

November 2, 1994

TO: Members, Urbana Policemen's Pension Fund

FROM: Ronald Eldridge, Fund Treasurer *RCE*

Attached please find the annual audit and financial report for the fiscal year ended June 30, 1994. Shortly, I will be filing the required Department of Insurance reports. I believe the most important points of the audit are:

a) The audit letter (page 1) indicates that the financial statements are prepared in accordance with generally accepted accounting principles ("clean opinion").

b) In performing their work, the auditors did not discover any significant weaknesses in the Fund's internal accounting controls.

c) Total net worth of the Fund is \$9,303,289, up \$352,237 (3.9%). Net worth grew \$761,305 (9.3%) in 1993. The reason the increase is \$409,000 lower is due to 3 reasons: (1) interest on investments (including gains on investments sold) decreased \$208,000; (2) benefit payments increased \$103,000; (3) and the State law increased the time the unfunded liability is being caught up, thereby decreasing the property tax levy \$103,000 (see below).

d) The City's contribution was again based upon the Department of Insurance actuarial computation under Illinois laws. It is broken down as follows:

	<u>1993</u>		<u>1994</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
	<u>Salary</u>		<u>Salary</u>	
Normal Cost	\$193,990	14.3	\$214,940	14.8
Catchup	<u>204,247</u>	15.1	<u>94,387</u>	6.5
Total	\$398,237	29.4	\$309,327	21.3

Page 12 of the report shows a 10 year history of funding progress.

e) A breakdown of the investment portfolio is below:

	% Portfolio			
	<u>94</u>	<u>93</u>	<u>92</u>	<u>91</u>
U.S. Govt.	84	88	75	67
Cert. of Deposit	5	7	8	13
Shearson Mutual Fund	4	1	14	16
Ins. Contract	4	1	0	0
Checking/Savings	3	3	3	4

f) The number and makeup of the fund members:

	<u>Retirees</u>	<u>Authorized Employees</u>	<u>Total</u>
1994	32	42	74
1993	31	42	73
1992	28	42	70
1991	28	42	70
1990	24	42	66
1989	24	42	66

g) An history of net investment earnings of the Police Pension Fund is attached:

CITY OF URBANA, POLICE PENSION FUND  
SCHEDULE OF CERTIFICATES OF DEPOSIT  
AS OF 10/31/94

	<u>MATURITY</u>	<u>%</u>	<u>PRINC.</u>
URBANA INSTITUTIONS:			
BANK ONE	11/04/94	3.38%	\$96,174
CENTRAL IL. BANK	01/05/95	4.00%	\$95,937
FIRST OF AMERICA	11/21/95	5.50%	\$95,000
1ST MUTUAL SAVINGS	11/05/96	4.80%	\$89,096
CHAMPAIGN NAT'L BANK	11/05/95	4.25%	\$96,000
FIRST FEDERAL SAVINGS	11/05/94	3.25%	\$99,000
TOTAL			\$571,207
% OF PORTFOLIO			6.3%

City of Urbana, Police Pension Fund  
 Schedule of Investment Earnings

	AVG. LAST 4 YRS.	AVG. LAST 3 YRS.	AVG. LAST 2 YRS.	1994	1993	1992	1991	1990
	-----	-----	-----	-----	-----	-----	-----	-----
Average Balance Available to be Invested				\$8,827,060	\$8,263,783	\$7,542,290	\$6,915,934	\$6,336,097
Interest Earned				\$452,418	\$472,192	\$557,914	\$521,893	\$521,015
Gain on Sales				\$79,965	\$268,925	\$174,162	\$5,444	\$0
Market Gain/Loss Ins. Contracts				(\$1,785)	\$735	\$0	\$0	\$0
Investment Fees				\$52,072	\$49,868	\$48,943	\$37,247	\$0
Police Pension Net Return:								
On Interest Earned	5.9%	5.5%	4.8%	4.5%	5.1%	6.7%	7.0%	8.2%
Interest Earned Plus Actual Gains Made on Sales	7.5%	7.6%	6.9%	5.4%	8.4%	9.1%	7.1%	8.2%
Interest Earned Plus Actual Gains Made on Sales Plus Unrealized Gains on Annuities	7.5%	7.6%	6.9%	5.4%	8.4%	9.1%	7.1%	8.2%
Fire Pension Net Return:								
On Interest Earned	7.6%	7.5%	7.5%	7.3%	7.6%	7.5%	8.1%	8.8%
Interest Earned Plus Actual Gains Made on Sales	7.8%	7.7%	7.8%	7.9%	7.6%	7.5%	8.1%	8.8%
Interest Earned Plus Actual Gains Made on Sales Plus Unrealized Gains on Annuities	8.2%	8.3%	8.5%	8.1%	8.9%	7.8%	8.1%	9.1%
Benefit Payments As Percent of Fund Balance				5.9%	5.5%	5.2%	4.9%	4.6%
Excess of Revenues Over Exp. As Percent of Fund Balance				3.9%	9.3%	8.4%	6.7%	7.3%

