

October 25, 1995

TO: Members, Urbana Firemen's Pension Fund

FROM: Ronald Eldridge, Fund Treasurer *Ron E.*

Attached please find a copy of the annual audit and financial report for the fiscal year ended June 30, 1995. I have submitted this report to the Department of Insurance and have met all filing requirements. I believe the most important points are:

- a) 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 \$13,834,267, up \$926,740 over June 30, 1994. This growth in 1995 was 7.2%, as compared to 7.5% in 1994 and 7.8% in 1993. This growth has decreased due to increased benefit costs and lower interest rates.
- d) The amount contributed from property tax was the level suggested by the Il. Department of Insurance. Page 12 of the report shows a 10 year history of funding progress. The employer's contribution is as follows:

	1994		1995	
	\$	%	\$	%
Normal Cost	\$254,301	19.9%	\$284,379	20.7%
Catchup	85,456	6.6%	55,323	4.0%
Total	\$339,757	26.5%	\$339,702	24.7%

e) The investment portfolio breakdown follows:

	% Portfolio				
	<u>95</u>	<u>94</u>	<u>93</u>	<u>92</u>	<u>91</u>
U.S. Government	85	85	77	77	66
Cert. of Deposit	5	6	7	15	25
Ins. Accounts	8	8	7	6	4
Il. Treasurer's Pool	2	-	9	2	5

f) The number of members receiving benefits is increasing. This is leading to increased benefit costs:

	<u>95</u>	<u>94</u>	<u>93</u>	<u>92</u>	<u>91</u>
Retirees	38	34	32	30	28
Auth. Employees	39	40	40	42	42
Total	<u>77</u>	<u>74</u>	<u>72</u>	<u>72</u>	<u>70</u>

f) An examination of net investment earnings of the Fire Pension Fund contrasted to the Police Pension Fund follows:

	<u>Fire Pension</u>		<u>Police Pension</u>	
	<u>Including Annuities</u>	<u>w/o Ann.</u>	<u>Including Annuities</u>	<u>w/o Ann.</u>
1995	9.3%	8.1%	4.1%	3.1%
Last 2 Yrs.	8.7%	7.0%	4.8%	4.4%
Last 3 Yrs.	8.8%	8.0%	6.0%	5.7%
Last 4 Yrs.	8.6%	9.0%	6.7%	6.4%
Last 5 Yrs.	8.5%	8.8%	6.8%	6.7%
Last 8 Yrs.	8.7%	8.6%	7.3%	7.2%

CITY OF URBANA, ILLINOIS

FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 1995 and 1994



CITY OF URBANA, ILLINOIS

FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 1995 and 1994

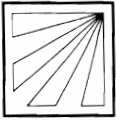
CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Audit Report

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Board of Trustees
City of Urbana, Illinois
Firemen's Pension Fund
Urbana, Illinois

Independent Auditor's Report

We have audited the accompanying component-unit financial statements of the City of Urbana, Illinois Firemen's Pension Fund, a component unit of the City of Urbana, Illinois, as of and for the years ended June 30, 1995 and 1994. These component-unit financial statements are the responsibility of the City of Urbana, Illinois Firemen's 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 Firemen's Pension Fund, a component unit of the City of Urbana, Illinois, as of June 30, 1995 and 1994, 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 Firemen's 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.

Clifton, Gunderson & Co.

Champaign, Illinois
August 28, 1995

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ACCOUNTANTS

CITY OF URBANA, ILLINOIS

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FIREMEN'S PENSION FUND

Comparative Balance Sheet

As of June 30, 1995 and 1994

ASSETS

	1995	1994
	-----	-----
Cash and Cash Equivalents:		
Checking Account	\$854	\$32,948
Savings Account	--	9,526
Il. Public Treasurer's Pool	330,513	19,367
Money Market Accounts	31,266	--
	-----	-----
Total Cash and Cash Equivalents	362,633	61,841
Accounts Receivable, Due from City	--	5,714
Property and Replacement Tax		
Receivable (Net of Allowance		
for Uncollectibles)	150,402	145,756
Accrued Interest Receivable	30,096	28,865
Investments:		
U.S. Government Securities	11,507,731	10,863,598
Certificates of Deposit	718,980	752,453
Insurance Company Accounts	1,065,300	1,049,300
	-----	-----
Total Assets	\$13,835,142	\$12,907,527
	=====	=====

LIABILITIES AND MUNICIPAL EQUITY

Liabilities:

Accounts Payable, Due to City	\$875	\$ --
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Municipal Equity:

