

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type					Local Unit Name	County
<input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other					Washtenaw County - ERS Component Unit	Washtenaw
Fiscal Year End		Opinion Date			Date Audit Report Submitted to State	
December 31, 2007		March 24, 2008			March 27, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

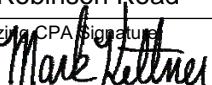
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES        NO    **Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	(Included in County's Letter)		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>REHMANN ROBSON</b>		Telephone Number <b>517-787-6503</b>		
Street Address <b>675 Robinson Road</b>		City <b>Jackson</b>	State <b>MI</b>	Zip <b>49203</b>
Authorizing CPA Signature 		Printed Name <b>Mark T. Kettner, CPA, CGFM</b>		License Number <b>11673</b>

**WASHTENAW COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

**Financial Statements**

**For The Years Ended  
December 31, 2007 and 2006**



**REHMANN ROBSON**

*Certified Public Accountants*

# **WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**

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**INDEPENDENT AUDITORS' REPORT**

March 24, 2008

To the Board of Commissioners  
Washtenaw County Employees' Retirement Commission  
Ann Arbor, Michigan

We have audited the accompanying statements of plan net assets of the **Washtenaw County Employees' Retirement System** (the "System") as of December 31, 2007 and 2006, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Employees' Retirement System pension trust fund and do not purport to, and do not, present fairly the financial position of Washtenaw County as of December 31, 2007 and 2006, and the changes in its financial position for the years 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 System's net assets held in trust for benefits at December 31, 2007 and 2006, and changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Rehmann Robson*

# **FINANCIAL STATEMENTS**

# WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Statements of Plan Net Assets December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments, at fair value		
Equities	\$ 61,703,160	\$ 88,571,483
United States treasuries	1,207,879	2,217,429
United States treasury strips	10,568,017	10,565,936
United States agencies	21,428,831	22,806,832
Corporate securities	16,361,746	16,874,850
Mutual funds	47,547,330	6,123,894
Money market funds	<u>6,225,161</u>	<u>13,374,714</u>
Total investments	165,042,124	160,535,138
Accrued interest and dividends	<u>455,887</u>	<u>519,320</u>
Total assets	165,498,011	161,054,458
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>192,514</u>	<u>98,276</u>
<b>Net assets held in trust for pension benefits (a schedule of funding progress is presented on Page 15)</b>	<u><b>\$ 165,305,497</b></u>	<u><b>\$ 160,956,182</b></u>

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

**WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**Statements of Changes in Plan Net Assets**  
**For the Years Ended December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Additions</b>		
Investment income:		
<i>From investing activities:</i>		
Net appreciation in fair value of investments	\$ 8,747,039	\$ 10,825,191
Interest and dividends	4,763,815	5,457,523
Total investment income	<u>13,510,854</u>	<u>16,282,714</u>
Investment management fees	(608,352)	(621,679)
Net investment income	<u>12,902,502</u>	<u>15,661,035</u>
<i>From securities lending activities:</i>		
Gross earnings	1,389,493	810,525
Borrower rebates	(1,299,848)	(768,219)
Securities lending fees	(35,858)	(16,895)
Net investment income from securities lending activities	<u>53,787</u>	<u>25,411</u>
Total net investment income	<u>12,956,289</u>	<u>15,686,446</u>
Contributions:		
Washtenaw County Participants	4,827,249	3,845,384
	<u>597,338</u>	<u>727,097</u>
Total contributions	<u>5,424,587</u>	<u>4,572,481</u>
Total additions	<u>18,380,876</u>	<u>20,258,927</u>
<b>Deductions</b>		
Participant benefits	13,680,576	13,108,597
Administrative expenses	316,412	301,740
Participant refunds	34,573	-
Total deductions	<u>14,031,561</u>	<u>13,410,337</u>
Net additions to net assets held in trust for benefits	4,349,315	6,848,590
Net assets held in trust for benefits, beginning of year	<u>160,956,182</u>	<u>154,107,592</u>
Net assets held in trust for benefits, end of year	<u>\$ 165,305,497</u>	<u>\$ 160,956,182</u>

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

# **WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **Notes To Financial Statements**

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### **1. PLAN DESCRIPTION**

The Washtenaw County Employees' Retirement System (the "System") is a single-employer defined benefit contributory retirement plan which provides pension, death and disability benefits covering certain full-time employees of Washtenaw County (the "County") hired prior to January 1, 1989. Non-Sheriff's Department employees hired on or after January 1, 1989, are covered by a separate defined contribution plan -- i.e., the Washtenaw County Money Purchase Pension Plan (MPPP). The Municipal Employees' Retirement System of Michigan, a separate defined benefit plan, covers Sheriff's Department employees hired on or after January 1, 1989.

