

CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

Audit Report

For the Years Ended June 30, 1991 and 1990

Board of Trustees  
Police Pension Fund  
City of Urbana  
Urbana, Illinois

### **Independent Auditor's Report**

We have audited the accompanying balance sheet of the Police Pension Fund as of June 30, 1991, and the related statements of revenues, expenses, and changes in municipal equities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements of the Police Pension Fund as of June 30, 1990 were audited by other auditors whose report dated August 23, 1990 expressed an unqualified opinion.

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.

In our opinion, the 1991 financial statements referred to above present fairly, in all material respects, the financial position of the Police Pension Fund as of June 30, 1991, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for the year ended June 30, 1991 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Champaign, Illinois  
September 27, 1991

*Clifton, Gunderson + Co.*

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Audit Report

For the Years Ended June 30, 1991 and 1990

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## POLICE PENSION FUND

## Comparative Balance Sheet

As of June 30, 1991 and 1990

| ASSETS                             |             |             |
|------------------------------------|-------------|-------------|
|                                    | 1991        | 1990        |
|                                    | -----       | -----       |
| Cash and Cash Equivalents:         |             |             |
| Checking Account                   | \$2,955     | \$12,168    |
| U.S. Govt. Securities Mutual Fund  | 1,154,805   | 845,056     |
| Savings Account                    | 275,192     | 308,139     |
| Accounts Receivable, Due from City | 6,458       | --          |
| Property and Replacement Tax       |             |             |
| Receivable (Net of Allowance       |             |             |
| for Uncollectibles)                | 174,516     | 193,120     |
| Accrued Interest Receivable        | 131,688     | 112,919     |
| Investments (Note 1 and 4):        |             |             |
| U.S. Government Securities         | 4,802,878   | 3,432,066   |
| Certificates of Deposit            | 952,890     | 2,045,719   |
|                                    | -----       | -----       |
| Total Assets                       | \$7,501,382 | \$6,949,187 |
|                                    | =====       | =====       |

LIABILITIES AND MUNICIPAL EQUITY

-----

## Liabilities:

|                  |          |       |
|------------------|----------|-------|
| Accounts Payable | \$    -- | \$261 |
|                  | -----    | ----- |

## Municipal Equity:

|                            |             |             |
|----------------------------|-------------|-------------|
| Statutory Reserve (Note 3) | \$560,000   | \$560,000   |
| Reserve for Employee's     |             |             |
| Retirement                 | 6,941,382   | 6,388,926   |
|                            | -----       | -----       |
| Total Municipal Equity     | 7,501,382   | 6,948,926   |
|                            | -----       | -----       |
| Total Liabilities          |             |             |
| and Municipal Equity       | \$7,501,382 | \$6,949,187 |
|                            | =====       | =====       |

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

## POLICE PENSION FUND

Comparative Statement of Revenues and Expenses  
and Changes in Municipal Equity

For the Years Ended June 30, 1991 and 1990

| Revenues:                              | 1991        | 1990        |
|--|-------------|-------------|
|  | -----       | -----       |
| Employer Contributions:                |             |             |
| Property Tax                           | \$321,848   | \$353,194   |
| Replacement Tax                        | 28,000      | 28,000      |
| Interest Income                        | 557,914     | 521,015     |
| Employee Contributions                 | 117,789     | 112,456     |
| Gain on Sale of Investments            | 5,444       | --          |
|  | -----       | -----       |
| Total Revenues                         | 1,030,995   | 1,014,665   |
|  | -----       | -----       |
| Expenses:                              |             |             |
| Disability Pension                     | 110,909     | 101,493     |
| Widow Pension                          | 51,403      | 51,403      |
| Service Pension                        | 235,847     | 220,435     |
| Refunds to Resigning Members           | 31,625      | 9,401       |
| Professional Fees                      | 40,340      | 22,502      |
| Clerk's Salary                         | 3,600       | 3,600       |
| Doctor Fees                            | 2,879       | 1,574       |
| Secretarial Fees                       | 600         | 600         |
| Filing Fees                            | 50          | 50          |
| Miscellaneous                          | 189         | 403         |
| Dues and Memberships                   | 500         | 500         |
| Training                               | 597         | 135         |
| Loss on Sale Investments               | --          | 6,454       |
|  | -----       | -----       |
| Total Expenses                         | 478,539     | 418,550     |
|  | -----       | -----       |
| Excess of Revenues<br>Over Expenses    | 552,456     | 596,115     |
| Municipal Equity,<br>Beginning of Year | 6,948,926   | 6,352,811   |
|  | -----       | -----       |
| Municipal Equity,<br>End of Year       | \$7,501,382 | \$6,948,926 |
|  | =====       | =====       |

