

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

For the Year Ended  
December 31, 2011

CITY OF AURORA, ILLINOIS  
RETIREE HEALTH INSURANCE TRUST FUND  
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1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

## 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 fiduciary fund of the City of Aurora, Illinois, as of and for the year ended December 31, 2011, 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Retiree Health Insurance Trust Fund's basic financial statements. The supplementary financial information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary financial information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Naperville, Illinois  
May 9, 2012

A handwritten signature in black ink, appearing to be 'A. H. D. H.', written in a cursive style.

## BASIC FINANCIAL STATEMENTS

**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, 2011 and includes comparative information for the fiscal year ended December 31, 2010.

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, 2011, the fund provided benefits to 447 retirees and their family members. Plan members also included 610 vested and 269 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, 2011. 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 below for the Fund as of December 31, 2011 and 2010. 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 Statement of Plan Net Assets**

	2011	2010	Dollar Change	Percent Change
Cash and Equivalents	\$ 2,406,981	\$ 3,498,125	\$ (1,091,144)	-31.2%
Investments, at fair value	22,179,680	21,258,399	921,281	4.3%
Receivables	101,412	104,731	(3,319)	-3.2%
Prepaid Expenses	3,029	-	3,029	-
Total Assets	24,691,102	24,861,255	(170,153)	-0.7%
Liabilities	491,328	668,064	(176,736)	-26.5%
Total Net Plan Assets	<u>\$ 24,199,774</u>	<u>\$ 24,193,191</u>	<u>\$ 6,583</u>	0.0%

**Financial Highlights**

The Fund's net assets remained approximately unchanged between the fiscal years ended December 31, 2010 and 2011.

The Fund was actuarially funded at 14.62% as of December 31, 2011, compared to 13.99% as of December 31, 2010.

The overall rate of return for the fund was 2.6% during 2011, compared to 10.2% during 2010.

**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, 2011 increased to 14.62% from 13.99% on December 31, 2010. The unfunded actuarial accrued liability was \$141.3 million on December 31, 2011 as compared to \$148.8 million on December 31, 2010. This was a decrease of \$7.5 million or 5.0%. The decrease was a result of a decline in the actuarial accrued liability of the Fund related to fewer active participating employees and redesign of the underlying healthcare plan. 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, 2011 and 2010 were as follows:

**Allocation of Investments**

	<u>2011</u>	<u>2010</u>
Cash and Equivalents	9.8%	14.1%
Negotiable Certificates of Deposit	0.2%	-
U.S. Treasury Securities	5.3%	8.0%
U.S. Agency Securities	12.0%	4.4%
Corporate Bonds	20.0%	22.8%
Municipal Bonds	0.2%	-
Corporate Equity Securities	40.9%	35.7%
Equity Mutual Funds	<u>11.6%</u>	<u>15.0%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></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 2011, the board decided to reallocate assets from cash and equivalents to corporate equity securities. The goal of this action was to enhance long-term portfolio performance.

**Changes in Plan Net Assets**

A condensed statement of changes in plan net assets for the years ended December 31, 2011 and 2010 is 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 Statement of Changes in Plan Net Assets

	<u>2011</u>	<u>2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Additions:				
Employer Contributions	\$4,580,046	\$4,548,786	\$31,260	0.7%
Retiree Contributions	1,654,351	1,565,289	89,062	5.7%
Net Investment Income	<u>542,409</u>	<u>2,193,568</u>	<u>(1,651,159)</u>	-75.3%
Total Additions	<u>6,776,806</u>	<u>8,307,643</u>	<u>(1,530,837)</u>	18.4%
Deductions:				
Health Insurance Benefits	6,759,493	6,484,157	275,336	4.2%
Administrative Expenses	<u>10,730</u>	<u>8,299</u>	<u>2,431</u>	29.3%
Total Deductions	<u>6,770,223</u>	<u>6,492,456</u>	<u>277,767</u>	4.3%
Net Increase in Plan Net Assets	<u>\$6,583</u>	<u>\$1,815,187</u>	<u>(\$1,808,604)</u>	-99.6%

