

CITY OF URBANA, ILLINOIS

POLICE PENSION FUND

Audit Report

For the Years Ended June 30, 1989 and 1988

McNAMARA & ASSOCIATES, P.C.
Certified Public Accountants

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Certified Public Accountants

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Board of Trustees
Police Pension Fund
Urbana, Illinois

We have audited the accompanying component unit balance sheet of the City of Urbana, Illinois, Police 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 Police 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, Police 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
POLICE PENSION FUND

Comparative Balance Sheet
As of June 30, 1989 and 1988

ASSETS

	<u>1989</u>	<u>1988</u>
Cash in Bank-Checking Account	\$ 831	\$ 300
Property and Replacement Tax Receivable (Net of Allowance for Uncollectibles)	163,224	161,476
Accrued Investment Interest Receivable	160,541	85,103
Investments (Note 1 and Note 4):		
U.S. Government Securities	2,310,378	2,000,036
Certificates of Deposit	2,762,986	3,174,722
Savings Accounts	139,649	245,355
Insurance Company Accounts	121,902	116,906
U.S. Government Securities Mutual Fund	<u>693,300</u>	<u>--</u>
Total Assets	<u>\$6,352,811</u>	<u>\$5,783,898</u>

LIABILITIES AND MUNICIPAL EQUITY

Municipal Equity:

Statutory Reserve (Note 3)	\$ 560,000	\$ 560,000
Reserve for Employees' Retirement System	<u>5,792,811</u>	<u>5,223,898</u>
Total Municipal Equity	<u>6,352,811</u>	<u>5,783,898</u>
Total Liabilities and Municipal Equity	<u>\$6,352,811</u>	<u>\$5,783,898</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, 1989 and 1988

	<u>1989</u>	<u>1988</u>
<u>Revenues:</u>		
Employer Contributions:		
Property Tax Revenue	\$294,589	\$308,001
Replacement Tax Revenue	29,342	27,835
Interest Income	474,134	418,185
Employee Contributions	<u>110,299</u>	<u>102,935</u>
Total Revenues	<u>908,364</u>	<u>856,956</u>
 <u>Expenses:</u>		
Disability Pension	66,741	69,875
Widow Pension	50,571	46,411
Service Pension	190,553	183,919
Refunds to Resigning Members	19,589	31,146
Professional Fees	5,253	3,111
Clerk Salary	3,300	600
Physical Examination	829	1,780
Secretarial Services	585	420
Filing Fees	50	50
Miscellaneous	750	1,420
Dues and Memberships	570	500
Training	<u>660</u>	<u>--</u>
Total Expenses	<u>339,451</u>	<u>339,232</u>
Excess of Revenues Over Expenses	<u>\$568,913</u>	<u>\$517,724</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, 1989 and 1988

	1989		1988			
	Statutory Reserve	Reserve for Employees' Retirement System	Total	Statutory Reserve	Reserve for Employees' Retirement System	Total
Balance, Beginning of Year	\$560,000	\$5,223,898	\$5,783,898	\$560,000	\$4,706,174	\$5,266,174
Excess of Revenues Over Expenses	--	<u>568,913</u>	<u>568,913</u>	--	<u>517,724</u>	<u>517,724</u>
Balance, End of Year	<u>\$560,000</u>	<u>\$5,792,811</u>	<u>\$6,352,811</u>	<u>\$560,000</u>	<u>\$5,223,898</u>	<u>\$5,783,898</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, 1989 and 1988

	<u>1989</u>	<u>1988</u>
Funds provided from:		
Operations		
Net Income	\$568,913	\$517,724
Decrease in accrued investment interest receivable	<u> --</u>	<u> 8,968</u>
Total funds provided	<u>\$568,913</u>	<u>\$526,692</u>
 Funds used for:		
Increase in cash	\$ 531	\$ --
Increase in investments	491,196	520,631
Increase in property and replacement tax receivable	1,748	5,732
Decrease in amount due the City-General Fund	--	329
Increase in accrued interest receivable	<u>75,438</u>	<u> --</u>
Total funds used	<u>\$568,913</u>	<u>\$526,692</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, 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 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 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 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, 1989, was \$1,225,544 out of a total payroll of \$5,496,034.

CITY OF URBANA, ILLINOIS
POLICE 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)	24
Current employees	<u>42</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
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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	\$4,033,666
Current employees Accumulated employee contributions including allocated investment earnings and employer financed	<u>4,248,297</u>
Total Pension Benefit Obligation	\$8,281,963
Net Assets Available for Benefits (lower of cost or market, market \$5,790,077)	<u>5,783,897</u>
Unfunded Pension Benefit Obligation	<u><u>\$2,498,066</u></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. 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.

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Notes to Financial Statements
June 30, 1989 and 1988

Note 2 - Retirement Commitments (Continued):

Actuarial Valuation Date	July 1, 1988	
	<u>Dollar Amount</u>	<u>% Covered Payroll</u>
Actuarially Determined Contribution Requirement - Employer:		
Normal cost	\$174,277	14.15%
Amortization of unfunded actuarially accrued liability	<u>198,418</u>	<u>16.12%</u>
Total	<u>\$372,695</u>	<u>30.27%</u>
Contribution Made:		
Employer	\$323,931	26.43%
Employee	<u>110,299</u>	<u>9.00%</u>
Total	<u>\$434,230</u>	<u>35.43%</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 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, 1989, 42 policemen were participants in the pension fund. This would require that a reserve of at least \$420,000 be set up. The reserve balance is \$560,000.

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 and in shares of a mutual fund that is based on U.S. government guaranteed obligations. These two investments 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	\$2,310,378	\$2,438,961
Certificates of Deposit	1	2,762,986	2,762,986
Checking and Savings Accounts	1	140,480	140,480
Insurance Company Accounts	2	121,902	138,365
Mutual Fund	2	<u>693,300</u>	<u>693,300</u>
Total		<u>\$6,029,046</u>	<u>\$6,174,092</u>