CITY OF URBANA, ILLINOIS

POLICE PENSION FUND

Audit Report

For the Years Ended June 30, 1990 and 1989

McNAMARA & ASSOCIATES, P.C.
Certified Public Accountants

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Board of Trustees
Police Pension Fund
Urbana, Illinois

We have audited the accompanying balance sheet of the Police Pension Fund of City of Urbana, Illinois, as of June 30, 1990 and 1989, 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 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.

The financial statements present only the City of Urbana, Illinois, Police Pension Fund and are not intended to present fairly the financial position and results of operations of City of Urbana, Illinois, 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 financial position of the Police Pension Fund of City of Urbana, Illinois, as of June 30, 1990 and 1989, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

McNamara & Associates, P.C.

Champaign, Illinois
August 23, 1990

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Comparative Balance Sheet
As of June 30, 1990 and 1989

ASSETS

	1990	1989
Cash in Bank, Checking Account	$ 12,168	$ 831
Property and Replacement Tax Receivable (Net of Allowance for Uncollectibles)	193,120	163,224
Accrued Interest Receivable	112,919	160,541
Investments (Notes 1 and 4):		
U.S. Government Securities	3,432,066	2,310,378
Certificates of Deposit	2,045,719	2,762,986
Insurance Company Accounts	--	121,902
U.S. Government Securities Mutual Fund	--	693,300
Savings Accounts	1,153,195	139,649
Total Assets	$6,949,187	$6,352,811

LIABILITIES AND MUNICIPAL EQUITY

	1990	1989
Liabilities:		
Accounts Payable	$ 261	$ --
Municipal Equity:		
Statutory Reserve (Note 3)	560,000	560,000
Reserve for Employees Retirement	6,388,926	5,792,811
Total Municipal Equity	6,948,926	6,352,811
Total Liabilities and Municipal Equity	$6,949,187	$6,352,811

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

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Comparative Statement of Revenues and Expenses
and Changes in Municipal Equity
For the Years Ended June 30, 1990 and 1989

	1990	1989
Revenues:		
Employer Contributions:		
Property Tax	$ 353,194	$ 294,589
Replacement Tax	28,000	29,342
Interest Income	521,015	474,134
Employee Contributions	112,456	110,299
Total Revenues	1,014,665	908,364
Expenses:		
Disability Pension	101,493	66,741
Widow Pension	51,403	50,571
Service Pension	220,435	190,553
Refunds to Resigning Members	9,401	19,589
Professional Fees	22,502	5,253
Clerk's Salary	3,600	3,300
Doctor Fees	1,574	829
Secretarial Fees	600	585
Filing Fee	50	50
Miscellaneous	403	750
Dues and Memberships	500	570
Training	135	660
Loss on Sale Investments	6,454	--
Total Expenses	418,550	339,451
Excess of Revenues Over Expenses	596,115	568,913
Municipal Equity, Beginning of Year	6,352,811	5,783,898
Municipal Equity, End of Year	$6,948,926	$6,352,811

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

CITY OF URBANA, ILLINOIS
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Comparative Statement of Changes in Financial Position
For the Years Ended June 30, 1990 and 1989

	1990	1989
Funds Provided from Operations:		
Net Income	$596,115	$568,913
Decrease in Receivables	17,726	--
Decrease in Accounts Payable	261	--
Total Funds Provided	$614,102	$568,913
Funds Used for:		
Increase in Cash	$ 11,337	$ 531
Increase in Investments	602,765	491,196
Increase in Receivables	--	77,186
Total Funds Used	$614,102	$568,913

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

CITY OF URBANA, ILLINOIS
POLICE PENSION FUND

Notes to Financial Statements
June 30, 1990 and 1989

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. Gain and losses on sales and exchanges of securities are recognized on the transaction date.

Property taxes are recognized for the year levied. The 1989 levy is reported in fiscal year 1990 and the 1988 levy in fiscal year 1989. 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, 1990, was $1,249,511 out of a total payroll of $5,868,133.

CITY OF URBANA, ILLINOIS
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Notes to Financial Statements
June 30, 1990 and 1989

Note 2 - Retirement Commitments (Continued):

At June 30, 1990, the pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits (none entitled but not receiving benefits)	24
Current employees	42
Total	66

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 of service, 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

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Notes to Financial Statements
June 30, 1990 and 1989

Note 2 - Retirement Commitments (Continued):

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.

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.

Latest Actuarial Valuation Date	July 1, 1989
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

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Notes to Financial Statements
June 30, 1990 and 1989

Note 2 - Retirement Commitments (Continued):

Pension Benefit Obligation:

Retirees and beneficiaries currently receiving benefits	$3,971,258
Current employees Accumulated employee contributions including allocated investment earnings and employer financed	4,629,076
Total Pension Benefit Obligation	8,600,334
Net Assets Available for Benefits (lower of cost or market, market $6,497,857)	6,352,811
Unfunded Pension Benefit Obligation	$2,247,523

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, 1990 and 1989

Note 2 - Retirement Commitments (Continued):

Actuarial Valuation Date	July 1, 1989	
	Dollar Amount	% Covered Payroll
Actuarially Determined Contribution Requirement - Employer:		
Normal cost	$174,110	14.17%
Amortization of unfunded actuarially accrued liability	180,217	14.67
Total	$354,327	28.84%
Contribution Made:		
Employer	$381,194	31.03%
Employee	112,456	9.16
Total	$493,650	40.19%

Effects on the Contribution Requirements of Current-Year Changes:

There were no significant changes in the actuarial assumptions, actuarial funding methods, and benefit provisions.

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, 1990, 42 policeman 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.

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Notes to Financial Statements
June 30, 1990 and 1989

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, 1990:

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 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 - including 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.

	Risk Category	Carrying Value	Market Value
U.S. Government and Its Agencies	1	$3,432,066	$3,441,855
Certificates of Deposit	1	2,045,719	2,045,719
Checking and Savings Accounts	1	1,165,363	1,165,363
Total		$6,643,148	$6,652,937