FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY AND BENEFIT FUND OF COOK COUNTY

FINANCIAL STATEMENTS

DECEMBER 31, 2006

FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY AND BENEFIT FUND OF COOK COUNTY

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2006 AND 2005

CONTENTS

LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Board of Trustees of
Forest Preserve District
Employees' Annuity and
Benefit Fund of Cook County

We have audited the accompanying statements of plan net assets of Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (the Plan) as of December 31, 2006 and 2005, and the related combining statements of changes in pension plan and postemployment healthcare plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of Forest Preserve District Employees' Annuity and Benefit Fund of Cook County as of December 31, 2006 and 2005 and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 3b, and the required supplementary information consisting of the schedule of funding progress, the schedule of employer contributions and the notes to those schedules on pages 18 through 20 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information on pages 21 through 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion for 2006 and 2005, is fairly stated in all material respects in relation to the financial statements taken as a whole.

We also have previously audited the financial statements for the years ended 2004, 2003 and 2002 (which are not presented herein), and we expressed unqualified opinions on those financial statements. The financial statements for the year ended 2001 (which are not presented herein) were audited by other auditors, whose report expressed an unqualified opinion on those financial statements. In our opinion, the information on page 22 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. Our reports (for 2004, 2003 and 2002) and their report (2001) on the required supplementary information (pages 18 and 19) stated that we/they applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information, but did not audit the information and expressed no opinion on it.

Legacy Professionals LLP

August 31, 2007

This section presents management's discussion and analysis of the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County's (Plan) financial position at December 31, 2006 and performance for the year ended December 31, 2006. It provides an overview of the financial activities and the effects of any significant changes. This discussion and analysis are intended to be read in conjunction with the Plan's financial statements.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Plan's basic financial statements. The financial statements are prepared on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The basic financial statements are described below:

The Statement of Plan Net Assets provides a snapshot of account balances and net assets held in trust for future pension benefit payments and any liabilities as of the Plan's year end.

Combining Statement of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets shows the sources and uses of funds during the calendar year, where additions less deductions equal net increase in net assets. This net increase in net assets illustrates the change in net assets as reported in the Statement of Plan Net Assets from the prior year to the current year.

Notes to the Financial Statements provide additional information that is essential to achieving a better understanding of the data provided in the financial statements.

Required Supplementary and Additional Information Schedules provide detailed, historical trend information of assets, liabilities and employer contributions.

Financial Highlights

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County's **total assets** were $273,882,162 in 2006 compared to $241,074,860 in 2005. **Total liabilities** were $76,651,859 in 2006 compared to $54,282,434 in 2005. **Net assets** increased by $10,437,877, or 5.6% in 2006 to $197,230,303 from $186,792,426 in 2005. The increase in net assets was primarily due to the increase in the fair value of the investments.

The **rate of return** of the Plan's investment portfolio for 2006 was 9.7% versus 2005's return of 4.5%.

Financial Highlights (continued)

The **funding objective** of the Plan is to meet long-term defined pension benefit obligations. As of December 31, 2006, the date of the most recent actuarial valuation, the Plan is actuarially funded at 85.4% (Pension benefits - 98.2%, Retiree health insurance plan - 0.0%). This ratio is lower than the 86.9% (Pension benefits - 98.8%, Retiree heath insurance plan - 0.0%) funded ratio as of December 31, 2005.

The actuarial value of assets for the December 31, 2006 valuation for pension benefits was $193,511,049, and the actuarial liability was $196,983,226. The actuarial liability increased by $5,545,090 or 2.9% in 2006, from $191,438,136 in 2005.

The actuarial value of assets for the December 31, 2006 valuation for the retiree health insurance plan was $0, and the actuarial liability was $39,448,815. The actuarial liability decreased by $3,693,805 or 8.6% in 2006, from $43,142,620 in 2005.

Based on a combined actuarial valuation of the pension and retiree health insurance benefits, the actuarial value of assets for the December 31, 2006 valuation was $193,511,049 and the actuarial liability was $226,580,893. The actuarial liability increased by $8,992,595, or 4.1% in 2006, from $217,588,298 in 2005. Differences exist between the individual and combined reports due to a difference in the interest rate assumption for the retiree health insurance plan (combined report - 7.5%, individual report - 5.0%).

Changes in Plan Net Assets

Revenues - Additions to Plan Net Assets

Revenues for calendar year 2006 were $22,703,882 compared to $13,964,006 in 2005.

