

CITY OF URBANA, ILLINOIS
.
FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 1983 and 1982

BRAY, DRAKE, GUTHRIE & RICHARDSON
CERTIFIED PUBLIC ACCOUNTANTS

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September 30, 1983

Board of Trustees
Firemen's Pension Fund
Urbana, Illinois

We have examined the financial statements of the Firemen's Pension Fund of the City of Urbana, Illinois, for the year ended June 30, 1983 and have issued our report thereon dated August 31, 1983. As a part of our examination, we reviewed and tested the Fund's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgements by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgements required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may not be adequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.

Board of Trustees
Firemen's Pension Fund
Urbana, Illinois

September 30, 1983
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Based on our study and evaluation of the Fund's system of internal control, we would like to make the following comments and recommendations:

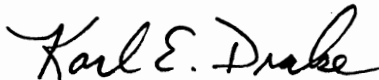
There was a delay at the end of the year of reinvesting a \$40,000 CD. The investment matured on 6/30/83 but was not reinvested until several days later. We recommend that procedures for immediate reinvestment of funds be implemented to avoid loss of interest earnings.

Our test checking showed that there are cases where a check is written by the Fund clerk to a pensioner, endorsed by the clerk, and deposited by the clerk to the pensioner's account. This does not provide very good internal control, as the money could easily be misappropriated. Although we are well aware of the honesty of the clerk, it is our responsibility to report weaknesses we become aware of during the course of the examination. We recommend that a better system of paying pensioners be developed than this method.

We would like to thank Ted Fritchey for his assistance and cooperation during the course of the audit.

Sincerely,

BRAY, DRAKE, GUTHRIE & RICHARDSON



Karl E. Drake
Partner

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Audit Report
For the Years Ended June 30, 1983 and 1982

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August 31, 1983

Board of Trustees
Firemen's Pension Fund
Urbana, Illinois

We have examined the balance sheets of the Firemen's Pension Fund of the City of Urbana, Illinois, as of June 30, 1983 and June 30, 1982, and the related statements of revenue and expenditures, and changes in municipal equity, together with the supporting schedules, for the years 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.

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 as of June 30, 1983 and June 30, 1982, and the results of its operations and the changes in its municipal equity for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Bray, Drake, Guthrie & Richardson
BRAY, DRAKE, GUTHRIE & RICHARDSON

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Balance Sheet
As of June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
<u>ASSETS</u>		
Cash in Bank-Checking Account and on Hand	\$ 69,309	\$ 28,500
Property and Replacement Tax Receivable (Net of Allowance for Uncollectible of \$10,064 in 1983 and \$25,737 in 1982)	317,509	305,192
Accrued Investment Interest Receivable	52,370	69,951
Investments (Note 1):		
U.S. Government Securities	1,264,018	1,068,391
Certificates of Deposit	1,980,000	1,530,130
Savings Accounts	<u>3,871</u>	<u>3,673</u>
 Total Assets	 \$3,687,077 =====	 \$3,005,837 =====
<u>LIABILITIES AND MUNICIPAL EQUITY</u>		
<u>Liabilities:</u>		
Payroll Taxes Withheld	\$ -0-	\$ 40
<u>Municipal Equity:</u>		
Automatic Increase Reserve (Note 3)	152,068	128,354
Statutory Reserve (Note 4)	35,000	35,000
Unrestricted	<u>3,500,009</u>	<u>2,842,443</u>
 Total Liabilities and Municipal Equity	 \$3,687,077 =====	 \$3,005,837 =====

The Notes to Financial Statements are an integral part of this statement

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Statement of Revenues and Expenditures
For the Years Ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
<u>Revenues:</u>		
Property Tax Revenue	\$350,293	\$300,409
Replacement Tax Revenue	22,723	24,028
Interest Income	350,048	292,971
Salary Deductions	<u>71,997</u>	<u>72,158</u>
Total Revenues	<u>795,061</u>	<u>689,566</u>
 <u>Expenditures:</u>		
Disability Pension	73,103	65,739
Firemen's Pension	52,512	74,104
Dependent Pension	12,550	16,099
Pension Contribution Refund	11,688	1,533
Professional Fees	302	302
Hospital and Doctor Fees	1,225	392
Clerk Salary	2,400	1,980
Filing Fees	50	50
Miscellaneous	<u>404</u>	<u>180</u>
Total Expenditures	<u>154,234</u>	<u>160,379</u>
Excess of Revenues Over Expenditures	\$640,827 =====	\$529,187 =====

The Notes to Financial Statements are an integral part of this statement

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Statement of Changes in Municipal Equity
For the Years Ended June 30, 1983 and 1982

