

CITY OF URBANA, ILLINOIS

FIREMEN'S 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

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McNAMARA, PIRAINO & ASSOCIATES, P.C.

Certified Public Accountants

Huntington Towers - 6 South  
201 West Springfield Avenue  
P.O. Box 1130  
Champaign, IL 61820  
(217) 352-7041

Board of Trustees  
Firemen's Pension Fund  
Urbana, Illinois

We have examined the balance sheet of the Firemen's 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 Firemen's 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 Firemen's Pension Fund of the City of Urbana as of June 30, 1988 and 1987, and the results of its operations and changes in its municipal equity 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  
FIREMEN'S PENSION FUND

Comparative Balance Sheet  
As of June 30, 1988 and 1987

ASSETS

	<u>1988</u>	<u>1987</u>
Cash in Bank-Checking Account and on Hand	\$ 90,317	\$ 43,697
Property and Replacement Tax Receivable (Net of Allowance for Uncollectibles)	146,532	141,453
Accrued Investment Interest Receivable	103,746	86,039
Investments (Note 1):		
U.S. Government Securities	694,145	868,881
Certificates of Deposit	6,373,202	5,535,484
Insurance Company Accounts	100,000	--
Total Assets	<u>\$7,507,942</u>	<u>\$6,675,554</u>

LIABILITIES AND MUNICIPAL EQUITY

Municipal Equity:

Statutory Reserve (Note 4)	\$ 37,000	\$ 37,000
Reserve for Employees' Retirement System	<u>7,470,942</u>	<u>6,638,554</u>
Total Municipal Equity	<u>7,507,942</u>	<u>6,675,554</u>
Total Liabilities and Municipal Equity	<u>\$7,507,942</u>	<u>\$6,675,554</u>

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

CITY OF URBANA, ILLINOIS  
FIREMEN'S 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	\$ 273,178	\$277,099
Replacement Tax Revenue	35,395	35,199
Interest Income	628,633	588,704
Employee Contributions	<u>98,365</u>	<u>90,533</u>
Total Revenues	<u>1,035,571</u>	<u>991,535</u>
<u>Expenses:</u>		
Disability Pension	54,757	63,904
Firemen's Pension	107,075	86,550
Dependent Pension	37,029	29,179
Insurance	317	317
Hospital and Doctor Fees	694	1,232
Clerk Salary and Taxes	3,220	2,894
Filing Fees	50	50
Miscellaneous	<u>41</u>	<u>156</u>
Total Expenses	<u>203,183</u>	<u>184,282</u>
Excess of Revenues Over Expenses	<u>\$ 832,388</u>	<u>\$807,253</u>

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

CITY OF URBANA, ILLINOIS  
FIREMEN'S 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	\$37,000	\$6,638,554	\$6,675,554	\$37,000	\$5,831,301	\$5,868,301
Excess of Revenues Over Expenses	<u>--</u>	<u>832,388</u>	<u>832,388</u>	<u>--</u>	<u>807,253</u>	<u>807,253</u>
Balance, End of Year	<u>\$37,000</u>	<u>\$7,470,942</u>	<u>\$7,507,942</u>	<u>\$37,000</u>	<u>\$6,638,554</u>	<u>\$6,675,554</u>

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

CITY OF URBANA, ILLINOIS  
FIREMEN'S 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	\$832,388	\$807,253
Decrease in cash	--	22,908
Decrease in property and replacement tax receivable	--	<u>3,876</u>
Total funds provided	<u>\$832,388</u>	<u>\$834,037</u>
Funds used for:		
Increase in cash	\$ 46,620	\$ --
Increase in investments	762,982	815,062
Increase in property and replacement tax receivable	5,079	--
Increase in accrued investment interest receivable	17,707	18,890
Decrease in payroll taxes withheld	--	<u>85</u>
Total funds used	<u>\$832,388</u>	<u>\$834,037</u>

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



CITY OF URBANA, ILLINOIS  
FIREMEN'S PENSION FUND

Notes to Financial Statements  
June 30, 1988 and 1987

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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 firefighters and their dependents (see Note 2). The fund is managed by a board of seven trustees made up of three city officials and four 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 firefighting 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 \$1,192,299 out of a

CITY OF URBANA, ILLINOIS  
FIREMEN'S 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)	21
Current employees	<u>42</u>
Total	<u>63</u>

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

The firemen's 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 at the date of retirement. The pension shall be increased by one-twelfth of 2% of such salary for each month over 20 years of service through 30 years of service and one-twelfth of 1% of such service for each additional month over 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 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 firefighter 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 paid upon reaching at least the age 55, by 3% of the original pension and 3% annually thereafter.

Covered employees are required to contribute 8 1/4% of their salary to the Firemen's Pension 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 (not less than 9 1/4%) 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 Firemen's Pension Plan is fully funded.