Member contributions decreased by 35.6% to $1,690,781 in 2006 from $2,627,465 in 2005. There were no optional payments and deductions in 2006 compared to $948,908 in 2005.

Employer contributions decreased by 15.7% to $2,720,013 in 2006 from $3,224,743 in 2005. Employer contributions are calculated using a statutorily set multiplier (currently 1.30) times member contributions collected two years prior.

Net investment activity totaled $18,057,501 for the year ended December 31, 2006 compared to $8,045,799 for the year ended December 31, 2005. The increase in investment earnings resulted primarily from the increase in the overall performance of the financial markets from the prior year. Investment fees, which are netted against investment income, increased by 3.0% to $217,776 in 2006 compared to $211,355 in 2005.

Net securities lending income decreased by 2.4% to $59,743 in 2006 from $61,239 in 2005.

Changes in Plan Net Assets (continued)

Expenses - Deductions from Plan Net Assets

Expenses increased by 1.1% to $12,266,005 in 2006 from $12,138,318 in 2005.

Retirement annuity payments increased by 4.2% to $9,951,541 in 2006 from $9,547,916 in 2005. There were 503 participants paid during 2006 compared to 501 participants paid during 2005. The increase in retirement annuity payments is mainly due to the 3% annual compounded cost of living increase.

Disability payments decreased by 31.1% to $160,882 in 2006 from $233,361 in 2005. This decrease was mainly due to fewer employees on disability.

Group hospital premiums increased by 2.0% to $1,353,489 in 2006 from $1,327,412 in 2005. This increase is due to more retirees participating in the Plan.

Refunds of member contributions including rollover distributions decreased by 52.6% to $346,117 in 2006 from $730,332 in 2005.

Employee transfers to Cook County resulted from Forest Preserve District employees transferring employment to Cook County. The accrued pension benefit obligation transferred from the Forest Preserve Fund to the Cook County Fund was $345,410 in 2006 compared to $186,159 in 2005.

Cost to administer the Plan decreased by 4.0% to $108,566 in 2006 from $113,138 in 2005. This was primarily attributable to decreases in allocated administrative expenses.

Contact Information

This financial report is designed to provide the employer, plan participants and others with a general overview of the Plan's finances and show accountability for money it receives. Questions concerning any data provided in the report or requests for additional information should be addressed to:

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Forest Preserve Employees' Annuity
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Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Statements of Plan Net Assets

December 31, 2006 and 2005

	2006	2005
Assets		
Cash	$ 1,178,551	$ 1,041,544
Receivables		
Employer - tax levy less allowance for loss and cost of $150,481 in 2006 and $78,966 in 2005	2,821,844	3,837,706
Plan member	7,827	17,905
Accrued investment income	753,560	679,497
Other	-	253
Total receivables	3,583,231	4,535,361
Investments	194,138,392	182,767,868
Collateral held for securities on loan	74,981,988	52,730,087
Total assets	273,882,162	241,074,860
Liabilities		
Plan member accounts payable	-	18,640
Health insurance payable	71,154	143,247
Accounts payable - other	140,840	173,831
Due to Forest Preserve District	12,575	-
Due to County Employees' and Officers' Annuity and Benefit Fund of Cook County	1,445,302	1,216,629
Securities lending collateral	74,981,988	52,730,087
Total liabilities	76,651,859	54,282,434
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 18)	$ 197,230,303	$ 186,792,426

See accompanying notes to financial statements.