Reserve for Employee's		
Retirement	13,834,267	12,907,527
	-----	-----

Total Liabilities and		
Municipal Equity	\$13,835,142	\$12,907,527
	=====	=====

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

CITY OF URBANA

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FIREMEN'S PENSION FUND

Comparative Statement of Revenues and Expenses
and Changes in Municipal Equity

For the Years Ended June 30, 1995 and 1994

Revenues:	1995	1994
Employer Contributions:		
Property Tax	\$302,322	\$287,688
Replacement Tax	36,000	36,000
Interest Income	976,401	899,057
Employee Contributions	116,620	120,438
Gain on Sale Investments	119,374	76,424
Total Revenues	1,550,717	1,419,607
Expenses:		
Disability Pension	61,828	57,617
Firemen's Pension	518,838	420,959
Dependent's Pension	35,156	35,156
Hospital and Doctor Fees	2,559	3,116
Clerk's Salary and Taxes	4,198	3,875
Legal Fees	1,069	75
Filing Fee	50	50
Miscellaneous	279	12
Pension Refunds	--	1,411
Total Expenses	623,977	522,271
Excess of Revenues Over Expenses	926,740	897,336
Municipal Equity, Beginning of Year	12,907,527	12,010,191
Municipal Equity, End of Year	\$13,834,267	\$12,907,527

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

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FIREMEN'S PENSION FUND

Comparative Statement of Cash Flows

For the Years Ended June 30, 1995 and 1994

	1995	1994
	-----	-----
Cash Flows From Operations:		
Net Income	\$926,739	\$897,336
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:		
Gain on sale of securities	(119,374)	(76,424)
Amortization of bond premium/discount	1,525	(2,711)
Decrease (increase) in receivables	(163)	6,562
Increase (decrease) in payables	875	--
	-----	-----
Net Cash Provided by Operating Activities	809,602	824,763
	-----	-----
Cash Flows from Investing Activities:		
Purchase of Investments	(871,712)	(2,203,190)
Interest Added to Accounts	(823,547)	(743,945)
Proceeds from Maturities of Investments	1,186,449	1,217,954
	-----	-----
Net Cash Provided by (used in) Investing Activities	(508,810)	(1,729,181)
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	300,792	(904,418)
Beginning Cash and Cash Equivalents	61,841	966,259
	-----	-----
Ending Cash and Cash Equivalents	\$362,633	\$61,841
	=====	=====

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

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FIREMEN'S PENSION FUND

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Notes to Financial Statements
June 30, 1995 and 1994

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 board.

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, insurance contracts 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 1994 levy is reported in fiscal year 1995 and the 1993 levy in fiscal year 1994. 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 contribution 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

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FIREMEN'S PENSION FUND

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Notes to Financial Statements
June 30, 1995 and 1994

by the pension plan for the year ended June 30, 1995, was \$1,653,318 out of a total payroll of \$8,157,143.

At June 30, 1995, the pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits (none entitled but not receiving benefits)	38
Current employees	<u>39</u>
Total	<u>77</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 between 30 and 35 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 times the number of whole years the employee has been retired since age 50 (up to a maximum of 15%), and 3% annually thereafter on new gross wages.

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

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FIREMEN'S PENSION FUND

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Notes to Financial Statements
June 30, 1995 and 1994

employee contributions may be refunded without accumulated interest. The City of Urbana is required to contribute the remaining amounts necessary to finance the plan 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 Firemen's Pension 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 value of accredited projected benefits and is independent of the funding method used to determine contributions to the system.

Latest Actuarial Valuation Date July 1, 1994

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

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FIREMEN'S PENSION FUND

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Notes to Financial Statements
June 30, 1995 and 1994

Projected salary increases attributable to other than inflation (merit, etc.)	separate information not available
Post retirement benefit increases	3.0% simple interest annually
Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits	\$7,496,852
Current employees Accumulated employee contributions including allocated investment earnings and employer financed	<u>7,283,917</u>
Total Pension Benefit Obligation	14,780,769
Net Assets Available for Benefits (lower of cost or market, market (\$13,797,481))	<u>12,907,526</u>
Unfunded Pension Benefit Obligation	<u>\$ 1,873,243</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:

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

CITY OF URBANA, ILLINOIS
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Notes to Financial Statements
June 30, 1995 and 1994

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 39 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 above.

Actuarial Valuation Date	July 1, 1993	
	<u>Dollar Amount</u>	<u>% Covered Payroll</u>
Actuarially Determined Contribution Requirement - Employer:		
Normal Cost	\$284,379	20.71%
Amortization of unfunded actuarially accrued liability	<u>55,323</u>	<u>4.04</u>
Total	<u>\$339,702</u>	<u>24.75%</u>
Contribution Made:		
Employer	\$338,322	24.64%
Employee	<u>116,620</u>	<u>8.49</u>
Total	<u>\$454,942</u>	<u>33.13%</u>

Actuarial required contributions are presented based on an actuarial date of July 1, 1993, since employer contributions for the year are based on this required amount.

