

CITY OF AURORA, ILLINOIS
RETIREE HEALTH INSURANCE TRUST FUND
ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2010



Certified Public Accountants & Business Advisors

CITY OF AURORA, ILLINOIS
RETIREE HEALTH INSURANCE TRUST FUND
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	MD&A 1-5
BASIC FINANCIAL STATEMENTS	
Statement of Plan Net Assets	5
Statement of Changes in Plan Net Assets	6
Notes to Financial Statements	7-13
Required Supplementary Information	
Other Postemployment Benefit Plan	
Schedule of Funding Progress	14
Schedule of Employer Contributions	15
SUPPLEMENTARY INFORMATION	
Schedule of Changes in Plan Net Assets - Budget and Actual	16



998 Corporate Boulevard • Aurora, IL 60502

INDEPENDENT AUDITOR'S REPORT

The Honorable President
Members of the Board of Trustees
Retiree Health Insurance Trust Fund
City of Aurora, Illinois

We have audited the basic financial statements of the Retiree Health Insurance Trust Fund, a blended component unit of the City of Aurora, Illinois, as of and for the year ended December 31, 2010, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Retiree Health Insurance Trust Fund's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1-A, these financial statements present only the Retiree Health Insurance Trust Fund and are not intended to present fairly the financial position and changes in financial position of the City of Aurora, Illinois, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the Retiree Health Insurance Trust Fund of the City of Aurora, Illinois, as of December 31, 2010, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Retiree Health Insurance Trust Fund of the City of Aurora, Illinois. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Aurora, Illinois
May 23, 2011

A handwritten signature in cursive script, appearing to read "A. J. P.", located to the right of the date.

**CITY OF AURORA
RETIREE HEALTH INSURANCE TRUST FUND**

(A Fiduciary Fund of the City of Aurora, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis (MD&A) of the City of Aurora Retiree Health Insurance Trust Fund's financial statements. The MD&A addresses the major factors affecting the operations and investment performance of the fund during the fiscal year ended December 31, 2010 and includes comparative information for the fiscal year ended December 31, 2009.

The City of Aurora Retiree Health Insurance Trust Fund (the "Fund") exists to provide health insurance benefits to qualified retirees of the City of Aurora (the "City"), Illinois, in accordance with a retiree health insurance plan established by the City. The Fund is a trust fund of the City operated in accordance with Section 115(1) of the Internal Revenue Code. It was established on January 1, 2007 pursuant to a trust document approved by the Aurora City Council on December 19, 2006. (The original trust document was subsequently amended and restated.) As stated in a letter ruling released on March 30, 2010, the Internal Revenue Service has determined that the income of the Fund is not subject to federal income taxation.

As of December 31, 2010, the fund provided benefits to 436 retirees and their family members. Plan members also included 586 vested and 271 nonvested active City employees.

Overview of Financial Statements and Accompanying Information

This discussion and analysis is intended to serve as an introduction to the Fund's financial reporting which is comprised of the following components:

1. **Basic Financial Statements:** This information presents the net assets held in trust for benefits as of December 31, 2010. This financial information also summarizes the changes in plan net assets held in trust for benefits for the year then ended.
2. **Notes to Basic Financial Statements:** The notes to basic financial statements provide additional information that is essential to achieve a full understanding of the data provided in the basic financial statements.
3. **Required Supplementary Information:** The required supplementary information consists of schedules and related notes concerning actuarial information, funded status, and required contributions for the Fund.
4. **Other Supplementary Information:** This section includes a schedule of changes in plan net assets with budget versus actual comparisons.