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets

Years Ended December 31, 2006 and 2005

	2006			2005		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
Additions						
Contributions						
Employer - tax levy	$ 2,720,013	$ 1,532,343	$ 1,187,670	$ 3,224,743	$ 1,897,331	$ 1,327,412
Plan member contributions						
Salary deductions	1,626,720	1,626,720	-	1,584,803	1,584,803	-
Refund repayments	34,021	34,021	-	32,295	32,295	-
Former and military service payments	5,560	5,560	-	24,547	24,547	-
Optional payments and deductions	-	-	-	948,908	948,908	-
Deductions in lieu of disability	24,480	24,480	-	36,912	36,912	-
Total plan member contributions	1,690,781	1,690,781	-	2,627,465	2,627,465	-
Investment income						
Net appreciation in fair value of investments	13,509,293	13,509,293	-	3,779,651	3,779,651	-
Dividends	1,474,161	1,474,161	-	1,377,828	1,377,828	-
Interest	3,287,803	3,287,803	-	3,090,625	3,090,625	-
Commission recapture	4,020	4,020	-	9,050	9,050	-
	18,275,277	18,275,277	-	8,257,154	8,257,154	-
Less investment expense	(217,776)	(217,776)	-	(211,355)	(211,355)	-
Net investment income	18,057,501	18,057,501	-	8,045,799	8,045,799	-
Securities lending						
Income	3,079,702	3,079,702	-	1,526,813	1,526,813	-
Expenses						
Borrower rebates	(3,001,129)	(3,001,129)	-	(1,445,452)	(1,445,452)	-
Management fees	(18,830)	(18,830)	-	(20,122)	(20,122)	-
Net securities lending income	59,743	59,743	-	61,239	61,239	-
Medicare Part D subsidy	126,351	-	126,351	-	-	-
Miscellaneous	10,025	10,025	-	4,760	4,760	-
Prescription plan rebates	39,468	-	39,468	-	-	-
Total additions	22,703,882	21,350,393	1,353,489	13,964,006	12,636,594	1,327,412
Deductions						
Benefits						
Annuities						
Employee	8,776,342	8,776,342	-	8,463,855	8,463,855	-
Spouse and children	1,175,199	1,175,199	-	1,084,061	1,084,061	-
Disability benefits						
Ordinary	145,542	145,542	-	213,119	213,119	-
Duty	15,340	15,340	-	20,242	20,242	-
Group hospital premiums	1,353,489	-	1,353,489	1,327,412	-	1,327,412
Total benefits	11,465,912	10,112,423	1,353,489	11,108,689	9,781,277	1,327,412
Refunds	346,117	346,117	-	730,332	730,332	-
Employee transfers to Cook County	345,410	345,410	-	186,159	186,159	-
Administrative expenses	108,566	108,566	-	113,138	113,138	-
Total deductions	12,266,005	10,912,516	1,353,489	12,138,318	10,810,906	1,327,412
Net increase	10,437,877	10,437,877	-	1,825,688	1,825,688	-
Net assets held in trust for pension benefits						
Beginning of year	186,792,426	186,792,426	-	184,966,738	184,966,738	-
End of year	$ 197,230,303	$ 197,230,303	$ -	$ 186,792,426	$ 186,792,426	$ -

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County is administered in accordance with Chapter 40, Article 5/10 of the Illinois Compiled Statutes (formerly Chapter 108-1/2, Article 10 of the Illinois Revised Statutes).

Method of Accounting - The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer, Forest Preserve District of Cook County, Illinois, has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value, which generally represents reported market value as of the last business day of the year. Demand notes are carried at cost which approximates fair value. Where less than an entire holding is sold, average value is used to determine realized gain or loss.

Allocated Expenses - The cost of office operations is paid initially by the County Employees' and Officers' Annuity and Benefit Fund of Cook County (County Fund). These expenses are allocated between the County Fund and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County on a pro rata basis as applicable.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications - Certain reclassification have been made to prior year amounts to conform to the current year presentation.

NOTE 2. PLAN DESCRIPTION

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County was established on July 1, 1931 and is governed by legislation contained in the Illinois Compiled Statutes, particularly Chapter 40, Article 5/10. The Plan can be amended only by the Illinois Legislature. The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan with a defined contribution minimum. The Plan was created for the purpose of providing retirement, death (spouse or children) and disability benefits for full-time employees of the Forest Preserve District of Cook County, Illinois (Forest Preserve District) and the dependents of such employees. The Plan is considered to be a component unit of Forest Preserve District of Cook County, Illinois and is included in the Forest Preserve District's financial statements as a pension trust fund.

The Statutes authorize a Board of Trustees (Retirement Board) of nine members to carry out the provisions of the Article. According to the Article, two members of the Board are ex officio, four are to be elected by the employee members of the Plan and three are to be elected by the annuitants of the Plan. The two ex officio members are the Comptroller of Cook County or someone chosen by the Comptroller and the Treasurer of Cook County or someone chosen by the Treasurer. All members of the Retirement Board are fiduciaries with respect to the Plan and are statutorily mandated to discharge their duties, as such, solely in the interest of the Plan's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Plan, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit and to have exclusive original jurisdiction in all matters relating to or affecting the Plan. The Board approves its own budget which is prepared by the administrative staff of the Plan. The Board is required annually to submit to the Forest Preserve District Board of Cook County a detailed report of the financial affairs and status of the reserves of the Plan. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which is specified by the Department of Insurance.