**Additions**

Additions to plan net assets include employer and retiree contributions and net income from investment activities. Employer contributions increased modestly from \$4.5 million in 2010 to \$4.6 million in 2011, a change of about \$31,260 or 0.7%. Difficult economic circumstances have precluded the City from significantly increasing its contributions to the Fund. However, 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 \$1.7 million during 2011, compared to \$1.6 million in 2010. 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 2011 was \$542,409 as compared to \$2.2 million during 2010. Weak results achieved by the Fund's equity investments inhibited the overall portfolio performance.

# 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 2011 and 2010, the Fund paid out \$6.8 million and \$6.5 million, respectively, in benefits. This was an increase of approximately \$300,000 or 4.6% between the two fiscal years. The increase is well within the Fund's actuarial expectation.

### **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.

CITY OF AURORA, ILLINOIS

RETIREE HEALTH INSURANCE TRUST FUND

STATEMENT OF PLAN NET ASSETS

December 31, 2011

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ASSETS

Cash and Short-Term Investments	\$ 144,657
Investments, at Fair Value	
Money Market Mutual Funds	861,123
Illinois Funds	1,401,201
Negotiable Certificates of Deposit	49,906
U.S. Treasury Securities	1,287,416
U.S. Agency Securities	2,949,049
Corporate Bonds	4,924,415
Municipal Bonds	56,175
Corporate Equity Securities	10,059,064
Equity Mutual Funds	2,853,655
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)	
Accounts Receivable	5,959
Accrued Interest	95,453
Prepaid Expenses	3,029
	<hr/>
Total Assets	24,691,102

LIABILITIES

Accounts Payable	62,293
Claims Payable	429,035
	<hr/>
Total Liabilities	491,328

NET PLAN ASSETS HELD IN TRUST FOR  
OPEB BENEFITS (A Schedule of Funding  
Progress is Presented on Page 13)

\$ 24,199,774

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, 2011

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ADDITIONS	
Contributions	
Employer Contributions	\$ 4,580,046
Retiree Contributions	<u>1,654,351</u>
Total Contributions	<u>6,234,397</u>
Investment Income	
Net Appreciation in Fair Value of Investments	64,670
Interest and Dividends	<u>621,976</u>
Total Investment Income	686,646
Less Investment Expense	<u>(144,237)</u>
Net Investment Income	<u>542,409</u>
Total Additions	<u>6,776,806</u>
DEDUCTIONS	
Health Insurance Benefits	6,759,493
Administrative Expenses	<u>10,730</u>
Total Deductions	<u>6,770,223</u>
NET INCREASE	6,583
NET PLAN ASSETS HELD IN TRUST FOR OPEB BENEFITS	
January 1	<u>24,193,191</u>
December 31	<u><u>\$ 24,199,774</u></u>

See accompanying notes to financial statements.

CITY OF AURORA, ILLINOIS  
RETIREE HEALTH INSURANCE TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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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 component unit of the City of Aurora, Illinois (the City) pursuant to GASB Statement No. 14 and is included in the City's fiduciary fund financial statements.

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)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Investments

Investments are stated at fair value as of December 31, 2011 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 Trust Fund 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, 2011:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 1,287,416	\$ -	\$ 74,523	\$ 796,134	\$ 416,759
U.S. Agency Obligations	2,949,049	-	162,308	120,823	2,665,918
Corporate Bonds	4,924,415	-	1,661,959	1,913,931	1,348,525
Municipal Bonds	56,175	-	-	-	56,175
Negotiable Certificates of Deposit	49,906	-	-	-	49,906
<b>TOTAL</b>	<b>\$ 9,266,961</b>	<b>\$ -</b>	<b>\$ 1,898,790</b>	<b>\$ 2,830,888</b>	<b>\$ 4,537,283</b>

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 Moody's. The corporate bonds are rated Baa3 to Aaa by Moody's. Certain corporate bond, negotiable certificates of deposit 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)

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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.

