

FIRE DEPARTMENT PENSION FUND

City of Urbana, Illinois

REPORT of EXAMINATION

June 30, 1979

CARPENTIER, ARMSTRONG, ACORD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

309 WINDSOR ROAD
CHAMPAIGN, ILLINOIS 61820
PHONE (217) 352-3324

MEMBERS OF AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
AND
ILLINOIS CPA SOCIETY

July 26, 1979

Board of Trustees
Urbana Fire Department
Pension Fund
Urbana, Illinois 61801

Gentlemen:

We are writing this letter as a follow-up to our recent examination of the Urbana Fire Department Pension Fund for the year ended June 30, 1979. As most of these matters have been discussed earlier, this letter is primarily to facilitate your review and such action as you see fit.

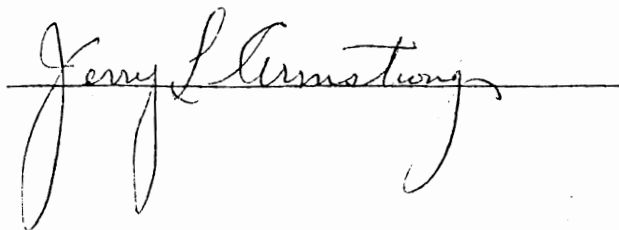
The scope of our audit is designed to permit us to express an opinion on the report as a whole. We make comprehensive tests and review the various records, but such an examination is not designed to detect fraud. The best means for minimizing this danger is the establishment of effective internal procedures. The areas in your organization that need special attention are listed below.

1. In reviewing the participant's files we noticed at times it was difficult to determine their base pay at retirement, and computation of their retirement benefits. We recommend a form be made which will summarize the participants record from entrance to retirement. This form should contain all the regular information such as name, date of birth, date of entrance, etc. and should contain the deficiencies as noted above.
2. After a participant dies and before making payments to dependants a death certificate should be obtained and made a part of the participants file.
3. All passbooks for savings accounts should be kept in the safety deposit box.

If we can be of any assistance in implementing these procedures please feel free to contact us.

Very respectfully yours,

CARPENTIER, ARMSTRONG, ACORD & COMPANY



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FIRE DEPARTMENT PENSION FUND

City of Urbana, Illinois

REPORT of EXAMINATION

June 30, 1979

Carpentier, Armstrong, Acord & Company

Certified Public Accountants

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MEMBERS OF AMERICAN INSTITUTE
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July 20, 1979

Board of Trustees
Fire Department Pension Fund
Urbana, Illinois

We have examined the statement of financial position of the Fire Department Pension Fund of Urbana, Illinois, as of June 30, 1979, and the related statements of income and changes in fund balance for the year then ended. Our examination was 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.

In our opinion, the accompanying statements present fairly the financial position of the Fire Department Pension Fund of Urbana, Illinois at June 30, 1979 and the results of operation and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Carpentier, Armstrong, Acord & Company
Certified Public Accountants

FIRE DEPARTMENT PENSION FUND

———— City of Urbana, Illinois ————

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FIRE DEPARTMENT PENSION FUND
City of Urbana, Illinois
STATEMENT of FINANCIAL POSITION
June 30, 1979

ASSETS

Cash in bank	\$ 13,521
Investments	
Interest bearing deposits	306,454
Savings and loan associations	484,962
Government securities	631,918
Interest receivable	
Interest bearing deposits	3,321
Savings and loan associations	7,378
Government securities	16,690
Property tax receivable (net of \$22,146 estimated uncollectible)	239,220
City of Urbana - contribution receivable	6,859
	<hr/>
	\$ <u>1,710,323</u>

FUND BALANCE

Automatic increase reserve	\$ 67,358
Statutory reserve	35,000
Unrestricted	1,607,965
	<hr/>
	\$ <u>1,710,323</u>

The accompanying notes to financial statements are a part of this statement.