Covered employees are required to contribute 8.5% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when the employee became a participant). The Forest Preserve District's total contribution is the amount of contributions made by the employees to the Plan in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 1.30. The source of funds for the Forest Preserve District's contributions has been designated by State Statutes as the Forest Preserve District's annual property tax levy. The Forest Preserve District's payroll for employees covered by the Plan for the years ended December 31, 2006 and 2005 was $19,172,756 and $18,077,621 respectively.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

The Forest Preserve District Employees' Annuity and Benefit Fund provides retirement as well as death and disability benefits. Employees age 50 or over with at least 10 years of service are entitled to receive a minimum formula annuity of 2.4% for each year of credited service to a maximum benefit of 80% of the final average monthly salary. For retirees between age 50 and age 60, the monthly retirement benefit is reduced 1/2 percent for each month the participant is under age 60. This reduction is waived for participants having 30 or more years of credited service.

At December 31, 2006 and 2005, participants consisted of the following:

	2006	2005
Retirees and beneficiaries currently receiving benefits:		
Employees	359	363
Spouse	140	134
Children	4	4
Disability	6	8
Total	509	509
Current employees:		
Vested	257	261
Nonvested	137	112
Total	394	373

Participants should refer to the summary plan description or applicable State Statutes for more complete information.

NOTE 3. SUMMARY OF EMPLOYER FUNDING POLICIES

Employer contributions are funded primarily through a Forest Preserve District tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees to the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.30.

NOTE 3. SUMMARY OF EMPLOYER FUNDING POLICIES (CONTINUED)

The combined actuarial valuations of the pension and retiree health insurance benefits of the Plan as of December 31, 2006 and as of December 31, 2005 indicate the annual required contribution by the Forest Preserve District to be $5,927,422 and $5,375,366 for 2007 and 2006, respectively. The annual required contribution is based on an annual projected payroll of $19,172,756 for 394 active members for the year ended December 31, 2006 and $18,077,621 for 373 active members for the year ended December 31, 2005 and is computed as follows.

	2006	2005
Normal cost	$ 4,865,192	$ 4,590,255
30-year level dollar amortization of the unfunded liability	2,691,914	2,321,709
	7,557,106	6,911,964
Less estimated plan member contributions	(1,629,684)	(1,536,598)
Actuarially determined contribution requirement for subsequent fiscal year	5,927,422	5,375,366
Expected net employer contribution from tax levy after 2.7% loss	(3,329,502)	(2,577,824)
Expected employer contribution short-fall of actuarially determined contribution requirement	$ 2,597,920	$ 2,797,542
Required tax levy multiple	2.31	2.71
Present authorized multiple	1.30	1.30

A Schedule of Funding Progress is located in the Required Supplementary Information on page 18. This schedule provides information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE 4. RESERVES FOR ACTUARIAL LIABILITIES

The reserves for actuarial liabilities are based on an annual valuation submitted by the Plan's consulting actuary. The annual actuarial valuation establishes the reserves required for various statutory liabilities which arise from pension benefit schedules that are part of the current pension code legislation. Based on legislation enacted on August 23, 2007, the reserves for actuarial liabilities were eliminated effective December 31, 2006.

NOTE 4. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

Net assets held in trust for pension benefits as of December 31 were comprised of the following Plan net asset balances:

	2006	2005
Net assets held in trust for pension benefits	$ 197,230,303	$ -
Salary Deduction Fund	-	26,435,898
Forest Preserve Contribution Fund	-	22,745,108
Annuity Payment Fund - liabilities	-	31,589,208
Annuity Payment Fund - reserve	-	4,588,438
Prior Service Fund	-	132,226,646
Fund (deficit)	-	(30,792,872)
Total net assets held in trust for pension benefits	$ 197,230,303	$ 186,792,426

The Salary Deduction Fund was used to accumulate deductions made from employee salaries for age and service annuities for the employee and spouse. Individual accounts were kept until the employee retired or withdrew from service before qualifying for an annuity. At retirement, account balances were transferred to the Annuity Payment Fund. In case an eligible employee elected to take a refund of contributions instead of an annuity, the contribution refund was charged to this reserve fund. The Annuity Payment Fund received the amounts transferred from the individual accounts in the Forest Preserve Contribution Fund and the Salary Deduction Fund when an employee retired and qualified for an annuity. All age and service annuity payments were charged to this Fund.