	1983			1982		
	Automatic Increase Reserve	Statutory Reserve	Unrestricted Fund Total	Automatic Increase Reserve	Statutory Reserve	Unrestricted Fund Total
Balance, Beginning of Year	\$128,354	\$35,000	\$2,842,443	\$105,629	\$35,000	\$2,312,028
Excess of Revenues Over Expenditures			640,827			529,187
Gain in Fund Equity Due to Increase in Market Value of Government Securities			40,453			23,953
Allocation to Automatic Increase Reserve for the Year	23,714		(23,714)	22,725		(22,725)
Balance, End of Year	\$152,068	\$35,000	\$3,500,009	\$128,354	\$35,000	\$2,842,443
						\$3,005,797
						\$2,452,657
						529,187
						23,953
						-0-

The Notes to Financial Statements are an integral part of this statement

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Notes to Financial Statements
June 30, 1983 and 1982

Note 1 - Summary of Significant Accounting Policies:

The pension fund was organized on April 4, 1927 and is exempt from federal income tax. The fund maintains their books and records on the cash basis of accounting. The statements presented in this report use the modified accrual basis of accounting. Receipts are recognized when they become both "measurable and available to finance current period expenditures", and expenditures are recognized when the liability is incurred. Property tax revenue includes the 1982 tax levy for fiscal year 1983 and the 1981 tax levy for fiscal year 1982 certified against real property as of the beginning of the calendar year. Interest on investments is accrued as of June 30, 1983 and 1982. Investments in certificates of deposit and savings accounts are carried at cost, while government securities are adjusted to market values at June 30, 1983 and 1982.

Note 2 - Actuarial Deficiency:

Unfunded accrued liabilities existed at the end of each fiscal year. These amounts of \$1,842,414 at 1982 and \$2,849,510 at 1981 are the required amounts necessary to meet the actuarial reserve requirement of the State of Illinois Department of Insurance. This deficiency is being funded over the next 37.5068 years at \$132,223 per year. The 1982 tax levy and estimated corporate personal property replacement tax amount included \$147,443 for the current portion and \$132,223 for the accrued liability. The 1981 tax levy and estimated corporate personal property replacement tax amount includes \$210,788 for the current requirement and \$157,075 required to fund the accrued liability. The deficiency occurred as the result of prior year's tax levies not meeting the minimum levy requirements as prescribed in Section 4-118 of the Illinois Pension Code.

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Notes to Financial Statements
June 30, 1983 and 1982
(continued)

Note 3 - 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. The Automatic Increase Reserve transfer totaled \$23,714 for 1983 and \$22,725 for 1982.

Note 4 - 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 35,339 people. Thus, the reserve balance as of June 30, 1983 is \$35,000. This reserve is not to be considered as an actuarial reserve.

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Schedule of Government Securities
June 30, 1983

	<u>Interest Rate</u>	<u>Investments at Par June 30, 1983</u>	<u>Investments at Market Value June 30, 1983</u>	<u>Maturity Date</u>
<u>U.S. Securities:</u>				
Treasury Bill	9.13	\$ 110,000	\$ 100,474	09/08/83
Treasury Note	9.875	300,000	296,437	02/15/86
Treasury Note	7.875	60,000	56,400	05/15/86
Treasury Note	8.25	50,000	48,203	08/15/85
Treasury Note	8.25	105,000	101,227	08/15/85
Treasury Note	10.0	100,000	99,325	06/30/85
Treasury Note	16.0	100,000	101,594	09/30/83
Treasury Note	15.5	100,000	101,937	10/31/83
Treasury Note	13.0	150,000	152,484	12/31/83
Treasury Note	15.0	<u>200,000</u>	<u>205,937</u>	01/31/84
Total		\$1,275,000 =====	\$1,264,018 =====	

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUNDSchedule of Other Investments
June 30, 1983

	<u>Interest Rate</u>	<u>Investments at Par June 30, 1983</u>	<u>Maturity Date</u>
<u>Certificates of Deposit:</u>			
First Federal of Chicago	9.75	\$ 100,000	11/08/83
First Federal of Chicago	11.625	100,000	09/09/83
First Federal of Chicago	12.75	600,000	03/02/85
American Savings	11.1	400,000	04/22/85
University Federal Savings and Loan	7.75	20,000	11/09/83
First Federal Savings and Loan	7.75	60,000	08/25/83
Citizens Federal	9.7	200,000	08/21/85
Citizens Building	9.75	100,000	12/15/83
Urbana Federal Savings and Loan	9.0	100,000	01/17/84
Urbana Federal Savings and Loan	9.0	100,000	01/31/84
Urbana Federal Savings and Loan	10.1	100,000	11/17/86
Urbana Federal Savings and Loan	9.80	<u>100,000</u>	12/07/85
Total		\$1,980,000 =====	
<u>Savings Account:</u>			
Busey First National Bank	5.25	\$ 3,871 =====	N/A