City of Urbana
400 South Vine Street
Urbana, IL 61801

October 1, 2006

TO: Members, Urbana Firemen's Pension Fund

FROM: Ronald Eldridge, Treasurer Ron E.

Attached please find the annual financial report and audit for the Firemen's Pension Fund for the fiscal year ended June 30, 2006. Some important points of the audit are:

1) The financial statements have been prepared in accordance with generally accepted accounting principles ("clean opinion"). The auditor's opinion letter on this finding is on page 1.

2) In performing their work, the auditors did not discover any significant weaknesses in the fund's internal accounting controls. It is the policy of the auditor that no separate letter is issued in this circumstance.

3) Net worth of the fund increased $1,101,869 to $24,937,513 (a 4.6% increase). Last year's increase was $1,767,376 (8.0%). A comparison of the components of the increase in fund balance compared to last year follows:

	Increase Over Last Yr.	% Increase	% Total Rev.
Employer Contributions	$104,820	11.3%	41.6%
Employee Contributions	4,428	1.8%	10.2%
Member Repayments (Ballew)	32,710	n/a	1.3%
Investment Income	-749,114	-39.1%	47.0%
Expenses	58,315	4.4%	n/a
Net Increase in Fund Balance	$-665,507	-37.7%	n/a

4) The city's annual contribution was based upon an actuarial study performed by the actuarial firm of Tim Sharpe. The amount required to be contributed by law by the City was $800,420 (31% of salary). The amount requested by the fund was $991,444 (amortizing the accrued liability by a level dollar amount). The amount actually contributed by the City was $1,032,024. On Page 13 is a detailed schedule of contributions made by the City since 1997. Firefighters contribute 9.455% of their salary into the fund, which totaled $252,261 (ratio of city contributions to employees was approximately 4 to 1).

5) The fund is at a 80.9% funding level. Last year the fund was at a 83.5% funding level. A detailed schedule of funding level over the last 10 years is shown on page 12.

6) A review of the makeup of the investment portfolio shows that approximately 10 years ago 88% of the funds were invested in U.S. government securities and bank certificates of deposit until state law changed and allowed investments in mutual funds in January 1998:

	Percent of Portfolio				
	06	05	04	03	96
U.S. Government	44	49	51	59	82
Cert. Of Deposit	7	6	4	3	6
Insurance Annuities	0	0	2	3	9
Savings/Checking	2	4	2	1	0
Mutual Funds	47	41	41	34	0
Il. Treasurer's Fund	0	0	0	0	3

7) One of the ways the fund minimizes investment risk is to stagger maturity dates of it's fixed income investments. The fund is weighted more heavily in the 0-10 year maturity cycles than the goal and underweighted in the 16-20 and 21-25 year cycles. This is due to the fact that long term interest rates over the past 4 years has been considerably lower than normal. The policy goals remain the same and we will continue to analyze each investment purchase in the future and attempt to purchase investments with longer-term maturities, if the interest rate on these investments make sense. Following is a breakdown of U.S. government securities and certificate of deposit investments by maturities compared to the investment policy goals (also shown on page 8 of the financial audit report):

Maturity	Actual 6/30/06	Goal
0-5 Yrs	45%	20%
6-10 Yrs	36%	20%
11-15 Yrs	17%	20%
16-20 Yrs	2%	20%
21-25 Yrs	0%	20%

8) A breakdown of the investment return by investment type follows:

	$		% Return	
	2006	2005	2006	2005
Savings/Money Markets	$ 13,632	$4,327	4.0%	2.2%
Cert. Of Deposit	51,314	40,386	3.7	3.2
U.S. Government	571,240	589,985	5.6	5.7
Subtotal	$636,186	$634,698	5.3	5.4
Unrealized Gain US	- 850,024	+429,244	n/a	n/a
Subtotal, Fixed	$ - 213,838	$1,063,942	-1.7	9.0
Insurance Annuities	0	46,561	n/a	8.9
Mutual Funds *	1,380,042	804,851	13.2	9.3
Subtotal Equities	$ 1,380,042	$ 851,412	13.2	9.2
Total	$ 1,166,204	$1,915,354	5.2%	9.1%
Total Before Unrealized Gains (Losses on US Govt.)			8.7%	7.1%

*Net of all fees. Busey's fee is $5,502 (.0005)