The Forest Preserve Contribution Fund was used to accumulate amounts contributed by the Forest Preserve District to provide for annuities based on age and service of each employee and spouse. An individual account was maintained for each employee and spouse until the employee retired, at which time the individual account balances were transferred to the Annuity Payment Fund.

The Prior Service Fund was a reserve account for the accumulation of Forest Preserve District contributions to provide for a) employee and spouse annuities that were based on service performed before the Plan's effective date of July 1, 1931, and b) any excess in minimum annuity formula requirements over the amounts required for age and service annuities, and for spouse annuities.

The Fund deficit represented the difference between the actuarially determined present value of all future pension payments and the value of the Plan's present assets plus the present value of future contributions. A deficit indicated that additional assets would be needed to provide for future benefits.

NOTE 5. INVESTMENT SUMMARY

The Plan is authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks, shares, debentures, or other obligations or securities as set forth in the "prudent person" provisions of the State Statutes. All of the Plan's financial instruments are consistent with the permissible investments outlined in the State Statutes and any index-linked financial instruments are limited to those indices that replicate the permissible investments outlined in the Statutes. The following table presents a summarization of the fair value (carrying amount) of the Plan's investments as of December 31, 2006 and 2005. Investments that represent 5% or more of the Plan's net assets held in trust for benefit purposes are separately identified.

Investments	2006	2005
Corporate bonds:		
Not on securities loan	$ 19,514,692	$ 19,706,942
On securities loan	3,072,465	2,954,106
U.S. Government and Government Agency obligations:		
Not on securities loan	15,270,564	20,359,224
On securities loan	22,363,466	16,974,287
Equities:		
Not on securities loan	55,386,787	59,345,694
On securities loan	47,454,933	31,395,597
Equity mutual funds:		
NTGI U.S. Marketcap Equity Index	10,231,144	11,465,177
Others	6,646,920	3,842,604
Fixed income mutual fund:		
NTGI Daily Aggregate Bond Index Fund	10,187,244	12,763,013
Demand notes	4,436,742	6,421,100
Net unsettled investment trades	(426,565)	(2,459,876)
	194,138,392	182,767,868
Collateral held for securities on loan	74,981,988	52,730,087
Total investments and collateral held for securities on loan	$ 269,120,380	$ 235,497,955

Investment Risk

During the year ended December 31, 2005, the Plan adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 modifies or eliminates the disclosure requirements for deposits that are not covered by depository insurance and investment securities that are uninsured and are not registered in the name of the government or trust agent.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

The Plan had no investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not held in the Plan's name as of December 31, 2006 and 2005.

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has set the average credit quality for its total fixed income portfolio (corporate and U.S. Government holdings) of not less than Aa by Moody's Investor Service and/or AA by Standard & Poor's ratings. The following table presents a summarization of the credit quality ratings of investments at December 31, 2006 and 2005 as valued by Moody's Investors Service and/or Standard & Poor's:

Type of Investment	Rating	2006	2005
Corporate bonds	Aaa/AAA	$ 7,115,751	$ 5,897,853
	Aa/AA	4,249,698	2,808,402
	A/A	5,602,053	8,881,289
	Baa/BBB	4,412,999	4,074,482
	Ba/BB	108,540	594,075
	B/B	422,428	72,450
	Not Rated	675,688	332,497
		$ 22,587,157	$ 22,661,048
U.S. Government and Government Agency obligations	Aaa/AAA	37,160,363	23,271,238
	Aa/AA	237,332	315,104
	A/A	144,593	380,369
	Baa/BBB	76,784	-
	Ba/BB	-	120,099
	B/B	-	-
	Not Rated	14,958	13,246,701
		$ 37,634,030	$ 37,333,511
Fixed income mutual fund	Not Rated	$ 10,187,244	$ 12,763,013
Demand notes	Not Rated	$ 4,436,742	$ 6,421,100

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Plan has set the duration for the total fixed income portfolio to fall within plus or minus 50% of the duration for the fixed income performance benchmark (Lehman Aggregate Fixed Income Index which was 4.42 and 4.57 years at December 31, 2006 and 2005 respectively). The following table presents a summarization of debt investments at December 31, 2006 and 2005 using the segmented time distribution method:

Type of Investment	Maturity	2006	2005
Corporate bonds	Less than 1 year	$ 1,147,875	$ 2,316,360
	1 - 5 years	8,628,743	6,808,278
	6 - 10 years	4,781,531	7,001,395
	Over 10 years	8,029,008	6,535,015
		22,587,157	22,661,048
U.S. Government and Government Agency obligations	Less than 1 year	4,276,501	3,249,029
	1 - 5 years	12,757,553	9,124,717
	6 - 10 years	8,206,394	7,168,931
	Over 10 years	12,393,582	17,790,834
		37,634,030	37,333,511
Total		$ 60,221,187	$ 59,994,559

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan limits the amount of investments in foreign equities to 15% of total Plan assets and foreign fixed income obligations to 5% of total Plan assets. The Plan's exposure to foreign currency risk at December 31, 2006 and 2005 is as follows:

Type of Investment	Fair Value (USD) 2006	Fair Value (USD) 2005
Equities:		
British pound	$ 2,921,222	$ -
European euro	5,087,889	-
Japanese yen	2,635,693	-
Singapore dollar	348,549	-
Swedish krona	337,432	-
Swiss franc	1,057,002	-
U.S. dollar	90,453,933	90,741,291
Total equities	$ 102,841,720	$ 90,741,291

During 2006 and 2005, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was $9,539,151 and $11,601,618 respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Combining Statements of Changes in Pension Plan and Postemployment Health Care Plan Net Assets. The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments. Investments purchased in a previous year and sold in the current year result in their realized gains and losses being reported in the current year and their net appreciation (depreciation) in plan assets being reported in both the current year and the previous year(s).

NOTE 6. WHEN-ISSUED TRANSACTIONS

The Plan may purchase securities on a when-issued basis, that is, obligate itself to purchase securities with delivery and payment to occur at a later date. At the time the Plan enters into a commitment to purchase the security, the transaction is recorded at purchase price which equals value. The value at delivery may be more or less than the purchase price. No interest accrues to the Plan until delivery and payment take place. As of December 31, 2006, the Plan had no contractual obligations to acquire securities on a when-issued basis. As of December 31, 2005, the Plan contracted to acquire securities on a when-issued basis with a total principal amount of $2,400,000.

NOTE 7. SECURITIES LENDING

State Statutes and the Board of Trustees permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. The Plan's custodian, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest.

The Plan is not restricted as to the type or amount of securities it may loan. The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults. The average term of securities loaned was five days for 2006 and two days for 2005; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral may be invested in a short-term investment pool, which had an average weighted maturity at December 31, 2006 and 2005 of two and four days, respectively. Cash collateral may also be invested in term loans in which the investments (term loans) match the term of the securities loans.

As of December 31, 2006 and 2005, the fair value (carrying amount) of loaned securities was $72,890,864 and $51,323,990 respectively. As of December 31, 2006 and 2005, the fair value (carrying amount) of collateral received by the Plan was $74,981,988 and $52,730,087 respectively. Therefore, as of December 31, 2006 and 2005, the Plan had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Plan.

During 2006 and 2005, there were no losses due to default of a borrower or the lending agent. The contract with the lending agent requires it to indemnify the Plan if borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

The Plan has adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* for the year ended December 31, 2006, which establishes uniform financial reporting standards for Other Postemployment Benefits (OPEB) plans.

Plan Description

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County administers the Healthcare Premium Plan (HPP), a single-employer defined benefit postemployment healthcare plan. HPP provides a healthcare premium subsidy to annuitants or their surviving spouses who elect to participate in HPP. The Plan is currently allowed, in accordance with State Statutes, to pay all or a portion of medical insurance premiums for the annuitants. Presently, the Plan subsidizes approximately 55% and 70% of the monthly premiums for employees and spouse annuitants, respectively. The remaining cost is borne by the annuitant.

HPP is administered in accordance with Chapter 40, Article 5/10 of the Illinois Compiled Statutes, which assigns the authority to establish and amend benefit provisions to the Plan's Board of Trustees.

At December 31, 2006 and 2005, the number of annuitants and surviving spouses whose cost to participate in the program was subsidized, totaled 304 and 303 respectively.

Summary of Significant Accounting Policies

Method of Accounting - HPP's financial statements have been combined with the Plan's financial statements and are presented using the accrual basis of accounting. The Plan considers the premium supplement an additional retirement benefit, with no contribution rate or asset allocation associated with it. The amount of employer contributions for postemployment healthcare benefits is assumed to equal the premium supplement expensed for the period. Healthcare premium subsidies are recognized when due and payable.