Plan Net Assets

The statement of plan net assets is presented for the Fund as of December 31, 2010 and 2009. The financial statement reflects the resources available to pay benefits to members at the end of the years reported. A summary of the plan net assets is presented below:

CITY OF AURORA RETIREE HEALTH INSURANCE TRUST FUND

(A Fiduciary Fund of the City of Aurora, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Condensed Statements of Plan Net Assets

	2010	2009	Dollar Change	Percent Change
Cash and Equivalents	\$ 318,735	\$ 314,955	\$ 3,780	1.2%
Receivables	104,731	306,938	(202,207)	-65.9%
Investments, at fair value	<u>24,437,789</u>	<u>22,240,190</u>	<u>2,197,599</u>	9.9%
Total Assets	24,861,255	22,862,083	1,999,172	8.7%
Liabilities	<u>668,064</u>	<u>484,079</u>	<u>183,985</u>	38.0%
Total Net Plan Assets	<u>\$ 24,193,191</u>	<u>\$ 22,378,004</u>	<u>\$ 1,815,187</u>	8.1%

Financial Highlights

The Fund's net assets increased \$1.8 million (or 8.1%) during the fiscal year ended December 31, 2010. The increase was due to favorable investment results and claims experience.

The Fund was actuarially funded at 13.99% as of December 31, 2010, compared to 12.88% as of December 31, 2009.

The overall rate of return for the fund was 10.2% during 2010, compared to 17.2 % during 2009.

Funded Ratio

The funded ratio of the plan measures the ratio of net assets against actuarially determined liabilities and is an indicator of the fiscal strength of the fund's ability to meet obligations to its members. The Fund's Board of Trustees commissions an actuarial valuation each year. The most recent available valuation showed the funded status of the Fund as of December 31, 2010 increased to 13.99% from 12.88% on December 31, 2009. The unfunded actuarial accrued liability was \$148.8 million on December 31, 2010 as compared to \$151.3 million on December 31, 2009. This was a decrease of \$2.5 million or 1.7%. The decrease was a result of an increase in the value of the Fund's assets. For more information, please refer to the Schedule of Funding Progress included in the Required Supplementary Information section of this report.

The assumptions used in the actuarial valuation impact upon the Fund's funded ratio. The key assumptions used in the valuation include that 1) the Fund will earn a 7.0% annual rate of return on its investments, 2) healthcare costs will increase 5.0% annually over the long term, and 3) the costs of satisfying the unfunded actuarial accrued liability of the Fund will be amortized over a 30-year open period.

CITY OF AURORA RETIREE HEALTH INSURANCE TRUST FUND

(A Fiduciary Fund of the City of Aurora, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Investments

The allocation of investment assets for the Fund as of December 31, 2010 and 2009 were as follows:

Allocation of Investments

	<u>2010</u>	<u>2009</u>
Money Market Mutual Funds	13.0%	36.8%
U.S. Treasury Securities	8.1%	7.5%
U.S. Agency Securities	4.5%	6.5%
Corporate Bonds	23.0%	12.9%
Corporate Equity Securities	36.2%	34.2%
Equity Mutual Funds	15.2%	2.1%
Total	<u>100.0%</u>	<u>100.0%</u>

Proper implementation of the Fund's investment policy requires that periodic rebalancing of assets be performed to ensure conformance with target allocation levels. The Board of Trustees of the Fund evaluates the investment allocation, in consultation with Becker, Burke Associates, on a quarterly basis. During 2010, the board decided to reallocate assets from money market mutual funds to fixed-income investments and equity mutual funds. The goal of these actions was to enhance long-term portfolio performance.

Changes in Plan Net Assets

Condensed statements of changes in plan net assets for the years ended December 31, 2010 and 2009 are presented below. The financial statement reflects the changes in the resources available to pay benefits to plan participants, including retirees and beneficiaries.