**CITY OF URBANA, ILLINOIS**

**POLICE PENSION FUND**

**Audit Report**

**For the Years Ended June 30, 1994 and 1993**



CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

Audit Report

For the Years Ended June 30, 1994 and 1993

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**Clifton,  
Gunderson & Co.**  
Certified Public Accountants & Consultants

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

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

We have audited the accompanying component-unit financial statements of the City of Urbana, Illinois Police Pension Fund, a component unit of the City of Urbana, Illinois, as of and for the years ended June 30, 1994 and 1993. These component-unit financial statements are the responsibility of the City of Urbana, Illinois Police Pension Fund management. Our responsibility is to express an opinion on these component-unit financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the component-unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component-unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component-unit financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component-unit financial statements referred to above present fairly, in all material respects, the financial position of the City of Urbana, Illinois Police Pension Fund, a component unit of the City of Urbana, Illinois, as of June 30, 1994 and 1993, and the results of its operations, and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the component-unit financial statements taken as a whole. The required supplementary information and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component-unit financial statements of the City of Urbana, Illinois Police Pension Fund. Such information has been subjected to the auditing procedures applied in the audits of the component-unit financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the component-unit financial statements taken as a whole.

Champaign, Illinois  
August 25, 1994

*Clifton, Gunderson & Co.*

Members Of

**NEXIA**  
INTERNATIONAL

AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

## POLICE PENSION FUND

## Comparative Balance Sheet

As of June 30, 1994 and 1993

## ASSETS

	1994	1993
	-----	-----
Cash and Cash Equivalents:		
Checking Account	\$100	\$100
U.S. Govt. Securities Mutual Fund	331,498	100,901
Shearson Money Market Account	--	128,925
Savings Account	248,217	193,695
	-----	-----
Subtotal, Cash and Cash Equivalents	579,815	423,621
Property and Replacement Tax Receivable (Net of Allowance for Uncollectibles)	134,562	192,130
Account Receivable, Due from City	5,318	--
Account Receivable, Shearson	16,861	--
Accrued Interest Receivable	124,401	127,249
Investments (Note 1 and 4):		
U.S. Government Securities	7,599,586	7,512,710
Certificates of Deposit	491,207	593,567
Insurance Company Accounts	351,807	101,807
	-----	-----
Total Assets	\$9,303,557	\$8,951,084
	=====	=====

## LIABILITIES AND MUNICIPAL EQUITY

	-----	-----
Liabilities:		
Accounts Payable	\$268	\$32
	-----	-----
Municipal Equity:		
Statutory Reserve (Note 3)	\$560,000	\$560,000
Reserve for Employee's Retirement	8,743,289	8,391,052
	-----	-----
Total Municipal Equity	9,303,289	8,951,052
	-----	-----
Total Liabilities and Municipal Equity	\$9,303,557	\$8,951,084
	=====	=====

