

WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM  
FINANCIAL REPORT  
December 31, 1982 and 1981

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ICERMAN, JOHNSON & HOFFMAN

*Certified Public Accountants*

620 CITY CENTER BUILDING

220 E. HURON STREET

ANN ARBOR, MICHIGAN 48104-1957

(313) 769-6200

J. S. BURTT, C.P.A.  
C. J. MOREHOUSE, C.P.A.  
D. B. BOOTH, JR., C.P.A.  
J. R. SUITS, C.P.A.  
D. L. BREDEBNITZ, C.P.A.  
H. P. WAGNER, JR., C.P.A.  
C. W. DUNBAR, C.P.A.  
L. R. WAHL, C.P.A.  
G. E. BOREL, C.P.A.  
R. D. HENDRICKS, C.P.A.

OFFICE:

ANN ARBOR, MICHIGAN  
HOWELL, MICHIGAN

To the Retirement Commission  
Washtenaw County  
Ann Arbor, Michigan

We have examined the financial statements of the Washtenaw County Employees' Retirement System as of and for the years ended December 31, 1982 and 1981, as listed in the table of contents. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Washtenaw County Employees' Retirement System at December 31, 1982 and 1981, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

*Icerman, Johnson & Hoffman*

Ann Arbor, Michigan  
June 8, 1983

WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

BALANCE SHEETS  
December 31, 1982 and 1981

	<u>1982</u>	<u>1981</u>
Assets:		
Investments, at market (Note 4):		
Corporate bonds and notes	\$10,162,425	7,276,803
Common stocks	7,622,908	4,069,041
United States government securities	2,931,357	2,155,080
Money market fund	442,924	1,432,489
Guaranteed investment contract	800,000	800,000
Mortgages	<u>277,428</u>	<u>241,749</u>
Total investments	22,237,042	15,975,162
Cash	400,758	116,571
Accrued interest and dividends	487,289	479,394
Due from other funds	<u>445,880</u>	<u>292,481</u>
Total assets	<u>23,570,969</u>	<u>16,863,608</u>
Liabilities:		
Accounts payable and accrued expenses	28,974	33,000
Due to other funds	<u>-</u>	<u>67,850</u>
Total liabilities	<u>28,974</u>	<u>100,850</u>
Net assets available for benefits	<u>\$23,541,995</u>	<u>16,762,758</u>
Fund balance:		
Actuarial present value of projected benefits payable to current retirants and beneficiaries	\$ 3,663,470	3,210,918
Actuarial present value of projected benefits payable to terminated vested participants	424,895	278,164
Actuarial present value of projected benefits for active employees	<u>17,504,112</u>	<u>13,892,986</u>
Total actuarial present value of credited projected benefits	21,592,477	17,382,068
Overfunded (unfunded) actuarial present value of credited projected benefits	<u>1,949,518</u>	<u>(619,310)</u>
Total fund balance	<u>\$23,541,995</u>	<u>16,762,758</u>

See Notes to Financial Statements.

WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
Years Ended December 31, 1982 and 1981

	<u>1982</u>	<u>1981</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments (Note 4)	\$ 3,075,260	(1,119,289)
Interest	1,865,794	1,486,663
Dividends	224,244	177,379
	<u>5,165,298</u>	<u>544,753</u>
Less investment expenses	29,097	18,479
	<u>5,136,201</u>	<u>526,274</u>
Contributions:		
Employer	1,299,390	1,339,808
Employees	886,192	895,377
	<u>2,185,582</u>	<u>2,235,185</u>
Total additions	<u>7,321,783</u>	<u>2,761,459</u>
Participants' benefit payments	361,368	329,425
Refunds to terminated employees	181,178	286,604
Total deductions	<u>542,546</u>	<u>616,029</u>
Net increase	6,779,237	2,145,430
Net assets available for benefits:		
Beginning of year	<u>16,762,758</u>	<u>14,617,328</u>
End of year	<u>\$23,541,995</u>	<u>16,762,758</u>

See Notes to Financial Statements.

WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FINANCIAL POSITION  
Years Ended December 31, 1982 and 1981

	1982	1981
Resources provided by operations:		
Net income	\$6,779,237	2,145,430
Net increase in working capital	<u>\$6,779,237</u>	<u>2,145,430</u>
Elements of net increase (decrease) in working capital:		
Investments	\$6,261,880	1,476,014
Cash	284,187	328,156
Accrued interest and dividends	7,895	120,518
Due from other funds	153,399	246,080
Accounts payable and accrued expenses	4,026	5,101
Due to other funds	<u>67,850</u>	<u>(30,439)</u>
Net increase in working capital	<u>\$6,779,237</u>	<u>2,145,430</u>

See Notes to Financial Statements.

WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

Note 1. PLAN DESCRIPTION

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General:

The Retirement System is a defined benefit pension plan covering substantially all full-time employees of Washtenaw County.

Pension benefits:

In general, employees with 8 or more years of service and having attained the age of 60 years, or employees with 25 years or more of service and having attained the age of 55 years are entitled to annual pension benefits upon reaching the applicable retirement age. The benefits are equal to the employee's years of service multiplied by the sum of

- (i) 1.2% of the first \$4,200 of their final 5-year average annual compensation for each year of service, and
- (ii) 1.7% of the portion, if any, of their final average compensation in excess of \$4,200.

Employees may elect to receive their pension benefits in the form of a straight life annuity or in one of 4 options which include a survivor annuity. If employees terminate before rendering 8 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to the County's contributions.

Death and disability benefits:

If an active employee dies, a death benefit may be payable to the employee's beneficiary. Active employees with 10 or more years of service who become totally disabled receive annual disability benefits.

Note 2. SIGNIFICANT ACCOUNTING POLICIES

Method of accounting:

The fund utilizes the accrual basis method of accounting which recognizes revenues as earned and expenses as incurred.

Valuation of investments:

If available, quoted market prices are used to value investments. The amounts shown in Note 4 for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that fair value. In general, however, mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The guaranteed investment contract is valued at contract value.

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SIGNIFICANT ACCOUNTING POLICIES (Concluded)

## Actuarial present value of accumulated plan benefits:

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during five of their last ten years of credited service. Benefits payable under all circumstances--retirement, death, disability, and termination of employment--are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by Gabriel, Roeder, Smith & Company and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (the 1971 Group Annuity Mortality Table was used), (b) retirement age assumptions (the assumed average retirement age was 60), and (c) investment return. The 1982 and 1981 valuations assumed an average rate of return of 6.8% and 6.0%, respectively. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

## Administrative expenses:

In accordance with County policies, the health and life insurance costs and the administrative costs associated with the retirement fund, other than custodian fees, are paid from the Fringe Benefit Revolving Fund and are not reflected in the Retirement System's financial statements.

## Note 3. FUNDING POLICY

As a condition of participation, employees are required to contribute 3% of the first \$4,200 of their gross annual salary and 5% thereafter to the Retirement System. Present employees' accumulated contributions at December 31, 1982 and 1981, were \$5,395,494 and \$4,591,262 respectively, including interest credited at an interest rate of 5.25% compounded annually. The County's funding policy is to make annual contributions to the Retirement System in amounts that are estimated using a constant percentage of employees' compensation each year (approximately 7.40% for 1982 and 7.20% for 1981), such that, when combined with employees' contributions, all employees' benefits will be provided for by the time they retire. Beginning in 1983, the County's contribution increased to approximately 7.48% to provide for the increase in benefits attributable to the Plan amendment effective January 1, 1983.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 4. INVESTMENTS

The Retirement System's investments are held by a bank-administered trust fund. The following table presents the fair values of those investments. Investments that represent 5% or more of the Retirement System's net assets are separately identified.

