacement Tax Revenue	27,835	27,680
Interest Income	418,185	409,194
Employee Contributions	<u>102,935</u>	<u>96,181</u>
Total Revenues	<u>856,956</u>	<u>836,061</u>
 <u>Expenses:</u>		
Disability Pension	69,875	54,229
Widow Pension	46,411	29,952
Service Pension	183,919	182,410
Refunds to Resigning Members	31,146	1,834
Professional Fees	3,111	3,444
Clerk Salary	600	3,600
Physical Examination	1,780	1,969
Secretarial Services	420	400
Filing Fees	50	50
Miscellaneous	1,420	1,095
Dues and Memberships	<u>500</u>	<u>500</u>
Total Expenses	<u>339,232</u>	<u>279,483</u>
Excess of Revenues Over Expenses	 <u>\$517,724</u>	 <u>\$556,578</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, 1988 and 1987

	1988			1987		
	<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	\$4,706,174	\$5,266,174	\$560,000	\$4,149,596	\$4,709,596
Excess of Revenues Over Expenses	<u>--</u>	<u>517,724</u>	<u>517,724</u>	<u>--</u>	<u>556,578</u>	<u>556,578</u>
Balance, End of Year	<u>\$560,000</u>	<u>\$5,223,898</u>	<u>\$5,783,898</u>	<u>\$560,000</u>	<u>\$4,706,174</u>	<u>\$5,266,174</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, 1988 and 1987

	<u>1988</u>	<u>1987</u>
Funds provided from:		
Operations		
Net Income	\$517,724	\$556,578
Decrease in accrued investment interest receivable	<u>8,968</u>	<u>9,379</u>
Total funds provided	<u>\$526,692</u>	<u>\$565,957</u>
Funds used for:		
Increase in cash	\$ --	\$ 191
Increase in investments	520,631	550,026
Increase in property and replacement tax receivable	5,732	6,759
Decrease in accounts payable	--	8,817
Decrease in amount due the City-General Fund	<u>329</u>	<u>164</u>
Total funds used	<u>\$526,692</u>	<u>\$565,957</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, 1988 and 1987

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 police officers and their dependents (see Note 2). The fund is managed by a board of five trustees made up of two persons appointed by the mayor of the City of Urbana and three 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 1987 levy is reported in fiscal year 1988 and 1986 levy in fiscal year 1987. 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 police 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, 1988, was \$1,143,722 out of a

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1988 and 1987

Note 2 - Retirement Commitments (Continued):

total payroll of \$5,695,627. At June 30, 1988, the pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits (none entitled but not receiving benefits)	25
Current employees	<u>41</u>
Total	<u>66</u>

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

The police 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 on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2% of such salary for each additional year of service over 20 years up to 30 years, and 1% of such salary for each additional year of service over 30 years, to a maximum of 75% of such salary. Employees with at least 8 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 police officer 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 be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% simple interest annually thereafter.

Covered employees are required to contribute 9% of their base salary to the 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. By the year 2020, the City's contributions must accumulate to the point where the past service cost for the plan is fully funded.

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1988 and 1987

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.

Actuarial Valuation Date July 1, 1987

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
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1988 and 1987

Note 2 - Retirement Commitments (Continued):

Pension Benefit Obligation:

Retirees and beneficiaries currently receiving benefits	\$3,745,176
Current employees Accumulated employee contributions including allocated investment earnings and employer financed	<u>3,977,320</u>
Total Pension Benefit Obligation	\$7,722,496
Net Assets Available for Benefits (lower of cost or market, market \$5,294,886)	<u>5,266,174</u>
Unfunded Pension Benefit Obligation	<u>\$2,456,322</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:

Current-year changes in the actuarial assumptions and benefit provisions resulted in a decrease in the pension benefit obligation (PBO) of \$117,669, compared to the amount of the PBO calculated irrespective of such changes.

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. 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 in c. above.

