

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES  
BENEFICIARY ASSOCIATION**

**Financial Statements**

**For The Year Ended  
December 31, 1997**

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

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## INDEPENDENT AUDITORS' REPORT

March 6, 1998

To the Board of Trustees  
Washtenaw County Voluntary Employees Beneficiary Association  
Ann Arbor, Michigan

We have audited the accompanying statement of plan net assets of the *Washtenaw County Voluntary Employees Beneficiary Association* as of December 31, 1997, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Voluntary Employees Beneficiary Association retirement benefits trust fund and are not intended to present fairly the financial position and results of operations of Washtenaw County, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the information regarding the Association's net assets held in trust for healthcare benefits at December 31, 1997, and changes therein for the year then ended in conformity with generally accepted accounting principles.

*Rehmann Robson, P.C.*

# **FINANCIAL STATEMENTS**

**WASHTENAW COUNTY**  
**VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**  
**Statements of Plan Net Assets**  
**December 31, 1997**

**Assets**

|                            |                |
|----------------------------|----------------|
| Investments, at fair value | \$10,095,473   |
| Contributions receivable   | 81,705         |
| Interest receivable        | <u>12,709</u>  |
| <br>Total assets           | <br>10,189,887 |

**Liabilities**

|  |               |
|--|---------------|
| Due to other funds of Washtenaw County | <u>11,836</u> |
|--|---------------|

**Net Assets Held in Trust**  
**for Healthcare Benefits**

**\$10,178,051**

See accompanying notes

**WASHTENAW COUNTY**  
**VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**  
**Statement of Changes in Plan Net Assets**  
**For the Year Ended December 31, 1997**

**Additions to net assets**

Contributions:

Employer

\$4,545,124

Employees

339,251

Total contributions

4,884,375

Investment income - interest earnings

392,986

Total additions to net assets

5,277,361

**Deductions from net assets**

Participant benefits

19,175

Administrative expense

500

Total deductions from net assets

19,675

**Increase in net assets**

5,257,686

Net assets held in trust for healthcare benefits,  
beginning of year

4,920,365

**Net assets held in trust for healthcare benefits,  
end of year**

**\$10,178,051**

See accompanying notes

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

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**1. PLAN DESCRIPTION**

The Washtenaw County Voluntary Employees Beneficiary Association (VEBA; the "Plan") is a defined contribution postemployment healthcare benefit plan established by Washtenaw County to provide medical and healthcare benefits for retirees and their spouses and eligible dependents, who receive pension benefits under the County's defined contribution pension plan (i.e., Washtenaw County Money Purchase Pension Plan) or who receive a pension through the County's plan with the Municipal Employees' Retirement System of Michigan. This includes (a) Sheriff Department employees, (b) County employees hired on or after January 1, 1989, and (c) County employees hired prior to January 1, 1989, who elected to enroll in the aforementioned defined contribution pension plan. Plan provisions are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County's various collective bargaining agreements.

The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code which allows for the formation of a VEBA.

Subject to certain age and length of service requirement, eligible participants receive the same medical insurance coverage under the Plan as was in effect at the time of their employment. At such time that participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

Employer contributions to fund the Plan are currently on a pay-as-you-go basis with additional contributions intended to build the fund in anticipation of an actuarial valuation to be conducted in 1998. Once this valuation is completed, future employer contributions will be actuarially determined.

For 1997, subject to collective bargaining agreements and County policy, eligible members were required to contribute 5% of their annual compensation to the Plan. Future required member contributions will likewise be subject to collective bargaining agreements and County policy as prescribed by the Washtenaw County Board of Commissioners.

As of December 31, 1997, five members received healthcare benefits under the Plan.

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

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**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting.* The VEBA statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period that the contributions are due.

*Method Used to Value Investments.* Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

**3. INVESTMENTS**

Plan investments as of December 31, 1997, are summarized as follows:

|                                | <u>Fair<br/>Value</u>      | <u>Cost</u>                |
|--------------------------------|----------------------------|----------------------------|
| Guaranteed Investment Contract | \$ 744,338                 | \$ 744,338                 |
| Munder Cash Investment Fund    | <u>9,351,135</u>           | <u>9,351,135</u>           |
| <b>Total investments</b>       | <b><u>\$10,095,473</u></b> | <b><u>\$10,095,473</u></b> |

The investments are categorized below. At December 31, 1997, such investments were uninsured or unregistered and held by the counterparty's trust department or agent in the Plan's name. Investments in pooled accounts are not required to be categorized. The guaranteed investment contract is not benefit responsive, thus it is reported at fair value rather than contract value.



**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

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**3. INVESTMENTS (Concluded)**

**Investments**

|  |                  |
|--|------------------|
| Category 2 - Guaranteed investment contracts | \$ 744,338       |
| Not categorized – cash investment fund       | <u>9,351,135</u> |

|  |                            |
|--|----------------------------|
| <b>Total investments at fair value</b> | <b><u>\$10,095,473</u></b> |
|--|----------------------------|

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