CITY OF URBANA, ILLINOIS  
FIREMEN'S 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  
FIREMEN'S 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	\$2,904,794
Current employees Accumulated employee contributions including allocated investment earnings and employer financed	<u>5,650,402</u>
Total Pension Benefit Obligation	\$8,555,196
Net Assets Available for Benefits (lower of cost or market, market \$6,713,604)	<u>6,675,553</u>
Unfunded Pension Benefit Obligation	<u>\$1,879,643</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 an increase in the pension benefit obligation (PBO) of \$595,066, 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.

CITY OF URBANA, ILLINOIS  
FIREMEN'S PENSION FUND

Notes to Financial Statements  
June 30, 1988 and 1987

Note 2 - Retirement Commitments (Continued):

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 above.

Actuarial Valuation Date	July 1, 1987	
	<u>Dollar</u> <u>Amount</u>	<u>% Covered</u> <u>Payroll</u>
Actuarially Determined Contribution Requirement - Employer:		
Normal cost	\$228,437	19.97%
Amortization of unfunded actuarially accrued liability	<u>132,413</u>	<u>28.22</u>
Total	<u>\$360,850</u>	<u>48.19%</u>
Contribution Made:		
Employer	\$308,573	26.97%
Employee	<u>98,365</u>	<u>8.60</u>
Total	<u>\$406,938</u>	<u>35.57%</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 \$38,647, 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  
FIREMEN'S PENSION FUND

Notes to Financial Statements  
June 30, 1988 and 1987

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Note 3 - Statutory Reserve:

As amended in September, 1971, 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 the Code is to be no less than \$1,000 per 1,000 inhabitants in the municipality. The most recent population figure for the City of Urbana was approximately 36,000 people. The reserve balance as of June 30, 1988 is \$37,000. This reserve is not to be considered as an actuarial reserve.

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, 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  
FIREMEN'S PENSION FUND

Notes to Financial Statements  
June 30, 1988 and 1987

Note 4 - 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	\$ 694,145	\$ 701,169
Certificates of Deposit	1	6,373,202	6,373,202
Checking and Savings Accounts	1	90,317	90,317
Insurance Company Accounts	2	<u>100,000</u>	<u>91,056</u>
Total		<u>\$7,257,664</u>	<u>\$7,255,744</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. Namara, Pincus & Associates, P.C.*

Certified Public Accountants

September 9, 1988

CITY OF URBANA, ILLINOIS  
FIREMEN'S 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	\$6,675,553	\$8,555,196	78.0	\$1,879,643	\$1,143,817	164.3
<del>1987</del>	<del>5,868,300</del>	<del>6,965,186</del>	<del>84.3</del>	<del>1,096,885</del>	<del>1,088,042</del>	<del>100.8</del>
1986	5,075,970	6,567,394	77.3	1,491,423	1,061,874	140.5
1985	4,323,796	6,025,077	71.8	1,701,280	1,002,514	169.7
1984	3,687,077	5,730,113	64.3	2,043,035	965,736	211.6
1983	3,046,603	4,889,018	62.3	1,842,414	833,860	220.9
1982	2,516,824	5,366,335	46.9	2,849,510	852,394	334.3
1981	2,080,066	4,821,777	43.1	2,741,710	761,656	360.0
1980	1,416,177	4,028,366	35.2	2,612,189	593,583	440.1
1979	1,139,302	3,359,606	33.9	2,220,304	493,215	450.2

CITY OF URBANA, ILLINOIS  
FIREMEN'S PENSION FUND

REQUIRED SUPPLEMENTAL INFORMATION  
(Continued)

Revenues by Sources and Expenses by Type  
June 30, 1988

	Revenues by Source				Expenses By Type			
	Employee Contributions	Employer Contributions	Investment Income	Total	Benefits	Administrative Expenses	Refunds	Total
988	\$98,365	\$308,573	\$628,633	\$1,035,571	\$198,861	\$4,322	\$ --	\$203,183
987	90,533	312,298	588,704	991,535	179,633	4,649	--	184,282
986	85,951	323,888	559,292	969,131	172,975	3,825	--	176,800
985	81,691	327,982	493,217	902,890	147,348	3,369	--	150,717
984	79,945	282,429	416,734	779,108	147,470	3,321	--	150,791
983	71,997	373,016	350,048	795,061	138,165	4,401	11,668	154,234
982	72,158	324,437	292,971	689,566	155,942	2,904	1,533	160,379
981	62,690	311,885	193,967	568,561	125,767	3,159	3,575	132,521
980	59,021	301,204	135,717	495,942	120,272	2,739	3,188	126,199
979	54,254	248,723	105,501	408,578	118,531	2,758	--	121,289