

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

For the Year Ended  
December 31, 2013



**CITY OF AURORA, ILLINOIS**  
**RETIREE HEALTH INSURANCE TRUST FUND**  
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**Certified Public Accountants & Advisors**  
*Members of American Institute of Certified Public Accountants*

## **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 financial statements of the Aurora Retiree Health Insurance Trust Fund, a fiduciary fund of the City of Aurora, Illinois (the City) as of December 31, 2013 and for the year then ended and the related notes to financial statements as listed in the accompanying table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net position of the Retiree Health Insurance Trust Fund of the City of Aurora, Illinois, as of December 31, 2013, and the changes in plan net position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1-A, these basic financial statements present only the Aurora 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.

### **Other Matters**

#### *Required Supplementary Information*

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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Aurora 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  
June 4, 2014

A handwritten signature in black ink, appearing to read "A. H. 2014" or similar, written in a cursive style.

**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, 2013 and includes comparative information for the fiscal year ended December 31, 2012.

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, 2013, the fund provided benefits to 475 retirees and their family members. Plan members also included 817 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 plan net position held in trust for benefits as of December 31, 2013. This financial information also summarizes the changes in plan net position 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 position with budget versus actual comparisons.

**Plan Net Position**

The statement of plan net position is presented below for the Fund as of December 31, 2013 and 2012. 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 position 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 Position

	2013	2012	Dollar Change	Percent Change
Cash and Equivalents	\$ 957,225	\$ 1,720,744	\$ (763,519)	-44.4%
Investments, at fair value	29,874,514	25,516,326	4,358,188	17.1%
Receivables	95,835	92,968	2,867	3.1%
Prepaid Expenses	3,213	3,120	93	3.0%
Total Assets	30,930,787	27,333,158	3,597,629	13.2%
Liabilities	527,137	597,253	(70,116)	-11.7%
Total Net Plan Position	<u>\$ 30,403,650</u>	<u>\$ 26,735,905</u>	<u>\$ 3,667,745</u>	13.7%

### Financial Highlights

The Fund's plan net position rose by \$3.7 million or 13.7% from December 31, 2012 to December 31, 2013. The primary reason for the change was an increase in investments. Cash and cash equivalents were reduced by about \$760,000 or 44.4% in an effort to more fully invest the assets of the funds as evidenced by the 17.1% increase in investments. Changes in other assets and liabilities were unremarkable.

The Fund was actuarially funded at 14.70% as of December 31, 2013, compared to 13.54% as of December 31, 2012.

The overall rate of return for the fund was 15.8% during 2013, compared to 11.8% during 2012.

### 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 found that the funded status of the Fund as of December 31, 2013 increased to 14.70% from 13.54% on December 31, 2012. The unfunded actuarial accrued liability was \$176.4 million on December 31, 2013 as compared to \$170.8 million on December 31, 2012. This was an increase of \$5.6 million or 3.3%. A rise in the cost of benefits led to an increase in the actuarial accrued liability of the Fund that, in turn, impacted upon the unfunded actuarial accrued liability. For more information, please refer to the Schedule of Funding Progress included in the Required Supplementary Information section of this report.

# CITY OF AURORA RETIREE HEALTH INSURANCE TRUST FUND

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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 5.5% 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. The Fund's investment return target is 7.0%. However, for the December 31, 2013 actuarial valuation, the Fund's actuary used a 5.5% investment rate of return assumption because of the Fund's partially funded status.

### Investments

The allocation of investment assets for the Fund as of December 31, 2013 and 2012 were as follows:

#### Allocation of Investments

	<u>2013</u>	<u>2012</u>
Cash and Equivalents	3.1%	6.3%
Negotiable Certificates of Deposit	0.0%	0.2%
U.S. Treasury Securities	6.6%	7.2%
U.S. Agency Securities	14.2%	10.7%
Corporate Bonds	10.6%	18.3%
Municipal Bonds	0.4%	0.2%
Foreign Bonds	0.3%	0.0%
Corporate Equity Securities	47.3%	40.7%
Equity Mutual Funds	17.5%	16.4%
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 2013, the board took no reallocation actions. However, the Fund's fixed-income securities manager shifted assets from corporate bonds to U.S. agency securities. The goal of this action was to enhance long-term portfolio performance. Also, an increase in the value of corporate equity securities served to increase the portion of the total portfolio dedicated to that asset class.