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, 1994 and 1993

Revenues:	1994	1993
Employer Contributions:		
Property Tax	\$266,320	\$369,722
Replacement Tax	28,000	28,000
Interest Income	452,418	472,192
Employee Contributions	141,978	135,155
Gain on Sale of Investments	79,965	268,925
Total Revenues	968,681	1,273,994
Expenses:		
Disability Pension	175,396	133,888
Widow Pension	90,776	87,336
Service Pension	263,349	230,307
Refunds to Resigning Members	19,171	--
Professional Fees	55,320	53,565
Clerk's Salary and Taxes	4,106	3,797
Doctor Fees	5,804	1,574
Secretarial Fees	600	600
Filing Fees	50	50
Miscellaneous	96	289
Dues and Memberships	600	600
Insurance	618	--
Training	558	683
Total Expenses	616,444	512,689
Excess of Revenues Over Expenses	352,237	761,305
Municipal Equity, Beginning of Year	8,951,052	8,189,747
Municipal Equity, End of Year	\$9,303,289	\$8,951,052

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, 1994 and 1993

	1994	1993
	-----	-----
Cash Flows From Operations:		
Net Income	\$352,237	\$761,305
Changes in Assets and Liabilities:		
Decrease (increase) in receivables	38,237	(23,949)
Increase (decrease) in payables	236	(1,511)
	-----	-----
Net Cash Provided by (used in) Operating Activities	390,710	735,845
	-----	-----
Cash Flows From Investing Activities:		
Purchase of Investments	(7,098,479)	(8,203,374)
Interest Income Added to Accounts	(3,207)	(12,577)
Proceeds from Maturities of Investments	6,867,170	6,570,287
	-----	-----
Net Cash Provided by (used in) Investing Activities	(234,516)	(1,645,664)
	-----	-----
Increase in Cash and Cash Equivalent	156,194	(909,819)
Beginning Cash and Cash Equivalents	423,621	1,333,440
	-----	-----
Ending Cash and Cash Equivalents	\$579,815	\$423,621
	=====	=====

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, 1994 and 1993

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 1993 levy is reported in fiscal year 1994 and the 1992 levy in fiscal year 1993. 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

CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

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Notes to Financial Statements  
June 30, 1994 and 1993

City's payroll for employees covered by the pension plan for the year ended June 30, 1994, was \$1,820,238 out of a total payroll of \$8,028,581.

Retirees and beneficiaries currently receiving benefits (none entitled but not receiving benefits)	32
Current employees	<u>42</u>
Total	<u>74</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

CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

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Notes to Financial Statements  
June 30, 1994 and 1993

as actuarially determined by an enrolled actuary. By the Year 2035, 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 only 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, 1993
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

CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

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Notes to Financial Statements  
June 30, 1994 and 1993

Post retirement benefit increases	3.0% simple interest annually
Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits	\$7,145,138
Current employees Accumulated employee contributions including allocated investment earnings and employer financed	<u>4,732,483</u>
Total Pension Benefit Obligation	11,877,621
Net Assets Available for Benefits (lower of cost or market, market \$8,822,159)	<u>8,951,083</u>
Unfunded Pension Benefit Obligation	\$2,926,538

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

CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

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Notes to Financial Statements  
June 30, 1994 and 1993

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, 1993	
	<u>Dollar Amount</u>	<u>% Covered Payroll</u>
Actuarially Determined Contribution Requirement - Employer:		
Normal Cost	\$214,940	14.78%
Amortization of unfunded actuarially accrued liability	<u>94,387</u>	<u>6.49</u>
Total	<u>\$309,327</u>	<u>21.27%</u>
Contribution Made:		
Employer	\$294,320	20.23%
Employee	<u>141,978</u>	<u>9.76</u>
Total	<u>\$436,298</u>	<u>29.99%</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.

CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

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Notes to Financial Statements  
June 30, 1994 and 1993

Note 3 - Statutory Reserve:

N/A

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 no less than \$10,000 for each policeman covered by the pension code in the municipality. At June 30, 1994, 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), money market mutual funds which are backed by U.S. government securities and agencies, 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, 1994.

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.



CITY OF URBANA, ILLINOIS  
POLICE PENSION FUND

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Notes to Financial Statements  
June 30, 1994 and 1993

	<u>Risk Category</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking and Savings			
Accounts	1	\$ 248,317	\$ 248,317
U.S. Government and Its			
Agencies	1	7,599,586	7,264,478
Certificates of Deposit	1	<u>491,207</u>	<u>491,207</u>
Subtotal, Category	1	8,339,110	8,004,002
Insurance Company			
Accounts		<u>351,807</u>	<u>350,757</u>
Subtotal, Investments		8,690,917	8,354,759
Investment in U.S. Gov't.			
Securities Mutual Fund		<u>331,498</u>	<u>331,498</u>
Total		<u>\$9,022,415</u>	<u>\$8,686,257</u>

No credit risk is assigned to insurance company accounts since the Fund does not own any specific identifiable securities. These amounts are not incurred nor guaranteed by any federal agency.