CITY OF AURORA RETIREE HEALTH INSURANCE TRUST FUND

(A Fiduciary Fund of the City of Aurora, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Condensed Statements of Changes in Plan Net Assets

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Additions:				
Employer Contributions	\$4,548,786	\$6,911,969	(\$2,363,183)	-34.2%
Retiree Contributions	1,565,289	1,455,409	109,880	7.5%
Net Investment Income	<u>2,193,568</u>	<u>2,837,541</u>	<u>(643,973)</u>	22.7%
Total Additions	<u>8,307,643</u>	<u>11,204,919</u>	<u>(2,897,276)</u>	25.9%
Deductions:				
Health Insurance Benefits	6,484,157	7,637,030	(1,152,873)	-15.1%
Administrative Expenses	<u>8,299</u>	<u>20,951</u>	<u>(12,652)</u>	-60.4%
Total Deductions	<u>6,492,456</u>	<u>7,657,981</u>	<u>(1,165,525)</u>	-15.2%
Net Increase in Plan Net Assets	<u>\$1,815,187</u>	<u>\$3,546,938</u>	<u>(\$1,731,751)</u>	48.8%

Additions

Additions to plan net assets include employer and retiree contributions and net income from investment activities. Employer contributions declined from \$6.9 million in 2009 to \$4.5 million in 2010, a decrease of \$2.4 million or 34.2%. The decline in employer contributions relates to the recent general economic downturn and the adverse impact it has had on the City's financial position. As the economy and, correspondingly, the City's revenues improve, it is expected that the City will make greater contributions to the Fund.

Retiree contributions were approximately \$1.6 million during 2010, compared to \$1.5 million in 2009. The contributions required of retirees are established based upon the City's analysis of past and projected future benefit costs and, where applicable, the results of negotiations with employee groups subject to collective bargaining.

The fund's net investment income for 2010 was \$2.2 million as compared to \$2.8 million during 2009. While the performance of the Fund's investments was very strong in 2010, it did not rise to the extraordinary level seen in the prior year.

CITY OF AURORA RETIREE HEALTH INSURANCE TRUST FUND

(A Fiduciary Fund of the City of Aurora, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Deductions

Deductions from plan net assets are primarily benefit payments. During 2010 and 2009, the Fund paid out \$6.4 million and \$7.6 million, respectively, in benefits. This was a decrease of \$1.2 million or 15.1% between the two fiscal years. The decline was due to more favorable claims experience in 2010.

Future Outlook

Employer contributions to the Fund are expected to grow over the next several years as the City intends to satisfy a higher percentage of the annual required contribution calculated by the Fund's actuary. With respect to investment income, the Fund will continue to structure its investment portfolio with the goal of maximizing returns over the long term.

Request for Information

This financial report is designed to provide a general overview of the Fund's finances for interested parties. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Brian W. Caputo, President, City of Aurora Retiree Health Insurance Trust Fund, 44 East Downer Place, Aurora, IL 60507.

BASIC FINANCIAL STATEMENTS

CITY OF AURORA, ILLINOIS

RETIREE HEALTH INSURANCE TRUST FUND

STATEMENT OF PLAN NET ASSETS

December 31, 2010

ASSETS	
Cash and Short-Term Investments	\$ 318,735
Investments, at Fair Value	
Money Market Mutual Funds	625,773
Illinois Funds	2,553,617
U.S. Treasury Securities	1,982,619
U.S. Agency Securities	1,092,595
Corporate Bonds	5,630,016
Corporate Equity Securities	8,840,298
Equity Mutual Funds	3,712,871
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)	
Accounts Receivable	14,943
Accrued Interest	89,788
	<hr/>
Total Assets	24,861,255
LIABILITIES	
Accounts Payable	20,893
Claims Payable	555,072
Due to the Primary Government	92,099
	<hr/>
Total Liabilities	668,064
NET PLAN ASSETS HELD IN TRUST FOR OPEB BENEFITS (A Schedule of Funding Progress is Presented on Page 14)	
	<hr/> <hr/>
	\$ 24,193,191

See accompanying notes to financial statements.