### Changes in Plan Net Position

A condensed statement of changes in plan net position for the years ended December 31, 2013 and 2012 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 Position**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Additions:				
Employer Contributions	\$6,116,378	\$5,380,735	\$735,643	13.7%
Retiree Contributions	2,055,755	2,088,814	(33,059)	-1.6%
Net Investment Income	<u>4,111,555</u>	<u>2,672,087</u>	<u>1,439,468</u>	53.9%
Total Additions	<u>12,283,688</u>	<u>10,141,636</u>	<u>2,142,052</u>	21.1%
Deductions:				
Health Insurance Benefits	8,602,496	7,593,190	1,009,306	13.3%
Administrative Expenses	<u>13,447</u>	<u>12,315</u>	<u>1,132</u>	9.2%
Total Deductions	<u>8,615,943</u>	<u>7,605,505</u>	<u>1,010,438</u>	13.3%
Net Increase in Plan Net Position	<u>\$3,667,745</u>	<u>\$2,536,131</u>	<u>\$1,131,614</u>	44.6%

**Additions**

Additions to plan net position include employer and retiree contributions and net income from investment activities. Employer contributions increased from \$5.4 million in 2012 to \$6.2 million in 2013, a change of about \$735,000 or 13.7%. The increase reflects the City's intent to gradually contribute a higher percentage of the annual required contribution to the Fund each year.

Retiree contributions were approximately \$2.1 million during 2013 – essentially unchanged from the prior year. 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. During 2013, retirees generally paid between 22% and 35% of the applicable premium for medical insurance coverage depending upon their coverage type (i.e., retiree, retiree plus one, or retiree plus family). However, employees hired on or after January 1, 2010 are required to pay different percentages when they retire. Those employees who retire with 20 or more years with the City must pay 40% of the applicable premium. Retirees with less than 20 years of service must pay 100%.

The Fund's net investment income for 2013 was \$3.7 million as compared to \$2.5 million during 2012. The robust performance of the Fund's equity investments (annual return of 15.8%) drove the rise in investment income.

## 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 position are primarily benefit payments. During 2013 and 2012, the Fund paid out \$8.6 million and \$7.6 million, respectively, in benefits. This was an increase of approximately \$1.0 million or 13.3% between the two fiscal years. As discussed above, this rather large increase in the cost of benefits has impacted upon the calculation of the actuarial accrued liability.

#### **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 POSITION**

December 31, 2013

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**ASSETS**

Cash and Short-Term Investments	\$ 957,225
Investments, at Fair Value	
Fixed Income Securities	9,895,877
Domestic Equity Securities	15,913,282
International Equity Securities	4,065,355
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)	
Accounts Receivable	11,863
Accrued Interest	83,972
Prepaid Expenses	<u>3,213</u>
 Total Assets	 <u>30,930,787</u>

**LIABILITIES**

Accounts Payable	48,196
Claims Payable	<u>478,941</u>
 Total Liabilities	 <u>527,137</u>

**NET PLAN POSITION HELD IN TRUST FOR  
OPEB BENEFITS**

\$ 30,403,650

See accompanying notes to financial statements.

**CITY OF AURORA, ILLINOIS**

**RETIREE HEALTH INSURANCE TRUST FUND**

**STATEMENT OF CHANGES IN PLAN NET POSITION**

For the Year Ended December 31, 2013

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**ADDITIONS**

Contributions

Employer Contributions	\$ 6,116,378
Retiree Contributions	<u>2,055,755</u>

Total Contributions	<u>8,172,133</u>
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Investment Income

Net Appreciation in Fair Value of Investments	3,499,142
Interest and Dividends	<u>783,338</u>

Total Investment Income	4,282,480
Less Investment Expense	<u>(170,925)</u>

Net Investment Income	<u>4,111,555</u>
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Total Additions	<u>12,283,688</u>
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**DEDUCTIONS**

Health Insurance Benefits	8,602,496
Administrative Expenses	<u>13,447</u>

Total Deductions	<u>8,615,943</u>
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NET INCREASE	3,667,745
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**NET PLAN POSITION HELD IN TRUST  
FOR OPEB BENEFITS**

January 1	<u>26,735,905</u>
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December 31	<u>\$ 30,403,650</u>
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See accompanying notes to financial statements.

**CITY OF AURORA, ILLINOIS**

**RETIREE HEALTH INSURANCE TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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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 Nos. 14 and 61 and is included in the City's fiduciary fund financial statements.