FIRE DEPARTMENT PENSION FUND

City of Urbana, Illinois

STATEMENT of INCOME

For the Fiscal Year Ending June 30, 1979

REVENUE

Property taxes		\$ 248,099
Licenses		624
Salary deductions		54,354
Interest income	\$ 104,031	
Plus: current years amortization of discount	1,470	105,501
		\$ 408,578
Total revenue		\$ <u>408,578</u>

EXPENSES

Fire fighters' pension		\$ 54,628
Disability pension		49,862
Dependent pension		14,041
Hospital and doctor fees		718
Clerk salary		600
Legal and accounting		1,100
Annual filing fee		50
Lock box rental		11
Supplies		104
Safekeeping charges		175
		\$ 121,289
Total expenses		\$ <u>121,289</u>

NET INCOME

\$ 287,289

The accompanying notes to financial statements are a part of this statement.

FIRE DEPARTMENT PENSION FUND
City of Urbana, Illinois
STATEMENT of CHANGES in FUND BALANCE
For the Fiscal Year Ending June 30, 1979

	<u>Unrestricted Fund</u>	<u>Automatic Increase Reserve</u>	<u>Statutory Reserve</u>
Balance per audit, June 30, 1978	\$ 1,329,599	\$ 51,578	\$ 35,000
Net income fiscal year, ending June 30, 1979	287,289		
Allocation to specific reserves for year	(8,923)	8,923	
Contribution receivable - City of Urbana June 30, 1979		6,857	
	<u>\$ 1,607,965</u>	<u>\$ 67,358</u>	<u>\$ 35,000</u>

The accompanying notes to financial statements are a part of this statement.

FIRE DEPARTMENT PENSION FUND
City of Urbana, Illinois
NOTES to FINANCIAL STATEMENTS
June 30, 1979

SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Income recognition

The financial statements of the Fire Department Pension Fund are prepared on the accrual basis method of accounting. Revenues are recognized when earned and expenditures when incurred.

Investments

Investments in banks and savings and loans are recorded at cost. Investments in government securities are stated at book value.

AUTOMATIC INCREASE RESERVE

The September 1971 amendment to the Illinois Pension Code specifies that an Automatic Increase Reserve is to be established and maintained into which 1/2% of participants' salaries including longevity and an equal amount, to be contributed by the municipality, is to be allocated to this account. As of January 1976, the rate was increased to 1% per section 4-109.1. An additional allocation for interest of 4% on the beginning reserve balance is to be made each year. For the fiscal year ending June 30, 1979 the additional amount allocated to this reserve was 1% of participants salaries of \$6,859, the city's contribution of \$6,859, which is receivable as of June 30, 1979, plus 4% interest on the beginning balance amounting to \$2,062. This results in a total increase of \$15,780.

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 34,625 people. Thus, the reserve balance as of June 30, 1979 is \$35,000. This reserve is not to be considered as an actuarial reserve.

NOTES to FINANCIAL STATEMENTS, Cont'd.ACTUARIAL DEFICIENCY

As of June 30, 1979, an unfunded accrued liability of \$2,612,189 existed, which represents the difference between the total reserve requirements and the present assets of the Fund. This amount is being funded through tax levies for the next 28 1/2 years of \$155,259 per year. The \$155,259 is included in the 1978 tax levy of \$241,706 with the remaining \$86,447 being levied to meet current requirements. The deficiency above occurred as a result of prior years tax levies not meeting the minimum levy requirements as prescribed in Section 4-118 of the Illinois Pension Code.

SUPPLEMENTARY INFORMATION

The accompanying supplemental information on pages 7 - 9 is not necessary for a fair presentation of the financial statements but are presented as additional analytical data. This supplemental information has been subjected to the same tests and other auditing procedures applied in the examination of the financial statements and in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.

FIRE DEPARTMENT PENSION FUND
City of Urbana, Illinois
SCHEDULE of INVESTMENTS and INTEREST INCOME
June 30, 1979

<u>Interest Bearing Deposits</u>	<u>Investments at cost June 30, 1979</u>	<u>Interest Income Fiscal Year Ending June 30, 1979</u>
<u>Certificates of Deposit</u>		
National Bank of Urbana		
#435 R - retired	\$ -0-	\$ 40
#438 R - retired	-0-	37
#616	13,000	951
#625	20,000	1,463
Busey First National Bank		
#52374 - retired	-0-	489
Champaign National Bank		
#7073	25,000	1,829
#7175	15,000	1,101
Champaign County Bank and Trust		
#11889 - retired	-0-	320
City Bank of Champaign		
#1178	30,000	2,183
#1208	10,000	767
Commercial Bank		
#2122	20,000	1,445
#5835	20,000	1,484
First National Bank of Champaign		
#A 4356	20,000	1,463
Market Place National Bank		
#1001	25,000	1,903
#1004	15,000	1,150
Bank of Illinois		
#50331	20,000	1,450
#50332	20,000	1,450
American National Bank		
#1248	40,000	3,000
 <u>Passbook Savings</u>		
Busey First National Bank	12,548	612
Champaign County Bank and Trust	906	44
	\$ 306,454	\$ 23,181

SCHEDULE of INVESTMENTS and INTEREST INCOME cont'd.