9) A historical review of investment return shows over the last 8 years shows that the fund has historically averaged approximately an 7.6% return before equities (U.S. Government and C.D.'s). The depressed stock market has lowered the total average return to 5.9% over the same 8 year period. However, for the last 3 years, the stock investments have increased the return from 6.4% to 7.9%. The actuary assumes an average total return of 7.5%:

	2006	2005	2004	Last 3 Yrs	Last 5 Yrs	Last 9 Yrs
Return Interest	5.3%	5.4%	5.8%	5.5%	6.2%	7.0%
Return Int./UR Gain US	- 1.8%	9.0%	- 0.7%	2.1%	5.2%	6.5%
Return Equities	13.2%	9.2%	22.6%	14.4%	7.1%	5.3%
Total Return	5.2%	9.1%	8.0%	7.4%	5.4%	5.8%
Total Return not incl. Unrealized US	9.0%	7.0%	11.7%	9.2%	6.6%	6.4%

10) Benefits: Listed below is a general description of the formulas used to calculate benefits. (The following is provided as a general picture and should not be used to actually calculate a person's benefits):

- Regular Retirement Pension. Firefighters 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 at the date of retirement. The pension shall be increased by .208% for each month of service over 20 years, to a maximum of 75% (reached at 30 years of service). Employees with at least 10 years, but less than 20 years of credited service, may retire and receive a reduced benefit at age 60 (on a graduated scale 10 years service = 15%, 15 years service = 30%, 19 years service = 45.6%). Upon reaching the age of 55, a regular pension is increased .25% for each month retired (up to a maximum of 15%), and 3% annually thereafter each January 1. For example, a company officer retiring with 25 years of experience would receive 62.5% of his final salary.

- Disability Pension. A firefighter that is unable to perform his or her duties due to a duty related injury is entitled to receive an annual payment of 65% of the salary at the date of disability. A firefighter that is unable to perform his or her duties due to an injury not related to the job is entitled to an annual payment of 50%. Upon reaching the age of 60, a disability pension is increased 3% of the original pension annually.

- Survivor Pension. If a firefighter dies on duty, the surviving spouse receives pension equal to the salary of the firefighter. If a firefighter dies due to reasons not related to duty, the surviving spouse assumes firefighter's pension.

11) The cost of benefit increases are expected to increase over time. Most members drawing benefits by law receive a 3% annually compounded increase in addition to increases in the number of retirees and the increased salaries at retirement that these benefits are based on. Total benefit costs increased 4.4% in 2006 compared to 2005 and have averaged an annual 3.7% increase over the last 3 years and 6.4% over the last 10 years. An

examination of the total amount paid out for benefits shows the following amounts over last 3 years and 10 years ago:

	2006	2005	2004	1996
Disability	$197,657	$196,015	$176,784	$134,745
Service	1,045,733	1,010,475	959,402	534,756
Dependent	123,997	103,544	119,545	59,134
Total	$1,367,387	$1,310,034	$1,255,731	$728,635

12) An examination of the number and make up of members receiving benefits provides insight into certain trends and changes affecting previous and future pension costs:

	Disability				Service				Dependent		
	#	Ave. Age	Serv. Yrs	Ave. Ben.	#	Ave. Age	Serv. Yrs	Ave. Ben.	#	Ave. Age	Ave. Ben.
2006	8	60	17	$1,999	33	63	24	$2,767	8	76	$1,353
2005	9	61	17	$2,010	32	64	24	$2,675	7	77	$1,212
2004	8	63	18	$1,885	31	63	24	$2,619	9	75	$1,107
2003	8	62	18	$1,798	31	63	24	$2,529	9	74	$1,107
2002	8	61	18	$1,726	31	62	24	$2,456	10	74	$1,098
2001	9	62	18	$1,635	29	61	24	$2,331	9	73	$1,100
2000	9	64	17	$1,385	29	60	24	$2,210	8	72	$ 893
1999	10	63	16	$1,278	30	58	23	$2,129	7	71	$ 878
1998	10	59	16	$1,161	28	57	23	$2,055	8	74	$ 758
1997	11	59	16		29	56	23		6	74	
1996	11	59	16		26	57	25		6	73	
1992	9	58	14		14	60	22		7	73	
1987	8	59	14		7	60	23		6	66	

- There is 1 less disability pension than last year as R. Swaney passed away. The number of disability pensioners is approximately the same number as 20 years ago. The average monthly benefit decreased 0.5% due to death of Swaney (otherwise, increase was 0.9%). Upon reaching the age of 60, a disability pension is increased 3% of the original pension annually.