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1988 and 1987

Note 2 - Retirement Commitments (Continued):

Actuarial Valuation Date	July 1, 1987	
	<u>Dollar Amount</u>	<u>% Covered Payroll</u>
Actuarially Determined Contribution Requirement - Employer:		
Normal cost	\$144,160	22.09%
Amortization of unfunded actuarially accrued liability	<u>182,502</u>	<u>16.57</u>
Total	<u>\$326,662</u>	<u>38.66%</u>
Contribution Made:		
Employer	\$335,836	30.50%
Employee	<u>102,935</u>	<u>9.34</u>
Total	<u>\$438,771</u>	<u>39.84%</u>

Effects on the Contribution Requirements of Current-Year Changes:

Current-year changes in the actuarial assumptions, actuarial funding methods, and benefit provisions resulted in an increase in the amount of contribution requirement of \$14,417, compared to the amount of the requirement calculated irrespective of such changes.

e. Trend Information:

Trend informaton gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information may be found in the supplemental section.

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1988 and 1987

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, 1988 and 1987, 41 policemen, in both years, were participants in the pension fund. This would require that a reserve of at least \$410,000 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 year ended 1987. The amount of \$329 was repaid to the city general fund shortly after the year-end.

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, 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, 1988:

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
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1988 and 1987

Note 5 - 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	\$2,000,036	\$2,017,175
Certificates of Deposit	1	3,174,722	3,174,722
Checking and Savings Accounts	1	245,655	245,655
Insurance Company Accounts	2	<u>116,906</u>	<u>105,947</u>
Total		<u>\$5,537,319</u>	<u>\$5,543,499</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, 1988, 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 15 and 16 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, 1988, taken as a whole.

M. Namur, Pinao & Associates, P.C.

Certified Public Accountants

September 9, 1988

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

REQUIRED SUPPLEMENTAL INFORMATION

Analysis of Funding Progress
June 30, 1988

<u>Fiscal Year</u>	<u>Net Assets Available For Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Benefit Obligation as a Percentage of Covered Payroll</u>
1988	\$5,266,174	\$7,722,496	68.2	\$2,456,322	\$1,101,066	223.1
1987	4,709,596	7,168,934	65.7	2,459,337	1,014,311	242.5
1986	4,191,139	6,796,648	61.7	2,605,509	982,422	265.2
1985	3,687,673	6,214,757	59.3	2,527,083	961,776	262.8
1984	3,221,391	5,517,857	58.4	2,296,465	931,501	246.5
1983	2,778,083	5,070,660	54.8	2,292,576	895,598	256.0
1982	2,386,139	4,859,895	49.1	2,473,755	801,916	308.5
1981	2,049,421	4,408,741	46.5	2,359,319	775,760	304.1
1980	1,703,092	3,872,931	44.0	2,169,838	717,073	302.6
1979						NOT AVAILABLE

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

REQUIRED SUPPLEMENTAL INFORMATION
(Continued)

Revenues by Sources and Expenses by Type
June 30, 1988

	Revenues by Source				Expenses By Type			
	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Total</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Total</u>
1988	\$102,935	\$335,836	\$418,185	\$856,956	\$300,205	\$ 7,881	\$31,146	\$339,232
1987	96,181	330,686	409,194	836,061	266,591	11,058	1,834	279,483
1986	89,693	328,718	426,647	845,058	260,305	37,613	28,683	326,601
1985	88,454	294,132	414,648	797,234	238,600	26,933	28,236	293,769
1984	84,055	281,011	354,070	719,136	219,608	7,995	9,006	236,609
1983	80,784	245,056	316,950	642,790	194,855	4,927	15,945	215,727
1982	85,956	239,484	258,156	583,596	168,550	4,656	16,180	189,386
1981	70,425	245,436	193,140	509,001	153,310	6,129	20,268	179,707
1980	70,796	190,666	140,133	401,595	89,154	5,096	20,972	115,222
1979	67,625	133,284	104,904	305,813	65,465	1,961	3,760	71,186