

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES  
BENEFICIARY ASSOCIATION**

**Financial Statements**

**For The Year Ended  
December 31, 1999**

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

**TABLE OF CONTENTS**

---

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999</b>	
Statement of Plan Net Assets .....	2
Statement of Changes in Plan Net Assets .....	3
Notes to Financial Statements .....	4-6

\* \* \* \* \*



## INDEPENDENT AUDITORS' REPORT

February 25, 2000

To the Board of Trustees of the 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, 1999, 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, 1999, 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, 1999**  
**(With Comparative Amounts as of December 31, 1998)**

	<b>1999</b>	<b>1998</b>
<b>Assets</b>		
Investments, at fair value	\$ 17,820,358	\$ 14,274,400
Contributions receivable	-	123,961
Interest receivable	31,900	37,188
	17,852,258	14,435,549
<b>Total assets</b>		
 <b>Liabilities</b>		
Accrued liabilities	2,319	-
Due to other funds of Washtenaw County	334,509	255
	336,828	255
<b>Total liabilities</b>		
 <b><u>Net Assets Held in Trust</u></b>		
<b><u>for Healthcare Benefits</u></b>		
	<b>\$ 17,515,430</b>	<b>\$ 14,435,294</b>

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

**WASHTENAW COUNTY**  
**VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**  
**Statement of Changes in Plan Net Assets**  
**For the Year Ended December 31, 1999**  
**(With Comparative Amounts for the Year Ended December 31, 1998)**

	<u>1999</u>	<u>1998</u>
<b>Additions to net assets</b>		
Contributions:		
Employer	\$ 1,263,557	\$ 2,691,137
Employees	181,136	532,981
Total contributions	<u>1,444,693</u>	<u>3,224,118</u>
Investment income:		
Interest and dividends	527,452	495,061
Appreciation in fair value of investments	1,327,702	681,821
Total investment income	<u>1,855,154</u>	<u>1,176,882</u>
Other additions	<u>4,179</u>	<u>-</u>
Total additions to net assets	<u>3,304,026</u>	<u>4,401,000</u>
<b>Deductions from net assets</b>		
Participant benefits	28,295	37,778
Administrative expense	195,595	105,979
Total deductions from net assets	<u>223,890</u>	<u>143,757</u>
<b>Increase in net assets</b>	3,080,136	4,257,243
Net assets held in trust for healthcare benefits, beginning of year	<u>14,435,294</u>	<u>10,178,051</u>
<b>Net assets held in trust for healthcare benefits, end of year</b>	<u><u>\$ 17,515,430</u></u>	<u><u>\$ 14,435,294</u></u>

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

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

**Notes To Financial Statements**

---

**1. PLAN DESCRIPTION**

The Washtenaw County Voluntary Employees Beneficiary Association (VEBA; the "Plan") is a single-employer defined benefit postemployment healthcare plan established and administered by Washtenaw County (the "County") to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the County's pension plans. 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 requirements, 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 for purposes of paying future benefits. Although an actuarial valuation of the Plan was completed during 1999, the County has determined that it will establish an annual employer contribution rate using the actuarial valuation as a reference, but not as a definitive requirement.

In general, VEBA members are not required to contribute to the Plan. However, provisions of the Washtenaw County Employees' Retirement System Plan (WCERS; a separate defined benefit plan) allow that required contributions to the healthcare component of that Plan, equal to 5% of annual covered compensation, may be directed to the VEBA, either in whole or in part, at the County's discretion. Accordingly, employee contributions totaling \$181,136 were directed to the VEBA in 1999. Any such contributions in the future will likewise be subject to the discretion of the Washtenaw County Board of Commissioners and the WCERS Board, as well as any applicable collective bargaining agreements.

As of December 31, 1999, nine members received healthcare benefits under the Plan.

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

**Notes To Financial Statements**

**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**

The Plan's investments are held by an independent investment management company, except for the guaranteed investment contract which is held by an insurance company. Following is a summary of the Plan's investments as of December 31, 1999:

	<u>Fair Value</u>	<u>Cost</u>
Investments at fair value, as determined by quoted market prices:		
Common stocks	\$ 12,217,658	\$ 10,543,246
Mortgage backed securities	2,704,125	2,944,483
U.S. government securities	1,603,352	1,727,140
Corporate bonds	200,233	206,287
Money market funds	808,388	808,388
Guaranteed investment contract	<u>286,602</u>	<u>286,602</u>
<b>Total investments</b>	<b><u>\$ 17,820,358</u></b>	<b><u>\$ 16,516,146</u></b>



**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

**Notes To Financial Statements**

---

Investments are categorized to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Plan's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the Plan's name. At December 31, 1999, all of the Plan's investments are classified in Category 3, except for investments in money market funds which are not required to be categorized and the guaranteed investment contract which is classified in Category 2.

\* \* \* \* \*