- There was 1 additional service pension during the year as M. Weber turned 50 and began drawing his pension. The average monthly benefit increased 3.4%. Upon reaching the age of 55, a regular pension is increased .25% for each month retired (up to a maximum of 15%), and 3% annually thereafter each January 1.There is one retiree that has not reached the age to draw benefits, J. Ballew, who purchased back his previous service time in 2006.

- There is 1 additional dependent pension (Ms. Swaney). The average monthly benefit increased 11.6% mainly due to the impact of the addition of Ms. Swaney. Otherwise, benefit amounts did not change. The only increase in benefits provided under law is a

3% annual increase each July 1 for those dependents below the minimum pension amount ($1,061/month at July 1, 2005).

13) An examination of the number and make up of current firefighters provides insight into certain trends and changes affecting previous and future pension costs:

	# F.F.	Ave. Age	Ave. Yr. Service	Ave. Salary
2006	48	39	10.7	55,265
2005	48	39	10.0	53,112
2004	48	38	9.3	51,204
2003	48	37	9.3	48,585
2002	47	36	8.3	47,059
2001	47	36	8.3	43,663
2000	47	36	8.5	41,830
1999	46	37	8.2	40,260
1998	47	40	10.0	38,412
1997	40	38	11.0	33,911
1996	40	37	10.1	34,928
1992	41	42	14.6	32,213
1988	42	42	17.4	28,435

- In 2006, one new firefighter was admitted into the fund (Frazier) and 1 left employment (Horvath). In the last 10 years (since 1997), the age of current firefighters has not changed (38) . The average years of service is the same as 10 years ago but has increased over the last 7 years.

- Average salaries of firefighters increased 4.1% in 2006 over 2005. Over the last 5 and 10 years, the average salary in the fund has increased annually 4.7% and 4.8% respectively. The actuary assumption on salary increases is 5.25%.

CITY OF URBANA, ILLINOIS

FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 2006 and 2005

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Audit Report

For the Years Ended June 30, 2006 and 2005

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of plan net assets of the City of Urbana, Illinois Firemen's Pension Fund, a fiduciary fund of the City of Urbana, Illinois as of June 30, 2006 and 2005, and the related statements of changes in plan net assets, for the years then ended. These financial statements are the responsibility of the City'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 the audits 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the financial statements present only one fiduciary fund of the City of Urbana, Illinois and are not intended to present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City of Urbana, Illinois Firemen's Pension Fund, as of June 30, 2006 and 2005, and the changes in plan net assets, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress and Schedule of Employer Contributions on pages 12 and 13, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Martin, Hood, Friese & Associates, LLC

Champaign, Illinois
August 9, 2006

Employee Benefit Plan
Audit Quality Center
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CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Statement of Plan Net Assets
As of June 30, 2006 and 2005

	2006	2005
ASSETS:		
Cash and Cash Equivalents:		
Busey Bank Savings	$ 541,724	$ 1,051,622
Money Market Accounts	40,726	24,863
Total Cash and Cash Equivalents	582,450	1,076,485
Receivables:		
Employer Contributions (Property and Replacement Tax)	457,877	427,616
Accrued Interest	28,185	15,276
Total Receivables	486,062	442,892
Investments, at Fair Value:		
U.S. Government Securities	10,809,546	11,411,289
Certificates of Deposit	1,613,275	1,405,455
Mutual Funds	11,451,194	9,502,954
Total Investments	23,874,015	22,319,698
Total Assets	$24,942,527	$23,839,075
LIABILITIES:		
Contribution Refunds Payable	$ 2,687	$ 2,687
Accounts Payable	2,327	744
Total Liabilities	5,014	3,431
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented on page 11.)	$24,937,513	$23,835,644

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

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Comparative Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2006 and 2005