Contributions - The Plan funds HPP on a "pay-as-you-go" basis.

Administrative Costs - Administrative costs associated with HPP are paid by the Plan.

NOTE 9. RELATED PARTY TRANSACTIONS

As of December 31, 2006 and 2005, the Plan has investments consisting of stocks or bonds of its investment custodian and various investment managers with a total market value of approximately $6,917,000 and $5,275,000 respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Schedule of Funding Progress

Year Ended December 31,		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Pension Benefits							
2001		$ 180,733,922	$ 184,441,770	$ 3,707,848	97.99%	$ 28,631,232	12.95%
2002	(1)	$ 172,954,688	$ 212,045,541	$ 39,090,853	81.56%	$ 25,781,400	151.62%
2003		$ 170,114,265	$ 218,727,197	$ 48,612,932	77.77%	$ 17,348,472	280.21%
2004	(2)	$ 186,560,109	$ 245,321,025	$ 58,760,916	76.05%	$ 16,635,794	353.22%
2005	(3)	$ 189,066,378	$ 191,438,136	$ 2,371,758	98.76%	$ 18,077,621	13.12%
2006	(3)	$ 193,511,049	$ 196,983,226	$ 3,472,177	98.24%	$ 19,172,756	18.11%
Retiree Health Insurance Plan							
2005		$ -	$ 43,142,620	$ 43,142,620	0.00%	$ 18,077,621	238.65%
2006		$ -	$ 39,448,815	$ 39,448,815	0.00%	$ 19,172,756	205.75%
Changes in Actuarial Assumptions							
2005	(4)	$ -	$ (16,992,458)	$ (16,992,458)	0.00%		
2006	(4)	$ -	$ (9,851,148)	$ (9,851,148)	0.00%		
Combined							
2001		$ 180,733,922	$ 184,441,770	$ 3,707,848	97.99%	$ 28,631,232	12.95%
2002		$ 172,954,688	$ 212,045,541	$ 39,090,853	81.56%	$ 25,781,400	151.62%
2003		$ 170,114,265	$ 218,727,197	$ 48,612,932	77.77%	$ 17,348,472	280.21%
2004		$ 186,560,109	$ 245,321,025	$ 58,760,916	76.05%	$ 16,635,794	353.22%
2005		$ 189,066,378	$ 217,588,298	$ 28,521,920	86.89%	$ 18,077,621	157.77%
2006		$ 193,511,049	$ 226,580,893	$ 33,069,844	85.40%	$ 19,172,756	172.48%

(1) = Change in benefits.

(2) = Change in actuarial assumptions.

(3) = Pension benefits only. The information for 2004 and prior includes the retiree health insurance plan.

(4) = Due to a change in the interest rate assumption for the retiree health insurance plan (combined report - 7.5%, individual report - 5.0%).

See notes to required supplementary information.

FOREST PRESERVE DISTRICT OF EMPLOYEES' ANNUITY AND BENEFIT FUND OF COOK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,		Annual Required Contribution (1) (ARC) (a)	Required Statutory Basis (2) (b)	Employer Contributions (c)	Percent of ARC Contributed (c/a)
Pension Benefits					
2001		$ 4,816,346	$ 3,726,690	$ 3,675,320	76.31%
2002		$ 5,165,491	$ 3,847,476	$ 3,993,607	77.31%
2003		$ 7,725,882	$ 3,888,720	$ 3,436,122	44.48%
2004		$ 9,326,465	$ 4,039,896	$ 3,890,142	41.71%
2005	(3)	$ 4,620,371	$ 2,846,034	$ 1,897,331	41.06%
2006	(3)	$ 2,691,753	$ 2,577,485	$ 1,532,343	56.93%
Retiree Health Insurance Plan					
2005		$ 2,846,465	$ -	$ 1,327,412	46.63%
2006		$ 3,747,117	$ -	$ 1,187,670	31.70%
Changes in Actuarial Assumptions					
2005		$ -	$ -		
2006	(4)	$ (1,063,504)	$ -		
Combined					
2001		$ 4,816,346	$ 3,726,690	$ 3,675,320	76.31%
2002		$ 5,165,491	$ 3,847,476	$ 3,993,607	77.31%
2003		$ 7,725,882	$ 3,888,720	$ 3,436,122	44.48%
2004		$ 9,326,465	$ 4,039,896	$ 3,890,142	41.71%
2005		$ 7,466,836	$ 2,846,034	$ 3,224,743	43.19%
2006		$ 5,375,366	$ 2,577,485	$ 2,720,013	50.60%

(1) = 30 Year level dollar amortization beginning in 2005.
40 Year level dollar amortization for 2004 and prior.