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

## POLICE PENSION FUND

## Comparative Statement of Cash Flows

For the Years Ended June 30, 1991 and 1990

|  | 1991        | 1990        |
|--|-------------|-------------|
|  | -----       | -----       |
| Cash Flows From Operations:                            |             |             |
| Net Income   | \$552,456   | \$596,115   |
| Changes in Assets and Liabilities:                     |             |             |
| Decrease (increase) in receivables                     | (6,623)     | 17,726      |
| Increase (decrease) in payables                        | (261)       | 261         |
|  | -----       | -----       |
| Net Cash Provided by (used in)<br>Operating Activities | 545,572     | 614,102     |
|  | -----       | -----       |
| Cash Flows From Investing Activities:                  |             |             |
| Purchase of Investments                                | (5,928,195) | (2,074,148) |
| Interest Income Added to Accounts                      | (48,735)    | (199,156)   |
| Proceeds from Maturities of Investments                | 5,698,947   | 1,990,785   |
|  | -----       | -----       |
| Net Cash Provided by (used in)<br>Investing Activities | (277,983)   | (282,519)   |
|  | -----       | -----       |
| Increase in Cash and Cash Equivalent                   | 267,589     | 331,583     |
| Beginning Cash and Cash Equivalents                    | 1,165,363   | 833,780     |
|  | -----       | -----       |
| Ending Cash and Cash Equivalents                       | \$1,432,952 | \$1,165,363 |
|  | =====       | =====       |

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

CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

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Notes to Financial Statements  
June 30, 1991 and 1990

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. Market values for U.S. government securities and money funds are based upon latest quoted prices. Investment income is recognized as earned. Gain and losses on sales and exchanges of securities are recognized on the transaction date.

The fund considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property taxes are recognized for the year levied. The 1990 levy is reported in fiscal year 1991 and the 1989 levy in fiscal year 1990. 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 contribution levels are governed by Illinois State Statutes. This fund is accounted for and reported as a pension trust fund. The

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Notes to Financial Statements  
June 30, 1991 and 1990

City's payroll for employees covered by the pension plan for the year ended June 30, 1991, was \$1,457,690 out of a total payroll of \$6,236,009.

|  |           |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits (none entitled but not receiving benefits) | 28        |
| Current employees  | <u>42</u> |
| Total  | <u>70</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. 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



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Notes to Financial Statements  
June 30, 1991 and 1990

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.

b. Plan Asset Matters:

The plan holds \$1,154,805 in a Shearson Lehman Mutual Fund, which is more than 5% of net assets. The only other 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 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, 1990                       |
| 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 |

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Notes to Financial Statements  
June 30, 1991 and 1990

|  |                               |
|--|-------------------------------|
| Post retirement benefit increases  | 3.0% simple interest annually |
| Pension Benefit Obligation:  |                               |
| Retirees and beneficiaries currently receiving benefits  | \$5,019,281                   |
| Current employees Accumulated employee contributions including allocated investment earnings and employer financed | <u>\$4,417,871</u>            |
| Total Pension Benefit Obligation   | \$9,437,152                   |
| Net Assets Available for Benefits (lower of cost or market, market \$6,958,715)                                    | <u>\$6,948,926</u>            |
| Unfunded Pension Benefit Obligation  | \$2,488,226                   |

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

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Notes to Financial Statements  
June 30, 1991 and 1990

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 "c" above.

| Actuarial Valuation Date                                    | July 1, 1990         |                          |
|---|----------------------|--------------------------|
|   | <u>Dollar Amount</u> | <u>% Covered Payroll</u> |
| Actuarially Determined Contribution Requirement - Employer: |                      |                          |
| Normal Cost   | \$177,531            | 14.13%                   |
| Amortization of unfunded actuarially accrued liability      | <u>201,570</u>       | <u>16.05</u>             |
| Total   | <u>\$379,101</u>     | <u>30.18%</u>            |
| Contribution Made:  |                      |                          |
| Employer  | \$349,848            | 27.85%                   |
| Employee  | <u>117,789</u>       | <u>9.38</u>              |
| Total   | <u>\$467,637</u>     | <u>37.23%</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.

Ten year trend information, which is designed to provide information about progress made in accumulating sufficient assets to pay benefits when due, may be found in the Required Supplementary Information, in this report.

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 3-127 of the Code is to be

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Notes to Financial Statements  
June 30, 1991 and 1990

no less than \$10,000 for each policeman covered by the pension code in the municipality. At June 30, 1991, 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.

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, 1991.

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 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 - 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 investments are not insured nor guaranteed by any federal agency.

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Notes to Financial Statements  
June 30, 1991 and 1990

|   | <u>Risk<br/>Category</u> | <u>Carrying<br/>Value</u> | <u>Market<br/>Value</u> |
|---|--------------------------|---------------------------|-------------------------|
| U.S. Government and Its<br>Agencies                 | 1                        | \$4,802,878               | \$4,855,593             |
| Certificates of Deposit                             | 1                        | <u>952,890</u>            | <u>952,890</u>          |
| Subtotal, Investments                               |                          | \$5,755,768               | \$5,808,483             |
| Checking & Savings Accts                            | 1                        | 278,147                   | 278,147                 |
| Investment in U.S. Gov't.<br>Securities Mutual Fund |                          | <u>\$1,154,805</u>        | <u>\$1,154,805</u>      |
| Subtotal, Cash Equivalents                          |                          | \$1,432,952               | \$1,432,952             |
| Total   |                          | <u>\$7,188,720</u>        | <u>\$7,241,435</u>      |

No credit risk is assigned to the investment in U.S. Government Securities Mutual Fund since the Fund does not own any specific identifiable securities, but rather a percentage of the pool.