	2006	2005
ADDITIONS:		
Contributions:		
Employer:		
Property Tax	$ 980,024	$ 875,204
Replacement Tax	52,000	52,000
Total Employer Contributions	1,032,024	927,204
Refunds Repaid by Members	32,710	-
Employees	252,261	247,833
Total Contributions	1,316,995	1,175,037
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments:		
Mutual Funds	1,042,850	744,360
U.S. Government Securities	(850,025)	434,851
Interest	636,186	629,091
Dividends	342,695	111,547
Total Investment Income	1,171,706	1,919,849
Less Investment Expense	(5,503)	(4,495)
Net Investment Income	1,166,203	1,915,354
Total Additions	2,483,198	3,090,391
DEDUCTIONS:		
Disability Benefits	197,657	196,105
Firemen's Pension Benefits	1,045,733	1,010,475
Dependent's Benefits	123,997	103,544
Administrative Costs	13,942	12,891
Total Deductions	1,381,329	1,323,015
NET INCREASE (DECREASE)	1,101,869	1,767,376
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of Year	23,835,644	22,068,268
End of Year	$24,937,513	$23,835,644

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

Notes to Financial Statements
June 30, 2006 and 2005

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 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 five trustees, made up of two persons appointed by the mayor of the City of Urbana and two persons elected from the current firefighters and one elected from the retired firefighters. The Pension fund is also included in the annual report of the City of Urbana, as a fiduciary fund, according to the criteria specified in governmental accounting standards.

Investments are reported at fair value. Fair values for U.S. government securities, stock mutual funds and money market accounts are based upon latest quoted prices. Investment transactions are reported as of the trade date. Interest income is recognized as earned. Realized gains and losses on sales and exchanges of securities and unrealized gains and losses are reported as net appreciation (depreciation) in the fair value of investments.

The fund considers all liquid investments with maturity of three months or less when purchased to be cash equivalents. At June 30, 2006 and 2005, there were no investments that were considered cash equivalents.

The fund is accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Employer contributions are primarily made from property taxes. Property taxes are recognized as revenues in the year for which they are levied. The 2005 levy is reported in fiscal year 2006 and the 2004 levy in fiscal year 2005. The taxes are certified against appraised real property as of the beginning of the previous calendar year. Benefits are recognized when the benefit is due and payable. Refunds are recognized when the employee resigns from employment with the city.

The preparation of financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions from plan net assets during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements
June 30, 2006 and 2005

Note 2 - Pension Disclosure Information:

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 Illinois State Statues govern employee and employer contribution levels. This fund is accounted for and reported as a pension trust fund.

At June 30, 2006 and 2005, the pension plan membership consisted of:

	2006	2005
Retirees and beneficiaries currently receiving benefits	49	48
Terminated plan members entitled to but not yet receiving benefits	1	1
Active vested plan members	24	19
Active non vested plan members	24	29
Total	98	97
Number of participating employers	1	1

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 2½ % of such salary for each month over 20 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 and receive a reduced benefit which begins at age 60. The monthly pension of a fire-fighter who retires after January 1, 1977 with 20 or more years of service, shall be increased annually, following the first anniversary date of retirement, and paid upon reaching at least the age 55, by .25% of the original pension times the number of months the employee has been retired since age 50 (up to a maximum of 15%), and 3% annually thereafter of the pension payable at the time of the increase. The monthly pension of a firefighter who retires with less than 20 years of service receives an annual 3% increase.

During the year, covered employees were required to contribute 9.455% of their salary to the Firemen's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City of Urbana is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Plan is fully funded.

b. Funding Policy and Annual Pension Cost:

The amount shown below as the "net pension 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 an accrued liability and is a component of the funding method used to determine contributions to the system. Administrative costs are paid for by the plan, except for in-kind donated financial services from the City.

The funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payrolls. The contribution rate for normal cost is determined using the entry age normal actuarial funding method. The system used a level percentage amount

Notes to Financial Statements
June 30, 2006 and 2005

method to amortize the unfunded liability over a 40 year period. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the net pension obligation.

Latest Actuarial Valuation Date	June 30, 2005
Asset Valuation Method	5 Year Average Market Value
Significant Actuarial Assumptions:	
Rate of return on investment of present and future assets	7.5% compounded annually
Projected salary increases	5.25% compounded annually
Post retirement benefit increases	3.0% interest annually
Inflation increases	3.0% annually
Mortality	1983 Group Annuity Mortality Table
Withdrawal	Graduated Rates
Disability	Graduated Rates
Retirement	Graduated Rates (100% by age 69)
Marital Status	85% married, spouse same age
Plan Expenses	None

Annual Required Contribution	$ 800,420
Interest on Net Pension Obligation	0
Adjustment to Annual Required Contribution	0
Annual Pension Cost	800,420
Contributions Made	1,032,024
Increase (Decrease) in Net Pension Obligation	(231,604)
Net Pension Obligation, Beginning of Year	(516,012)
Net Pension Obligation, End of Year	$ (747,616)

There were no changes in any actuarial assumptions that would significantly affect the net pension obligation or the required contribution.