CITY OF AURORA, ILLINOIS

RETIREE HEALTH INSURANCE TRUST FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the Year Ended December 31, 2010

ADDITIONS

Contributions

Employer Contributions	\$ 4,548,786
Retiree Contributions	<u>1,565,289</u>

Total Contributions	<u>6,114,075</u>
---------------------	------------------

Investment Income

Net Appreciation in Fair Value of Investments	1,765,803
Interest and Dividends	<u>541,500</u>

Total Investment Income	2,307,303
Less Investment Expense	<u>(113,735)</u>

Net Investment Income	<u>2,193,568</u>
-----------------------	------------------

Total Additions	<u>8,307,643</u>
-----------------	------------------

DEDUCTIONS

Health Insurance Benefits	6,484,157
Administrative Expenses	<u>8,299</u>

Total Deductions	<u>6,492,456</u>
------------------	------------------

NET INCREASE	1,815,187
--------------	-----------

NET PLAN ASSETS HELD IN TRUST
FOR OPEB BENEFITS

January 1	<u>22,378,004</u>
-----------	-------------------

December 31	<u><u>\$ 24,193,191</u></u>
-------------	-----------------------------

See accompanying notes to financial statements.

CITY OF AURORA, ILLINOIS

RETIREE HEALTH INSURANCE TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Retiree Health Insurance Trust Fund of the City of Aurora, Illinois (the Fund) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fund's accounting policies are described below.

A. Reporting Entity

The Fund is a blended component unit of the City of Aurora, Illinois (the City) pursuant to GASB Statement No. 14.

B. Fund Accounting

The Fund uses funds to report on its net assets and the changes in its net assets. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Fund is classified into the fiduciary category.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When pension plan assets are held under the terms of a formal trust agreement, a pension trust fund is used.

C. Basis of Accounting

The Fund is accounted for with a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of plan net assets. The Fund's operating statements present increases (e.g., additions) and decreases (e.g., deductions) in plan net assets.

The accrual basis of accounting is utilized by the Fund. Under this method, additions are recorded when earned and deductions are recorded at the time liabilities are incurred.

CITY OF AURORA, ILLINOIS
RETIREE HEALTH INSURANCE TRUST FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Investments

Investments are stated at fair value as of December 31, 2010 for both reporting and actuarial purposes. Securities traded on national exchanges are valued at the last reported sale price.

E. Budgets

An annual budget is adopted for the Fund by the City Council of the City. The budget is adopted on a basis consistent with generally accepted accounting principles. The budget, which may not be legally exceeded at the fund level, lapses at the end of the fiscal year. Once adopted, the budget may be amended by the City Council.

2. DEPOSITS AND INVESTMENTS

The deposits and investments of the Fund are held separately from those of the City.

Retiree Health Insurance Trust Fund Deposits with Financial Institutions

Permitted Deposits and Investments - The Retiree Health Insurance Statement of Investment Policies and Objectives authorizes the Fund to invest in stocks traded on major U.S. and non-U.S. exchanges, securities listed on NASDAQ, mutual funds and commingled funds. Investment grade fixed income instruments are permitted subject to manager guidelines. Investments in options, futures, commodities and nonmarketable illiquid investments are prohibited. Specific guidelines for permitted investments for each manager will be maintained.

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund requires pledging of collateral with a fair value of 110% for all depository accounts, time deposit accounts or investments in certificates of deposits of financial institutions in excess of FDIC or SAIF insurance. The collateral is required to be held by an independent third party depository or the Federal Reserve Bank in the Fund's name.

CITY OF AURORA, ILLINOIS
 RETIREE HEALTH INSURANCE TRUST FUND
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

Retiree Health Insurance Trust Fund Investments

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2010:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 1,982,619	\$ -	\$ 544,375	\$ 1,224,681	\$ 213,563
U.S. Agency Obligations	1,092,595	-	-	545,310	547,285
Corporate Bonds	5,630,016	-	2,152,504	2,272,284	1,205,228
Illinois Funds	2,553,617	2,553,617	-	-	-
Money Market Mutual Funds	625,773	625,773	-	-	-
TOTAL	\$ 11,884,620	\$ 3,179,390	\$ 2,696,879	\$ 4,042,275	\$ 1,966,076

The Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government or money market mutual funds that are primarily invested in U.S. Treasury and agency obligations that are explicitly or implicitly guaranteed by the United States Government. However, the investment policy is silent regarding exposure to credit risk. The U.S. agency obligation and the money market mutual funds are rated AAA by Standard and Poor's or Moody's. The corporate bonds are rated BBB- to AAA by Standard and Poor's. Certain corporate bond and U.S. agency obligation investments are not rated.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. The money market mutual funds are not subject to custodial credit risk.

CITY OF AURORA, ILLINOIS
 RETIREE HEALTH INSURANCE TRUST FUND
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

Retiree Health Insurance Trust Fund Investments

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Investment Derivatives:					
U.S. Treasury TIPS	Investment Income	\$ 9,407	Investment	\$ 232,256	\$ 212,510
Corporate CMOs	Investment Income	72,397	Investment	823,710	782,750

The fair values of the investment derivatives were based on quoted market values as of December 31, 2010.

	Terms		
	Maturities	Interest Rates	Ratings
Investment Derivatives:			
U.S. Treasury TIPS	8.5 years average	1.375 - 2.375%	AAA
Corporate REMICs and CMOs	33.5 years average	Variable & 1.840 - 5.794%	BBB- through AA

3. RETIREE HEALTH INSURANCE TRUST FUND

Plan Description

The City provides postemployment health care and life insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts.

Benefits Provided

The City provides OPEB to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.

All health care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary. Until a retiree reaches age 65, \$5,000 of life insurance coverage is provided at no cost.

CITY OF AURORA, ILLINOIS
 RETIREE HEALTH INSURANCE TRUST FUND
 NOTES TO FINANCIAL STATEMENTS (Continued)

3. RETIREE HEALTH INSURANCE TRUST FUND (Continued)

Membership

At December 31, 2010, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	436
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Employees	<u>857</u>
 TOTAL	 <u><u>1,293</u></u>
 Participating Employers	 <u><u>1</u></u>

Funding Policy

The amount of retiree contributions is determined through collective bargaining or City policy depending upon the retiree's employee group at the time of retirement. All retirees contribute 20%-29% of the actuarially determined premium to the plan and the City contributes the remainder to cover the cost of providing the benefits to the retirees via the self-insured plan. Since the City is self-insured, this amount fluctuates on an annual basis. For the fiscal year ended December 31, 2010, retirees contributed \$1,565,289 and the City contributed \$4,548,786. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008, 2009 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 14,007,185	\$ 6,810,269	48.62%	\$ 42,893,128
December 31, 2009	13,099,482	6,911,969	52.77%	49,080,641
December 31, 2010	13,674,943	4,548,786	33.26%	58,206,798

CITY OF AURORA, ILLINOIS
 RETIREE HEALTH INSURANCE TRUST FUND
 NOTES TO FINANCIAL STATEMENTS (Continued)

3. RETIREE HEALTH INSURANCE TRUST FUND (Continued)

Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation (NOPEBO) as of December 31, 2010 was calculated as follows:

Annual Required Contribution	\$ 12,361,724
Interest on Net OPEB Obligation	3,435,645
Adjustment to Annual Required Contribution	<u>(2,122,426)</u>
Annual OPEB Cost	13,674,943
Contributions Made	<u>4,548,786</u>
Increase in Net OPEB Obligation	9,126,157
Net OPEB Obligation, Beginning of Year	<u>49,080,641</u>
 NET OPEB OBLIGATION, END OF YEAR	 <u>\$ 58,206,798</u>

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2010 was as follows:

Actuarial Accrued Liability (AAL)	\$ 172,968,000
Actuarial Value of Plan Assets	24,193,191
Unfunded Actuarial Accrued Liability (UAAL)	148,774,809
Funded Ratio (Actuarial Value of Plan Assets/AAL)	13.99%
Covered Payroll (Active Plan Members)	\$ 64,712,359
UAAL as a Percentage of Covered Payroll	229.90%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF AURORA, ILLINOIS
RETIREE HEALTH INSURANCE TRUST FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. RETIREE HEALTH INSURANCE TRUST FUND (Continued)

Annual OPEB Costs and Net OPEB Obligation (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included 7.00% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 7.5% reduced by 0.25% each year to arrive at an ultimate healthcare cost trend rate of 5.0%. Both rates include a 3.0% inflation assumption. The actuarial value of assets was based on fair value at December 31. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30 year basis.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AURORA, ILLINOIS
 RETIREE HEALTH INSURANCE TRUST FUND
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT BENEFIT PLAN

December 31, 2010

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2005	\$ -	\$ 177,104,904	0.00%	\$ 177,104,904	\$ 64,185,595	275.93%
2006	-	183,577,501	0.00%	183,577,501	68,183,368	269.24%
2007	15,608,508	155,475,378	10.04%	139,866,870	66,557,105	210.15%
2008	18,831,066	157,770,027	11.94%	138,938,961	72,246,059	192.31%
2009	22,378,004	173,681,516	12.88%	151,303,512	72,367,412	209.08%
2010	24,193,191	172,968,000	13.99%	148,774,809	64,712,359	229.90%

(See independent auditor's report.)

CITY OF AURORA, ILLINOIS
 RETIREE HEALTH INSURANCE TRUST FUND
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 OTHER POSTEMPLOYMENT BENEFIT PLAN

December 31, 2010

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2005	\$ 2,960,320	\$ 15,529,826	19.06%
2006	3,958,503	15,233,312	25.99%
2007	17,790,881	16,764,385	106.12%
2008	6,810,269	13,052,085	52.18%
2009	6,911,969	11,951,819	57.83%
2010	4,548,786	12,361,724	36.80%

(See independent auditor's report.)

SUPPLEMENTARY INFORMATION

CITY OF AURORA, ILLINOIS
 RETIREE HEALTH INSURANCE TRUST FUND
 SCHEDULE OF CHANGES IN PLAN NET ASSETS -
 BUDGET AND ACTUAL

For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance Over (Under)
ADDITIONS				
Contributions				
Employer Contributions	\$ 4,548,786	\$ 4,548,786	\$ 4,548,786	\$ -
Retiree Contributions	1,649,605	1,649,605	1,565,289	(84,316)
Total Contributions	<u>6,198,391</u>	<u>6,198,391</u>	<u>6,114,075</u>	<u>(84,316)</u>
Investment Income				
Net Appreciation in Fair Value of Investments	-	-	1,765,803	1,765,803
Interest and Dividends	500,000	500,000	541,500	41,500
Total Investment Income	500,000	500,000	2,307,303	1,807,303
Less Investment Expense	(116,500)	(116,500)	(113,735)	2,765
Net Investment Income	<u>383,500</u>	<u>383,500</u>	<u>2,193,568</u>	<u>1,810,068</u>
Total Additions	<u>6,581,891</u>	<u>6,581,891</u>	<u>8,307,643</u>	<u>1,725,752</u>
DEDUCTIONS				
Health Insurance Benefits	6,771,300	6,771,300	6,484,157	(287,143)
Administrative Expenses	19,000	19,000	8,299	(10,701)
Total Deductions	<u>6,790,300</u>	<u>6,790,300</u>	<u>6,492,456</u>	<u>(297,844)</u>
NET INCREASE (DECREASE)	<u>\$ (208,409)</u>	<u>\$ (208,409)</u>	1,815,187	<u>\$ 2,023,596</u>
NET PLAN ASSETS HELD IN TRUST FOR OPEB BENEFITS				
January 1			<u>22,378,004</u>	
December 31			<u>\$ 24,193,191</u>	

(See independent auditor's report.)