Effects on the Contribution Requirements of Current-Year Changes:

There were no significant changes in the actuarial assumptions, actuarial funding methods, and benefits provisions.

Ten year trend information, which is designed to provide information about progress made in accumulating suf-

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FIREMEN'S PENSION FUND

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Notes to Financial Statements
June 30, 1995 and 1994

efficient assets to pay benefits when due, may be found in the Required Supplementary Information, in this report.

Note 3 - 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, 1995.

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 insured banks 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.

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Notes to Financial Statements
 June 30, 1995 and 1994

	<u>Risk Category</u>	<u>Carrying Value</u>	<u>Market Value</u>
U.S. Government and Its Agencies	1	\$11,507,731	\$13,106,532
Certificates of Deposit	1	718,980	718,980
Checking & Savings Accts	1	854	854
Subtotal, Category	1	\$12,227,565	\$13,826,366
Insurance Company Accounts	-	1,065,300	1,440,217
Investment in Illinois Public Treasurer's Pool	-	330,513	330,513
Money Market Accounts	-	31,266	31,266
Total		<u>\$13,654,644</u>	<u>\$15,628,362</u>

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

No credit risk is assigned to the Illinois Public Treasurer's Investment Pool or the Money Market Accounts since the Fund does not own any specific identifiable securities.

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

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FIREMEN'S PENSION FUND

Required Supplementary Information
Ten Year Trend Information on Pension Benefit Funding

June 30, 1995 and 1994

	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Available for Benefits	\$12,907,526	\$12,010,190	\$11,139,530	\$10,258,284	\$9,318,905	\$8,391,622	\$7,507,942	\$6,675,553	\$5,868,300	\$5,075,970
Pension Benefit Obligation	\$14,780,769	\$13,958,131	\$12,696,856	\$11,554,428	\$10,678,291	\$10,103,496	\$9,135,370	\$8,555,196	\$6,965,186	\$6,567,394
Percentage Funded	87.33%	86.04%	87.73%	88.78%	87.27%	83.06%	82.19%	78.03%	84.25%	77.29%
Unfunded Pension Benefit Obligation	\$1,873,243	\$1,947,941	\$1,557,326	\$1,296,144	\$1,359,386	\$1,711,874	\$1,627,428	\$1,879,643	\$1,096,886	\$1,491,424
Annual Covered Payroll	\$1,373,148	\$1,372,692	\$1,353,489	\$1,301,950	\$1,258,643	\$1,229,583	\$1,177,261	\$1,143,901	\$1,088,042	\$1,061,874
Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll	136.42%	141.91%	115.06%	99.55%	108.00%	139.22%	138.24%	164.32%	100.81%	140.45%
City's Contribution to the Pension Plan	\$338,322	\$339,702	\$323,013	\$339,757	\$358,734	\$351,229	\$358,664	\$308,573	\$312,298	\$324,888
City's Contribution to the Pension Plan as a Percentage of Annual Covered Payroll	24.64%	24.75%	23.87%	26.10%	28.50%	28.56%	30.47%	26.98%	28.70%	30.60%

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FIREMEN'S PENSION FUND

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

June 30, 1995 and 1994

	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Revenues by Source:										
Employee Contributions	\$116,620	\$120,438	\$111,443	\$112,126	\$107,244	\$103,774	\$100,042	\$98,365	\$90,533	\$85,951
Employer Contributions	338,322	323,688	343,396	339,757	358,734	351,229	358,664	308,573	312,298	323,888
Investment Income	1,095,775	975,481	864,087	788,117	777,915	743,688	675,927	628,633	588,704	559,292
Total	\$1,550,717	\$1,419,607	\$1,318,926	\$1,240,000	\$1,243,893	\$1,198,691	\$1,134,633	\$1,035,571	\$991,535	\$969,131

Expenses by Type:										
Benefits	\$615,822	\$513,732	\$440,604	\$352,062	\$266,563	\$245,287	\$198,861	\$179,633	\$172,975	\$147,348
Administrative Expense	8,155	8,539	7,663	6,690	4,845	5,665	4,322	4,649	3,825	3,369
Total	\$623,977	\$522,271	\$448,267	\$358,752	\$271,408	\$250,952	\$203,183	\$184,282	\$176,800	\$150,717