Retirees and beneficiaries are eligible for postemployment healthcare benefits if they are receiving a pension from the System. The Washtenaw County Voluntary Employees Beneficiary Association (VEBA) pays these benefits.

System membership consisted of the following at December 31:

	<b><u>2007</u></b>	<b><u>2006</u></b>
Retirees and beneficiaries currently receiving benefits	631	632
Terminated employees entitled to but not yet receiving benefits	25	26
Vested active participants	<u>158</u>	<u>155</u>
<b>Total membership</b>	<b><u>814</u></b>	<b><u>813</u></b>

Participating Sheriff and non-Sheriff department members are required to contribute 7% and 5%, respectively, of their annual compensation to the System for pension benefits. The County contributes such additional amounts, as necessary based on an actuarial determination, to provide assets sufficient to pay for member benefits. The County's contribution for the Sheriff department and non-Sheriff members for the year ended December 31, 2007, represents 78.67% and 39.09%, respectively, of annual covered payroll. The County's contribution for the Sheriff department and non-Sheriff members for the year ended December 31, 2006, represents 57.28% and 30.46%, respectively, of annual covered payroll.

The System is administered by the County; accordingly, it is included as a pension trust fund in the County's financial statements. Plan amendments are under the authority of County Ordinances. Changes in required contributions are subject to collective bargaining agreements and approval by the Washtenaw County Board of Commissioners.

# WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The System's financial statements are prepared on the accrual basis of accounting. Member contributions are recognized in the period in which they are due. The County's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Valuation of Investments** - The System's investments are stated at fair value which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

**Administration** – Administrative costs are financed through investment earnings.

### 3. DEPOSITS, INVESTMENTS AND SECURITIES LENDING

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations.

The System's investments are primarily held in a bank-administered trust fund. Following is a summary of the System's investments as of December 31: (investments at fair value, as determined by quoted market price)

	<b>2007</b>	<b>2006</b>
Equities:		
Not on securities loan	\$ 52,981,112	\$ 86,030,930
On securities loan	8,722,048	2,540,553
U.S. treasuries	1,207,879	2,217,429
U.S. treasury strips	10,568,017	10,565,936
U.S. agencies:		
Not on securities loan	12,523,616	19,859,171
On securities loan	8,905,215	2,947,661
Corporate securities	16,361,746	16,874,850
Mutual funds	47,547,330	6,123,894
Money market funds	<u>6,225,161</u>	<u>13,374,714</u>
<b>Total investments</b>	<b><u>\$ 165,042,124</u></b>	<b><u>\$ 160,535,138</u></b>

# WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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Total realized and unrealized gains and losses for the year ended December 31, 2007, were as follows:

	<u>Realized Gain (Loss)</u>	<u>Unrealized Gain (Loss)</u>	<u>Net Appreciation (Depreciation)</u>
Equities	\$ 9,560,530	\$(2,126,872)	\$ 7,433,658
Corporate and U.S. securities	<u>(6,910)</u>	<u>1,320,291</u>	<u>1,313,381</u>
<b>Total</b>	<b><u>\$ 9,553,620</u></b>	<b><u>\$ (806,581)</u></b>	<b><u>\$ 8,747,039</u></b>

Total realized and unrealized gains and losses for the year ended December 31, 2006, were as follows:

	<u>Realized Gain (Loss)</u>	<u>Unrealized Gain (Loss)</u>	<u>Net Appreciation (Depreciation)</u>
Equities	\$ 10,512,626	\$ 493,818	\$ 11,006,444
Corporate and U.S. securities	<u>(59,057)</u>	<u>(122,196)</u>	<u>(181,253)</u>
<b>Total</b>	<b><u>\$ 10,453,569</u></b>	<b><u>\$ 371,622</u></b>	<b><u>\$ 10,825,191</u></b>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of System investments. Unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in the net appreciation (depreciation) reported in prior years and the current year.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy provides that 90% of its investments in fixed income securities be limited to those rated BAA or better by a nationally recognized statistical rating organization, except for United States treasury securities which are explicitly guaranteed by the U.S. government and not considered to have credit risk.