Notes to Financial Statements
June 30, 2006 and 2005

Note 3 - Deposits and Investments:

As of June 30, 2006, the pension fund had the following fixed income or interest bearing investments and maturities:

Investment Maturities	U.S. Govt and Primary Obligation Agencies	U.S. Govt. Implied Obligation Agencies	Certificates of Deposit	Fixed Income Total
0–5 Years:				
'$ Amount	$ 2,125,380	$1,890,849	$1,613,275	$ 5,629,504
'% Portfolio				45%
'% Policy Goal				20%
6-10 Years				
'$ Amount	2,968,370	1,502,366	-	4,470,736
'% Portfolio				36%
'% Policy Goal				20%
11–15 Years				
'$ Amount	167,553	1,517,308	-	1,684,861
'% Portfolio				14%
'% Policy Goal				20%
16–20 Years				
'$ Amount	256,777	380,943	-	637,685
'% Portfolio				5%
'% Policy Goal				20%
21–25 Years				
'$ Amount	-	-	-	-
'% Portfolio				0%
'% Policy Goal				20%
Total	$ 5,518,080	$5,291,466	$1,613,275	$12,422,821

Notes to Financial Statements
June 30, 2006 and 2005

The fund also had the following stock equity mutual fund investments:

Mutual Fund Type	Fair Value	%Total	Policy Goal	Policy Min.	Policy Max.
Small Cap	$ 695,873	6%	5%	5%	20%
Active Equity	4,484,346	39%	40%	25%	40%
International	1,280,013	11%	10%	5%	15%
Mid Cap	1,143,835	10%	10%	5%	15%
Equity Index	3,847,127	34%	35%	30%	40%
Total	$11,451,194	100%			

Interest rate risk: In accordance with its investment policy, the fund manages its exposure to declines in fair values by 2 methods:

(1) Structuring the fixed income portion of the portfolio such that maturity dates are staggered so as to avoid an undue concentration of assets in a given time period. The fund investment policy has the following goals concerning maturity dates: 20% of the portfolio should have a maturity date of 0-5 years, 20% 6-10 years, 20% 11-15 years, 20% 16-20 years, and 20% 21-25 years. The investment policy recognizes that these percentages are only goals and that the Treasurer when purchasing an investment, has the flexibility to deviate from these goals if he deems that the interest rate available on investments with certain maturities does not make this purchase advisable. As illustrated above, the fund's investments are overweighted in the 0-10 year maturity levels and underweighted in the 11-25 year maturity levels. This is due to the fact that in the past few years, the interest rates on longer term maturities has been considerably lower than normal. The fund will continue to analyze each investment purchase in the near future and attempt to purchase investments with maturities above 10 years, if the interest rate on these investments makes this a prudent investment.

Notes to Financial Statements
June 30, 2006 and 2005

(2) By diversifying the portfolio so that the impact of a potential drop in interest rates on a particular type of security will be minimized. The fund investment policy has the following goals concerning types of investments:

	U.S. Govt. and Agencies	Certificates of Deposit	Stock Equity Mutual Funds
% at June 30, 2006	45%	7%	48%
% Policy Goal	50%	5%	45%
% Policy Minimum	45%	0%	0%
% Policy Maximum	100%	10%	45%

At June 30, 2006, all investment types are within policy minimum and maximum levels, except for stock equity mutual funds. The % of the portfolio in the mutual funds has exceed the policy maximum mainly due to the loss in market value of the U.S. Govt. and Agencies. It is expected that the market value of these U.S. Govt. and Agencies securities will recapture much of this market loss over the next few years. Therefore, the Board of Trustees of the Pension Fund may decide not to take any action to divest of the stock mutual funds, but let the % of the portfolio return to the policy maximum of 45% over this time period.