This information is an integral part of the accompanying financial statements.

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Required Supplementary Information  
Ten Year Trend Information on Pension Benefit Funding

June 30, 1991 and 1990

|  | 1991        | 1990        | 1989        | 1988        | 1987        | 1986        | 1985        | 1984        | 1983        | 1982        |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Available for Benefits   | \$6,948,926 | \$6,352,811 | \$5,783,897 | \$5,266,174 | \$4,709,596 | \$4,191,140 | \$3,687,673 | \$3,221,391 | \$2,778,083 | \$2,386,139 |
| Pension Benefit Obligation   | \$9,437,152 | \$8,600,334 | \$8,281,963 | \$7,584,116 | \$7,168,934 | \$6,796,649 | \$6,214,757 | \$5,517,857 | \$5,070,660 | \$4,859,895 |
| Percentage Funded  | 73.63%      | 73.87%      | 69.84%      | 69.44%      | 65.69%      | 61.66%      | 59.34%      | 58.38%      | 54.79%      | 49.10%      |
| Unfunded Pension Benefit Obligation  | \$2,488,226 | \$2,247,523 | \$2,498,066 | \$2,317,942 | \$2,459,338 | \$2,605,509 | \$2,527,084 | \$2,296,466 | \$2,292,577 | \$2,473,756 |
| Annual Covered Payroll   | \$1,256,213 | \$1,228,672 | \$1,230,986 | \$1,101,066 | \$1,014,311 | \$982,422   | \$961,776   | \$931,501   | \$895,598   | \$801,916   |
| Unfunded Pension Benefit Obligation<br>as a Percentage of Covered Payroll            | 198.07%     | 182.92%     | 202.93%     | 210.52%     | 242.46%     | 265.21%     | 262.75%     | 246.53%     | 255.98%     | 308.48%     |
| City's Contribution to the Pension Plan  | \$349,848   | \$381,194   | \$323,931   | \$335,836   | \$330,686   | \$328,718   | \$294,132   | \$281,011   | \$245,056   | \$239,484   |
| City's Contribution to the Pension Plan as<br>a Percentage of Annual Covered Payroll | 27.85%      | 31.02%      | 26.31%      | 30.50%      | 32.60%      | 33.46%      | 30.58%      | 30.17%      | 27.36%      | 29.86%      |

CITY OF URBANA  
POLICE PENSION FUND

Required Supplementary Information  
Ten Year Trend Information on Revenues by Source and Expenses by Type

June 30, 1991 and 1990

|                            | 1991        | 1990        | 1989      | 1988      | 1987      | 1986      | 1985      | 1984      | 1983      | 1982      |
|----------------------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Revenues by Source:</b> |             |             |           |           |           |           |           |           |           |           |
| Employee Contributions     | \$117,789   | \$112,456   | \$110,299 | \$102,935 | \$96,181  | \$89,693  | \$88,454  | \$84,055  | \$80,784  | \$85,956  |
| Employer Contributions     | \$349,848   | \$381,194   | \$323,931 | \$335,836 | \$330,686 | \$328,718 | \$294,132 | \$281,011 | \$245,056 | \$239,484 |
| Investment Income          | \$563,358   | \$514,561   | \$474,134 | \$418,185 | \$409,194 | \$426,647 | \$414,648 | \$354,070 | \$316,950 | \$258,156 |
| Total                      | \$1,030,995 | \$1,008,211 | \$908,364 | \$856,956 | \$836,061 | \$845,058 | \$797,234 | \$719,136 | \$642,790 | \$583,596 |
| <b>Expenses by Type:</b>   |             |             |           |           |           |           |           |           |           |           |
| Benefits                   | \$398,159   | \$373,331   | \$307,865 | \$300,205 | \$266,591 | \$260,305 | \$238,600 | \$219,608 | \$194,855 | \$168,550 |
| Administrative Expense     | \$48,755    | \$29,364    | \$11,997  | \$7,881   | \$11,058  | \$37,613  | \$26,933  | \$7,995   | \$4,927   | \$4,656   |
| Refunds                    | \$31,625    | \$9,401     | \$19,589  | \$31,146  | \$1,834   | \$28,683  | \$28,236  | \$9,006   | \$15,945  | \$16,180  |
| Total                      | \$478,539   | \$412,096   | \$339,451 | \$339,232 | \$279,483 | \$326,601 | \$293,769 | \$236,609 | \$215,727 | \$189,386 |

Contributions were made in accordance with actuarially determined contribution requirements.