# **WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **Notes To Financial Statements**

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As of December 31, the System's investments in securities of U.S. agencies that are implicitly guaranteed (\$2,136,761 and \$2,406,451 of U.S. agencies are explicitly guaranteed during 2007 and 2006, respectively) by the U.S. government were rated by Standard & Poor's as follows:

	<b>2007</b>	<b>2006</b>
AAA	\$19,292,070	\$20,244,053
AA	-	156,328
	<b><u>\$19,292,070</u></b>	<b><u>\$20,400,381</u></b>

The System's investments in corporate securities were rated by Standard & Poor's as follows at December 31:

	<b>2007</b>	<b>2006</b>
AAA	\$ 6,627,037	\$ 6,812,883
AA	4,196,904	3,071,453
A	1,822,710	3,226,352
BBB	2,430,675	2,087,808
BB	-	60,128
Not Rated	1,284,420	1,616,226
	<b><u>\$16,361,746</u></b>	<b><u>\$16,874,850</u></b>

The System's investments in money market funds are not rated. The System does not invest in bond mutual funds.

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that securities be held in trust by a third-party institution in the System's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the System's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

# **WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **Notes To Financial Statements**

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*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy requires that no more than 20% of equity securities be invested in any one industry and no more than 8% of each manager's large cap equities fund be invested in any one company. The policy also provides that no more than 10% of fixed income securities may be invested in any one company and no more than 8% may be invested in any single issue.

At December 31, 2007, the System's investment portfolio was concentrated as follows:

<b><u>Investment Type</u></b>	<b><u>Issuer</u></b>	<b>% of Portfolio</b>
Equities	Wells Real Estate Investment Trust Inc.	6.9%
U.S. agencies	Federal National Mortgage Association	7.0%

At December 31, 2006, the System's investment portfolio was concentrated as follows

<b><u>Investment Type</u></b>	<b><u>Issuer</u></b>	<b>% of Portfolio</b>
Equities	Wells Real Estate Investment Trust Inc.	6.9%
U.S. agencies	Federal National Mortgage Association	7.1%
	Federal Home Loan Mortgage Association	5.5%

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's investment policy requires a maximum term to maturity of 30 years for any single fixed income security. The System's investment policy does not address weighted average portfolio maturities.

# WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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As of December 31, 2007, maturities of the System's debt securities were as follows:

	<b>Fair Value</b>	<b>Investment Maturities (fair value by years)</b>				<b>More Than 10</b>
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>		
U.S. treasuries	\$ 1,207,879	\$ -	\$ 136,876	\$ -	\$ 1,071,003	
U.S. treasury strips	10,568,017	-	2,107,725	8,196,859		263,433
U.S. agencies	21,428,831	82,417	915,584	3,685,411		16,745,419
Corporate securities	16,361,746	913,037	7,177,787	2,030,204		6,240,718
	<b>\$ 49,566,473</b>	<b>\$ 995,454</b>	<b>\$ 10,337,972</b>	<b>\$ 13,912,474</b>		<b>\$ 24,320,573</b>

Of the above balances, \$8,164,230 of the U.S. agencies securities and \$10,647,028 of corporate securities are callable.

As of December 31, 2006, maturities of the System's debt securities were as follows:

	<b>Fair Value</b>	<b>Investment Maturities (fair value by years)</b>				<b>More Than 10</b>
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>		
U.S. treasuries	\$ 2,217,429	\$ 196,570	\$ 1,024,983	\$ -	\$ 995,876	
U.S. treasury strips	10,565,936	-	1,919,969	7,081,769		1,564,198
U.S. agencies	22,806,832	149,625	819,029	2,957,349		18,880,829
Corporate securities	16,874,850	572,821	7,552,576	1,189,454		7,559,999
	<b>\$ 52,465,047</b>	<b>\$ 919,016</b>	<b>\$ 11,316,557</b>	<b>\$ 11,228,572</b>		<b>\$ 29,000,902</b>

Of the above balances, \$9,615,607 of the U.S. agencies securities and \$11,314,139 of corporate securities were callable.