Credit Risk: The pension fund is limited by State Statutes and fund investment policy to invest only in obligations of the U.S. Government Treasury and its agencies, non-negotiable certificates of deposit, the 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 net assets), mutual funds (up to a maximum of 45% of the fund's net present assets or 35% if 10% is invested in general and separate accounts of approved life insurance companies) and money market mutual funds which are backed by U.S. government securities and agencies. Investments in U.S. Government securities and certain U.S. Government Agency securities are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government. The fund has also invested in certain U.S. Government Sponsored Enterprises (G.S.E.) that are not secured by an explicit guarantee of the U.S. Government. One-hundred percent of these G.S.E. investments carry a AAA rating from Moody's and Standard and Poors. The fund considers the credit risk of all U.S. Government securities to be similar and does not distinguish these securities for purposes of policy goals, minimum and maximum investment levels. At June 30, 2006, the fund had $40,726 invested in money market accounts. These money market accounts are not guaranteed and are not rated. The fund

Notes to Financial Statements
June 30, 2006 and 2005

does not believe that the credit risk for these money market accounts to be significant in that the amounts invested are typically small. The investment policy limits any investment in a certificate of deposit to $100,000. At June 30, 2006, the fund had $15,275 invested in individual certificates of deposit above the $100,000 limit. The fund does not believe that the credit risk for this $15,275 to be significant in that all of these certificates of deposit mature in less than 18 months.

Concentration of Credit Risk: The only investments in any single security or organization that are in excess of 5% of the total investments or 5% of net assets (except for investments in U.S. Government and its credit guaranteed agencies and investments in certain mutual funds) is investments in the securities of the Federal Financing Corporation (FICO) which total 10% of total investments and 9% of net assets and investments in the securities of the Federal National Mortgage Corporation (FNMA) which total 9% of total investments and 8% of net assets. These securities carry an implied U.S. Government guarantee. The fund considers the credit risk of these investments to be similar to investments in U.S. Government Agency securities that are explicitly guaranteed by the U.S. Government. Thus the fund does not believe a possible concentration of credit risk due to this investment is significant enough to address in the investment policies.

Custodial Credit Risk for Deposits: is the risk that in the event of a bank failure, the fund's deposits may not be returned. Deposits in federally insured banks and savings and loans are insured in an amount equal to $100,000 for the fund plus an amount for each member's beneficial interest in the deposits, limited to an amount equal to $100,000 divided by the largest beneficial interest percentage of a member. At year-end, the fund was not exposed to custodial credit risk for deposits as all deposits were insured.

Custodial Credit Risk for Investments: is the risk that in the event of the failure of the counterparty, the fund may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The fund has no custodial credit risk in that all of its investments are insured.

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Required Supplementary Information

Schedule of Funding Progress

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age Normal Cost	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Accr. Liability as a % of Covered Payroll
June 30, 1996	**Information before June 30, 1997 is not available**					
June 30, 1997	$17,667,483	$17,765,535	$98,052	99.4%	$1,493,965	6.6%
June 30, 1998	$17,962,009	$18,450,491	$488,482	97.4%	$1,805,334	27.1%
June 30, 1999	$19,449,427	$19,931,074	$481,647	97.6%	$2,016,499	23.9%
June 30, 2000	$20,943,568	$21,272,505	$328,937	98.5%	$2,007,050	16.4%
June 30, 2001	$21,796,116	$22,731,090	$934,974	95.9%	$2,138,464	43.7%
June 30, 2002	$21,819,871	$24,108,435	$2,288,564	90.5%	$2,232,027	102.5%
June 30, 2003	$21,818,207	$25,302,779	$3,484,572	86.2%	$2,282,198	152.7%
June 30, 2004	$21,981,512	$26,323,551	$4,342,039	83.5%	$2,449,278	177.3%
June 30, 2005	$22,450,509	$27,747,673	$5,297,164	80.9%	$2,552,316	207.5%

CITY OF URBANA, ILLINOIS
FIREMEN'S PENSION FUND

Required Supplementary Information
Schedule of Employer Contributions
(Unaudited)

Fiscal Year	Annual Required Contribution	Contributions Made	Percentage Contributed
1997	$328,061	$361,389	110.2%
1998	$308,987	$349,763	113.2%
1999	$380,367	$394,706	103.8%
2000	$440,150	$458,118	104.1%
2001	$459,832	$482,779	105.0%
2002	$517,183	$522,034	100.9%
2003	$613,475	$688,615	112.2%
2004	$684,437	$807,407	118.0%
2005	$743,511	$927,204	124.7%
2006	$800,420	$1,032,024	128.9%