	December 31, 1982		December 31, 1981	
	Fair Value	Cost	Fair Value	Cost
Investments at fair value as determined by quoted market price:				
Corporate bonds and notes:				
Burroughs Corporation, par value \$1,000,000, 11.5%, due August 1, 2010	\$ -	-	747,500	951,250
Dow Chemical Company, par value \$1,500,000, 11.75%, due January 5, 1993	1,507,500	1,500,000	-	-
Federal Home Loan Banks, par value \$1,500,000, 14.125%, due July 25, 1989	1,700,625	1,540,723	-	-
Tenneco Incorporated, par value \$1,000,000, 15%, due June 1, 2006	-	-	927,580	1,000,000
Other	6,954,300	6,779,715	5,601,723	6,686,191
	<u>10,162,425</u>	<u>9,820,438</u>	<u>7,276,803</u>	<u>8,637,441</u>
Common stock	7,622,908	6,201,690	4,069,041	3,729,574
United States government securities	2,931,357	2,906,231	2,155,080	2,455,051
Money market fund	442,924	442,924	1,432,489	1,432,489
	<u>10,997,189</u>	<u>9,550,845</u>	<u>7,656,610</u>	<u>7,617,114</u>
Investments at estimated fair value:				
Guaranteed investment contract	800,000	800,000	800,000	800,000
Mortgages	277,428	293,575	241,749	300,310
	<u>1,077,428</u>	<u>1,093,575</u>	<u>1,041,749</u>	<u>1,100,310</u>
	<u>\$22,237,042</u>	<u>20,464,858</u>	<u>15,975,162</u>	<u>17,354,865</u>

During 1982 and 1981, the Plan's investments appreciated (depreciated) in value by \$3,075,260 and \$(1,119,289) respectively, as follows:

	Year Ended					
	December 31, 1982			December 31, 1981		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Appreciation (Depreciation)	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Appreciation (Depreciation)
Investments at fair value as determined by quoted market price:						
Corporate bonds and notes	\$(264,696)	1,702,625	1,437,929	(702,518)	(182,602)	(885,120)
Common stock	35,367	1,081,751	1,117,118	24,673	(93,501)	(68,828)
United States government securities	152,702	325,097	477,799	934	(107,714)	(106,780)
	<u>(76,627)</u>	<u>3,109,473</u>	<u>3,032,846</u>	<u>(676,911)</u>	<u>(383,817)</u>	<u>(1,060,728)</u>
Investments at estimated fair value:						
Mortgages	-	42,414	42,414	-	(58,561)	(58,561)
Total	<u>\$ (76,627)</u>	<u>3,151,887</u>	<u>3,075,260</u>	<u>(676,911)</u>	<u>(442,378)</u>	<u>(1,119,289)</u>



NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5. FUND BALANCE RESERVES

The following is an analysis of changes in fund reserves for the years ended December 31, 1982 and 1981:

	December 31, 1982		December 31, 1981		Total Reserve			
	Reserve for Employee Contributions	Pension Reserve Fund	Retirement Reserve Fund	Total Reserve	Reserve for Employee Contributions			
Balance, beginning	\$4,591,262	8,960,578	3,210,918	16,762,758	3,895,870	7,876,787	2,844,671	14,617,328
Additions:								
Employees' contributions	886,192	-	-	886,192	895,377	-	-	895,377
Employer's contributions	-	1,299,390	-	1,299,390	-	1,339,808	-	1,339,808
Investment income	227,736	4,904,657	32,905	5,165,298	188,242	258,520	97,991	544,753
Annuities awarded	(128,518)	(464,059)	592,577	-	(101,623)	(379,071)	480,694	-
	<u>5,576,672</u>	<u>14,700,566</u>	<u>3,836,400</u>	<u>24,113,638</u>	<u>4,877,866</u>	<u>9,096,044</u>	<u>3,423,356</u>	<u>17,397,266</u>
Deductions:								
Participants' benefit payments	-	-	(361,368)	(361,368)	-	(30,437)	(298,988)	(329,425)
Refunds to terminated employees	(181,178)	(29,097)	-	(181,178)	(286,604)	-	-	(286,604)
Investment expenses	-	(188,438)	188,438	(29,097)	-	(18,479)	-	(18,479)
Actuarial adjustment	-	-	-	-	-	(86,550)	86,550	-
Balance, ending	<u>\$5,395,494</u>	<u>14,483,031</u>	<u>3,663,470</u>	<u>23,541,995</u>	<u>4,591,262</u>	<u>8,960,578</u>	<u>3,210,918</u>	<u>16,762,758</u>

## NOTES TO FINANCIAL STATEMENTS (Concluded)

## Note 6. PLAN AMENDMENT

A plan amendment, effective January 1, 1983, will increase future annual pension benefits for Washtenaw County Sheriff Deputies. The Plan's actuary estimates that the amendment will increase the actuarial present value of projected benefits by approximately \$1,800,000. This amendment is subject to final approval from the State Attorney General's Office.