**B. Fund Accounting**

The Fund uses funds to report on its net position and the changes in its net position. 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, deferred outflows, liabilities and deferred inflows associated with the operation of this fund are included on the statement of plan net position. The Fund's operating statements present increases (e.g., additions) and decreases (e.g., deductions) in plan net position.

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, 2013 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 fixed income securities as of December 31, 2013:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
FIXED INCOME SECURITIES	\$ 9,895,877	\$ 50,041	\$ 1,343,987	\$ 3,458,476	\$ 5,043,373

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 money market mutual funds are rated Aaa by Moody’s. The income securities are rated Baa2 to Aaa by Moody’s. Certain fixed income securities 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, 2013, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	475
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Employees	<u>817</u>
<b>TOTAL</b>	<u><u>1,292</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 generally contribute 22% to 35% 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, 2013, retirees contributed \$2,055,755 and the City contributed \$6,116,378.

**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 2011, 2012 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$ 13,331,086	\$ 4,580,046	34.36%	\$ 66,957,838
December 31, 2012	12,974,168	5,380,735	41.47%	74,551,271
December 31, 2013	14,714,208	6,116,378	41.57%	83,149,101

The net OPEB obligation (NOPEBO) as of December 31, 2013 was calculated as follows:

Annual Required Contribution	\$ 13,251,599
Interest on Net OPEB Obligation	5,218,589
Adjustment to Annual Required Contribution	<u>(3,755,980)</u>
Annual OPEB Cost	14,714,208
Contributions Made	<u>6,116,378</u>
Increase in Net OPEB Obligation	8,597,830
Net OPEB Obligation, Beginning of Year	<u>74,551,271</u>
<b>NET OPEB OBLIGATION, END OF YEAR</b>	<u><b>\$ 83,149,101</b></u>

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2013 was as follows:

Actuarial Accrued Liability (AAL)	\$ 206,806,028
Actuarial Value of Plan Assets	30,403,650
Unfunded Actuarial Accrued Liability (UAAL)	176,402,378
Funded Ratio (Actuarial Value of Plan Assets/AAL)	14.70%
Covered Payroll (Active Plan Members)	\$ 67,057,641
UAAL as a Percentage of Covered Payroll	263.06%

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.

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

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**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, 2013 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included 5.5% 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, 2013

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)
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%
2012	26,735,905	197,518,139	13.54%	170,782,234	72,083,003	236.92%
2013	30,403,650	206,806,028	14.70%	176,402,378	67,057,641	263.06%

(See independent auditor's report.)

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

December 31, 2013

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<b>Year Ended December 31,</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
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%
2012	5,380,735	11,182,621	48.12%
2013	6,116,378	13,251,599	46.16%

(See independent auditor's report.)

**SUPPLEMENTARY INFORMATION**

CITY OF AURORA, ILLINOIS

RETIREE HEALTH INSURANCE TRUST FUND

SCHEDULE OF CHANGES IN PLAN NET POSITION -  
BUDGET AND ACTUAL

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>ADDITIONS</b>				
Contributions				
Employer Contributions	\$ 6,116,378	\$ 6,116,378	\$ 6,116,378	\$ -
Retiree Contributions	2,491,222	2,491,222	2,055,755	(435,467)
Total Contributions	8,607,600	8,607,600	8,172,133	(435,467)
Investment Income				
Net Appreciation in Fair Value of Investments	-	-	3,499,142	3,499,142
Interest and Dividends	1,000,000	1,000,000	783,338	(216,662)
Total Investment Income	1,000,000	1,000,000	4,282,480	3,282,480
Less Investment Expense	(147,000)	(147,000)	(170,925)	(23,925)
Net Investment Income	853,000	853,000	4,111,555	3,258,555
Total Additions	9,460,600	9,460,600	12,283,688	2,823,088
<b>DEDUCTIONS</b>				
Health Insurance Benefits	8,092,772	8,792,772	8,602,496	(190,276)
Administrative Expenses	28,000	28,000	13,447	(14,553)
Total Deductions	8,120,772	8,820,772	8,615,943	(204,829)
<b>NET INCREASE</b>	<b>\$ 1,339,828</b>	<b>\$ 639,828</b>	3,667,745	<b>\$ 3,027,917</b>
<b>NET PLAN POSITION HELD IN TRUST FOR OPEB BENEFITS</b>				
January 1			26,735,905	
December 31			<u>\$ 30,403,650</u>	

(See independent auditor's report.)