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.

CITY OF URBANA  
POLICE PENSION FUND

Required Supplementary Information  
Ten Year Trend Information on Pension Benefit Funding

June 30, 1994 and 1993

	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Available for Benefits	\$8,951,083	\$8,189,747	\$7,501,381	\$6,948,926	\$6,352,811	\$5,783,897	\$5,266,174	\$4,709,596	\$4,191,140	\$3,687,673
Pension Benefit Obligation	\$11,877,621	\$10,947,771	\$9,994,892	\$9,437,152	\$8,600,334	\$8,281,963	\$7,584,116	\$7,168,934	\$6,796,649	\$6,214,757
Percentage Funded	75.36%	74.81%	75.05%	73.63%	73.87%	69.84%	69.44%	65.69%	61.66%	59.34%
Unfunded Pension Benefit Obligation	\$2,926,538	\$2,758,024	\$2,493,511	\$2,488,226	\$2,247,523	\$2,498,066	\$2,317,942	\$2,459,338	\$2,605,509	\$2,527,084
Annual Covered Payroll	\$1,454,754	\$1,402,357	\$1,354,602	\$1,256,213	\$1,228,672	\$1,230,986	\$1,101,066	\$1,014,311	\$982,422	\$961,776
Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll	201.17%	196.67%	184.08%	198.07%	182.92%	202.93%	210.52%	242.46%	265.21%	262.75%
City's Contribution to the Pension Plan	\$294,320	\$397,722	\$378,600	\$349,848	\$381,194	\$323,931	\$335,836	\$330,686	\$328,718	\$294,132
City's Contribution to the Pension Plan as a Percentage of Annual Covered Payroll	20.23%	28.36%	27.95%	27.85%	31.02%	26.31%	30.50%	32.60%	33.46%	30.58%

CITY OF URBANA  
POLICE PENSION FUND

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

June 30, 1994 and 1993

	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
<b>Revenues by Source:</b>										
Employee Contributions	\$141,978	\$135,155	\$127,054	\$117,789	\$112,456	\$110,299	\$102,935	\$96,181	\$89,693	\$88,454
Employer Contributions	\$294,320	\$397,722	\$378,600	\$349,848	\$381,194	\$323,931	\$335,836	\$330,686	\$328,718	\$294,132
Investment Income	\$532,383	\$741,117	\$696,055	\$563,358	\$514,561	\$474,134	\$418,185	\$409,194	\$426,647	\$414,648
<b>Total</b>	<b>\$968,681</b>	<b>\$1,273,994</b>	<b>\$1,201,709</b>	<b>\$1,030,995</b>	<b>\$1,008,211</b>	<b>\$908,364</b>	<b>\$856,956</b>	<b>\$836,061</b>	<b>\$845,058</b>	<b>\$797,234</b>
<b>Expenses by Type:</b>										
Benefits	\$529,521	\$451,532	\$426,253	\$398,159	\$373,331	\$307,865	\$300,205	\$266,591	\$260,305	\$238,600
Administrative Expense	\$67,752	\$61,158	\$60,390	\$48,755	\$29,364	\$11,997	\$7,881	\$11,058	\$37,613	\$26,933
Refunds	\$19,171	\$ --	\$26,701	\$31,625	\$9,401	\$19,589	\$31,146	\$1,834	\$28,683	\$28,236
<b>Total</b>	<b>\$616,444</b>	<b>\$512,690</b>	<b>\$513,344</b>	<b>\$478,539</b>	<b>\$412,096</b>	<b>\$339,451</b>	<b>\$339,232</b>	<b>\$279,483</b>	<b>\$326,601</b>	<b>\$293,769</b>

Contributions were made in accordance with actuarially determined contribution requirements.