

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES  
BENEFICIARY ASSOCIATION**

**Financial Statements**

**For The Year Ended  
December 31, 2003**

**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

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## INDEPENDENT AUDITORS' REPORT

February 27, 2004

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* (the "Association") as of December 31, 2003, 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 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 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 healthcare benefits trust fund and do not purport to, and do not present fairly the financial position of Washtenaw County as of December 31, 2003, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Association's net assets held in trust for healthcare benefits at December 31, 2003, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Rehmann Robson*

# **FINANCIAL STATEMENTS**

**WASHTENAW COUNTY**  
**VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**  
**Statements of Plan Net Assets**  
**December 31, 2003**  
**(With Comparative Amounts as of December 31, 2002)**

	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
Investments, at fair value	\$ 27,653,652	\$ 19,649,185
 <b>Liabilities</b>		
Accrued liabilities	18,610	12,532
<b><u>Net Assets Held in Trust</u></b> <b><u>for Healthcare Benefits</u></b>	<b>\$ 27,635,042</b>	<b>\$ 19,636,653</b>

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

**WASHTENAW COUNTY**  
**VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**  
**Statements of Changes in Plan Net Assets**  
**For the Year Ended December 31, 2003**  
**(With Comparative Amounts for the Year Ended December 31, 2002)**

	<b>2003</b>	<b>2002</b>
<b>Additions to net assets</b>		
Contributions:		
Employer	\$ 3,971,889	\$ 2,496,791
Employees	138,133	186,661
Total contributions	4,110,022	2,683,452
Investment income (loss):		
Interest and dividends	542,581	472,105
Appreciation (depreciation) in fair value of investments	3,656,651	(2,569,046)
Total investment income (loss)	4,199,232	(2,096,941)
Total additions to net assets	8,309,254	586,511
<b>Deductions from net assets</b>		
Participant benefits	126,920	95,796
Administrative expenses	183,945	171,137
Total deductions from net assets	310,865	266,933
<b>Increase in net assets</b>	7,998,389	319,578
Net assets held in trust for healthcare benefits, beginning of year	19,636,653	19,317,075
<b>Net assets held in trust for healthcare benefits, end of year</b>	<b>\$ 27,635,042</b>	<b>\$ 19,636,653</b>

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

# 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 "Association") 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. Association provisions are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County's various collective bargaining agreements.

The Association is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code which allows for the formation of such a plan, and is included as a pension trust fund in the County's financial statements.

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

Employer contributions to fund the Association 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 Association was completed during 2003, 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 Association. 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 7% 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 \$138,133 were directed to the VEBA in 2003. 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, 2003, 26 members received healthcare benefits through the Association.

**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.* Association 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 Association's investments are held by an independent investment management company. Following is a summary of the Association's investments as of December 31, 2003:

	<b><u>Fair Value</u></b>
Investments at fair value, as determined by quoted market prices:	
Common stocks	\$ 16,905,558
Mortgage backed securities	2,365,708
United States treasury strips	356,316
Other United States government securities	609,519
Mutual funds	5,246,746
Money market funds	<u>2,169,805</u>
<b>Total investments</b>	<b><u>\$ 27,653,652</u></b>



**WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION**

**Notes To Financial Statements**

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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 Association or its agent in the Association'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 Association'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 Association's name. At December 31, 2003, all of the Association's investments are classified in Category 3, except for investments in mutual and money market funds which are not required to be categorized.

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