Membership

At December 31, 2011, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	447
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Employees	<u>879</u>
 TOTAL	 <u><u>1,326</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, 2011, retirees contributed \$1,654,351 and the City contributed \$4,580,046.



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

3. RETIREE HEALTH INSURANCE TRUST FUND (Continued)

Funding Policy (Continued)

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 2009, 2010 and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
December 31, 2011	13,331,086	4,580,046	34.36%	66,957,838

The net OPEB obligation (NOPEBO) as of December 31, 2011 was calculated as follows:

Annual Required Contribution	\$ 11,773,685
Interest on Net OPEB Obligation	4,074,476
Adjustment to Annual Required Contribution	<u>(2,517,075)</u>
Annual OPEB Cost	13,331,086
Contributions Made	<u>4,580,046</u>
Increase in Net OPEB Obligation	8,751,040
Net OPEB Obligation, Beginning of Year	<u>58,206,798</u>
<b>NET OPEB OBLIGATION, END OF YEAR</b>	<u><b>\$ 66,957,838</b></u>

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2011 was as follows:

Actuarial Accrued Liability (AAL)	\$ 165,542,261
Actuarial Value of Plan Assets	24,199,774
Unfunded Actuarial Accrued Liability (UAAL)	141,342,487
Funded Ratio (Actuarial Value of Plan Assets/AAL)	14.62%
Covered Payroll (Active Plan Members)	\$ 65,237,549
UAAL as a Percentage of Covered Payroll	216.66%

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.

3. RETIREE HEALTH INSURANCE TRUST FUND (Continued)

Annual OPEB Costs and Net OPEB Obligation (Continued)

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.

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, 2011 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, 2011

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)
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%
2011	24,199,774	165,542,261	14.62%	141,342,487	65,237,549	216.66%

(See independent auditor's report.)

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

December 31, 2011

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Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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%
2011	4,580,046	11,773,685	38.90%

(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, 2011

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>ADDITIONS</b>				
Contributions				
Employer Contributions	\$ 4,580,046	\$ 4,580,046	\$ 4,580,046	\$ -
Retiree Contributions	1,984,783	1,984,783	1,654,351	(330,432)
<b>Total Contributions</b>	<b>6,564,829</b>	<b>6,564,829</b>	<b>6,234,397</b>	<b>(330,432)</b>
Investment Income				
Net Appreciation in Fair Value of Investments	-	-	64,670	64,670
Interest and Dividends	2,000,000	2,000,000	621,976	(1,378,024)
<b>Total Investment Income</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>686,646</b>	<b>(1,313,354)</b>
Less Investment Expense	(116,500)	(116,500)	(144,237)	(27,737)
<b>Net Investment Income</b>	<b>1,883,500</b>	<b>1,883,500</b>	<b>542,409</b>	<b>(1,341,091)</b>
<b>Total Additions</b>	<b>8,448,329</b>	<b>8,448,329</b>	<b>6,776,806</b>	<b>(1,671,523)</b>
<b>DEDUCTIONS</b>				
Health Insurance Benefits	8,294,269	8,294,269	6,759,493	(1,534,776)
Administrative Expenses	29,000	29,000	10,730	(18,270)
<b>Total Deductions</b>	<b>8,323,269</b>	<b>8,323,269</b>	<b>6,770,223</b>	<b>(1,553,046)</b>
<b>NET INCREASE (DECREASE)</b>	<b>\$ 125,060</b>	<b>\$ 125,060</b>	<b>6,583</b>	<b>\$ (118,477)</b>
<b>NET PLAN ASSETS HELD IN TRUST FOR OPEB BENEFITS</b>				
January 1			24,193,191	
December 31			\$ 24,199,774	

(See independent auditor's report.)