<u>Savings and Loan Associations</u>	<u>Investments at cost June 30, 1979</u>	<u>Interest Income Fiscal Year Ending June 30, 1979</u>
<u>Certificates of Deposit cont'd.</u>		
<u>Commercial Savings and Loan</u>		
#137 R - retired	\$ -0-	\$ 187
#216 - retired	-0-	845
#25	20,000	1,441
<u>Gibson Federal Savings and Loan</u>		
#C-000835	40,000	3,153
<u>First Federal Savings and Loan</u>		
#4C-245-1 R - retired	-0-	198
#4C-1931-5	30,000	2,288
#6C-148-5	60,000	4,761
<u>Urbana Savins and Loan</u>		
#1235 - retired	-0-	837
#1268 R - retired	-0-	849
<u>Citizens Building and Loan - Normal</u>		
#4998	40,000	3,158
<u>Citizens Building and Loan - Urbana</u>		
#218 R - retired	-0-	257
#451 R - retired	-0-	836
<u>Bloomington Federal Savings and Loan</u>		
#34326-27	40,000	3,155
<u>University Federal Savings and Loan</u>		
#05-500126-26	25,000	1,908
#05-501569-27	22,752	1,720
<u>Champaign Loan and Building</u>		
#SSS-77126-9	15,000	1,190
#SSS-7154-1	56,180	4,285
#RRR-77-109-7	35,030	2,719
<u>Rantoul First Federal</u>		
#C6-219	40,000	3,153
#C7-307	25,000	1,972
#C6-240	35,000	2,759
<u>Passbook Savings</u>		
University Federal Savings and Loan	1,000	40
	<u>\$ 484,962</u>	<u>\$ 41,711</u>

SCHEDULE of INVESTMENTS and INTEREST INCOME cont'd.

<u>U.S. Treasury Notes</u>	<u>Original Cost</u>	<u>Book Value June 30, 1979</u>	<u>Interest Income Fiscal Year Ending June 30, 1979</u>
#7251-5, 7 3/4% due 6/30/79 par \$50,000 interest date 6/30 and 12/31	\$ 49,517	\$ 50,000	\$ 3,875
SK#309564, 8 1/4% due 8/15/85 par \$50,000 interest dates 2/15 and 8/15	49,713	49,747	3,588
#14364-6, 7 3/4% due 11/15/81 par \$30,000 interest dates 5/15 and 11/15	29,417	29,768	2,325
#13507-11, 8 1/8% due 8/15/82 par \$50,000 interest dates 2/15 and 8/15	49,861	49,935	3,951
#6320-5, 7 7/8% due 5/15/86 par \$60,000 interest dates 5/15 and 11/15	60,000	60,000	4,725
SK#310154, 8 1/4% due 8/15/85 par \$105,000 interest dates 2/15 and 8/15	104,245	104,327	7,135
SK#311204, 8 5/8% due 9/30/80 par \$100,000 interest dates 3/31 and 9/30	99,891	99,929	6,179
SK#314713, 7 1/2% due 1/31/80 par \$100,000 interest dates 1/31 and 7/31	97,312	98,346	3,347
SK#316077, 9 3/4% due 2/28/81 par \$60,000 interest dates 2/28 and 8/31	59,943	59,952	1,939
<u>U.S. Treasury Bond</u>			
#11473-4, 7% due 8/15/81 par \$20,000 interest dates 2/15 and 8/15	19,884	19,975	1,400
<u>Federal National Mortgage Association</u>			
#927, 6 3/4% due 6/10/83 par \$10,000 interest dates 6/10 and 12/10	9,815	9,939	675
	\$ <u>629,598</u>	\$ <u>631,918</u>	\$ <u>39,139</u>
	\$ <u>629,598</u>	\$ <u>1,423,334</u>	\$ <u>104,031</u>