(2) = Tax levy after 2.7% overall loss beginning in 2004.
Tax levy after 1.8% overall loss for 2003 and prior.

(3) = Pension benefits only. The information for 2004 and prior includes pension benefits and retiree health insurance plan.

(4) = Due to a change in the interest rate assumption for the retiree health insurance plan (combined report - 7.5%, individual report - 5.0%).

See notes to required supplementary information.

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Notes to Schedule of Funding Progress and Schedule of Employer Contributions

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 years
Asset valuation method	Five Year Smoothed Average Market
Actuarial assumptions	
Investment rate of return	
Pension benefits	7.5% compounded annually
Retiree health insurance plan	5.0% compounded annually
Combined	7.5% compounded annually
Projected salary increases	
Pension benefits	
Inflation	3.0%
Merit and seniority	2.0%
Postretirement benefit increases	3.0% compounded per year for employee and widow(er) annuitants
Increases in postretirement health insurance costs	
2008	9.00%
2009	8.00%
2010	7.00%
2011	6.00%
2012 and later	5.00%
Mortality rates	1983 Group Annuity Mortality Table, Male and Female, rated up two years
Retirement age assumptions	Based on actual past experience assume all employees retire by age 75

ADDITIONAL INFORMATION

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Schedules of Administrative Expenses

Years Ended December 31, 2006 and 2005

	2006	2005
Administrative expenditures allocated from County Employees' and Officers' Annuity and Benefit Fund of Cook County	$ 49,081	$ 54,246
Bank fees	42,775	39,986
Conference expense	1,500	1,500
Investment custodian fees	7,210	9,406
Regulatory filing fees	8,000	8,000
Total	$ 108,566	$ 113,138

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Additions By Source

Year Ended December 31,	Plan Member Contributions (1)	Employer Contributions (2)	Net Investment and Net Securities Lending Income (Loss) (3)	Other (4)	Total Additions
2001	$ 3,095,756	$ 3,674,270	$ 1,519,589	$ -	$ 8,289,615
2002	$ 3,256,643	$ 3,993,608	$ (9,451,652)	$ -	$ (2,201,401)
2003	$ 2,313,067	$ 3,432,694	$ 26,692,476	$ 7,598	$ 32,445,835
2004	$ 2,020,255	$ 3,890,142	$ 15,490,826	$ 17,712	$ 21,418,935
2005	$ 2,627,465	$ 3,224,743	$ 8,107,038	$ 4,760	$ 13,964,006
2006	$ 1,690,781	$ 2,720,013	$ 18,117,244	$ 175,844	$ 22,703,882

Deductions By Type

Year Ended December 31,	Benefits	Refunds	Employee Transfers to Cook County	Administrative Expenses	Total Deductions
2001	$ 6,827,998	$ 500,539	$ -	$ 146,758	$ 7,475,295
2002	$ 7,715,412	$ 615,562	$ -	$ 200,848	$ 8,531,822
2003	$ 10,437,503	$ 2,672,454	$ -	$ 156,129	$ 13,266,086
2004	$ 11,361,642	$ 1,305,039	$ 507,604	$ 136,235	$ 13,310,520
2005	$ 11,108,689	$ 730,332	$ 186,159	$ 113,138	$ 12,138,318
2006	$ 11,465,912	$ 346,117	$ 345,410	$ 108,566	$ 12,266,005

1 - Includes deductions in lieu of disability.

2 - Includes net tax levy.

3 - Includes realized net gain or loss on investments sold and starting in 2005, net securities lending.

4 - Includes Medicare Part D, prescription plan rebates and miscellaneous income.
2006 is the first year for Medicare Part D and prescription plan rebates.

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Schedule of Taxes Receivable

December 31, 2006

Levy Year		Gross Levy	Uncollected Balance	Reserve for Loss and Costs	Net Uncollected Balance
2005		$ 2,925,000	$ 323,325	$ 78,966	$ 244,359
2006		2,649,000	2,649,000	71,515	2,577,485
	Total		$ 2,972,325	$ 150,481	$ 2,821,844

Note:

2005 tax levy includes net Illinois Replacement Tax of $292,793.

2006 tax levy includes net Illinois Replacement Tax of $265,165.