# **WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **Notes To Financial Statements**

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The System's portfolio of U.S. agencies and corporate securities includes certain collateralized mortgage obligations (with interest-only and principal-only strips), variable-rate securities, and inverse variable-rate securities. The fair value of these investments was summarized as follows at December 31:

	<b>2007</b>	<b>2006</b>
Collateralized mortgage obligations:		
Interest-only strips	\$ 115,646	\$ 159,859
Principal-only strips	2,172,263	2,568,103
Variable-rate securities	2,839,806	1,382,231
Inverse variable-rate securities	1,274,625	1,315,369

The System invests in interest-only strips, in part, to maximize yields and as protection against a rise in interest rates. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The System invests in principal-only strips to reduce the price sensitivity of its fixed-income portfolio to changes in interest rates. These principal-only strips are sensitive to interest rate increases that may result from decreasing mortgage prepayments, thus increasing the average maturity of these investments.

A variable-rate investment's coupon amount enhances or amplifies the effects of interest rate changes by greater than a one-to-one basis. The multiplier makes the fair value of these investments highly sensitive to interest rate changes. As of December 31, 2007, the System holds 28 variable-rate investments with a fair value of \$2,839,806. The coupon rates for these investments range from 0.0% to 7.06%; the benchmark indexes include one-month, six-month, and twelve-month LIBOR, 11<sup>th</sup> District Monthly Weighted Average Cost of Funds Index (San Francisco), and Federal Reserve US H.15 Treasury Note Constant Maturity One Year, and one-year treasury rate; the reset frequency is monthly, semi-annually, or annually; the coupon payment frequency is monthly; and coupon multipliers range from 1.0 to 44.8 times the benchmark index, minus 268.8% to plus 2.25%, with a cap ranging from 9.0% to 20.4% and a floor ranging from 0.0% to 3.19%.

# **WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **Notes To Financial Statements**

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As of December 31, 2007, the System holds 45 inverse variable-rate investments with a fair value of \$1,274,625. With inverse variable-rate securities, coupon payments decline as interest rates increase. The coupon rates for these investments range from 0.19% to 8,150.38%; the benchmark indexes include one-month LIBOR, 11<sup>th</sup> District Monthly Weighted Average Cost of Funds Index (San Francisco), and three-month and ten-year treasury rate; the reset and coupon payment frequency is monthly; and coupon multipliers range from negative 2,253.07 to negative .60 times the benchmark index, plus 5.05% to 22,541.20%, with a cap ranging from 5.05% to 15,573.50% and a floor ranging from 0.0% to 11.0%.

As of December 31, 2006, the System held three variable-rate investments with a fair value of \$1,382,231. The coupon rates for these investments range from 0.0% to 6.71%; the benchmark indexes include one-month, six-month, and twelve-month LIBOR, 11<sup>th</sup> District Monthly Weighted Average Cost of Funds Index (San Francisco), and Federal Reserve US H.15 Treasury Note Constant Maturity One Year; the reset frequency is monthly, semi-annually, or annually; the coupon payment frequency is monthly; and coupon multipliers range from 1.0 to 44.8 times the benchmark index, minus 268.8% to plus 20.40%.

As of December 31, 2006, the System held four inverse variable-rate investments with a fair value of \$1,315,369. With inverse variable-rate securities, coupon payments decline as interest rates increase. The coupon rates for these investments range from 0.01% to 7,548.50%; the benchmark indexes include one-month LIBOR, 11<sup>th</sup> District Monthly Weighted Average Cost of Funds Index (San Francisco), and three-month and ten-year treasury rate; the reset and coupon payment frequency is monthly; and coupon multipliers range from negative 2,253.07 to negative .60 times the benchmark index, plus 5.05% to 22,541.20%.

*Securities Lending.* A contract approved by the System's Board of Directors, permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral securities and letters of credit are initially pledged at 102 percent of the market value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

# WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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### 4. ANNUAL REQUIRED CONTRIBUTION

The County's annual retirement benefits cost and net retirement benefits obligation for the year ended December 31, 2007 and 2006, were as follows:

	<b>2007</b>	<b>2006</b>
Annual required contribution / retirement benefit cost	\$ 4,827,249	\$ 3,845,384
Contribution made	<u>4,827,249</u>	<u>3,845,384</u>
Increase (decrease) in net retirement benefit obligation	-	-
Net retirement benefit obligation, beginning of year	-	-
<b>Net retirement benefit obligation, end of year</b>	<b>\$ _____</b>	<b>\$ _____</b>

The annual required contribution for 2007 and 2006 was determined as part of an actuarial valuation of the System as of December 31, 2005 and 2004, respectively, using the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities.

### Three-Year Trend Information

<u>Year Ended</u>	<u>County's Annual Retirement Benefit Cost (ARBC)</u>	<u>Percentage of ARBC Contributed</u>	<u>Net Retirement Benefit Obligation</u>
12/31/05	\$2,700,525	100.0%	\$ -
12/31/06	3,845,384	100.0	-
12/31/07	4,827,249	100.0	-

# **WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **Notes To Financial Statements**

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### **5. FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the System as of December 31, 2006, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 181,591,924	
Actuarial value of assets	(2)	<u>145,235,953</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 36,355,971</u>	(1) - (2)
 Funded ratio	(4)	<u>80.0%</u>	(2) / (1)
 Covered payroll	(5)	<u>\$ 10,243,828</u>	
 UAAL as % of covered payroll	(6)	<u>354.9%</u>	(2) / (5)

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. Examples include assumptions about future employment and mortality. Actuarially determined amounts 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 the financial statements, present multi-year trend information about whether the actuarial values of trust assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method. However, for purposes of calculating the annual required contribution (ARC), the System uses the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

# **WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM**

## **Notes To Financial Statements**

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation includes:

Valuation date	12/31/06
Actuarial cost method	Aggregate Cost
Amortization method	General Division liabilities funded over the remaining working lifetimes of employees. Sheriff's Division liabilities were amortized using an eight-year level dollar method
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases *	4.5% to 11.9%
Cost-of-Living Adjustments	None

\*Includes pay inflation of 4.5%

\* \* \* \* \*

# **REQUIRED SUPPLEMENTARY INFORMATION**

# WASHTENAW COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Required Supplementary Information

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (Overfunded) (UAAL) (2-1)		Funded Ratio (1/2)	Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
1997	\$ 120,280,457	\$ 117,942,286	\$ (2,338,171)	102.0%	\$ 10,637,600		-22.0%
1998	133,580,663	133,430,791	(149,872)	100.1%	11,295,189		-1.3%
1999	146,587,299	144,026,699	(2,560,600)	101.8%	11,609,168		-22.1%
2000	156,959,460	152,942,076	(4,017,384)	102.6%	11,589,561		-34.7%
2001	163,564,179	166,381,778	2,817,599	98.3%	13,843,557		20.4%
2002	157,473,610	169,389,000	11,915,390	93.0%	12,836,355		92.8%
2003	157,237,691	173,989,111	16,751,420	90.4%	12,332,026		135.8%
2004	150,576,655	177,524,551	26,947,896	84.8%	12,134,962		222.1%
2005	145,093,140	177,684,410	32,591,270	81.7%	11,076,300		294.2%
2006	145,235,953	181,591,924	36,355,971	80.0%	10,243,828		354.9%

**NOTE:** For purposes of the Schedule of Funding Progress, the actuarial accrued liability values as shown are determined using the entry age actuarial cost method. However, for purposes of calculating the ARC, the System uses the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities.

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended <u>December 31,</u>	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
1998	\$ -	\$ -	-
1999	1,038,243	1,038,243	100.0%
2000	1,513,759	1,513,759	100.0%
2001	1,449,631	1,449,631	100.0%
2002	1,456,780	1,456,780	100.0%
2003	1,651,416	1,651,416	100.0%
2004	2,451,764	2,451,764	100.0%
2005	2,700,525	2,700,525	100.0%
2006	3,845,384	3,845,384	100.0%
2007	4,827,249	4,827,249	100.0%