INTERNATIONAL UNION OF OPERATING ENGINEERS
LOCAL 487 HEALTH AND WELFARE FUND
FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

FINANCIAL STATEMENTS

MARCH 31, 2015 AND 2014

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S I Gordon & Company, PA
Certified Public Accountant

American Institute of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
International Union of Operating Engineers Local 487 Health and Welfare Fund
Sparks, Md

We have audited the accompanying financial statements of **International Union of Operating Engineers Local 487 Health and Welfare Fund** (“Fund”), which are comprised of the statements of net assets available for benefits and of benefit obligations as of March 31, 2015 and 2014, and the related statements of changes in net assets available for benefits and of changes in benefit obligations for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on my 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of **International Union of Operating Engineers Local 487 Health and Welfare Fund** as of March 31, 2015 and 2014, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Administrative Expenses, Assets Held for Investment Purposes and Reportable Transactions, together referred to as “supplemental information,” are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplemental information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan’s management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SI Gordon + Company

S I Gordon & Company, PA
July 6, 2015 except for the post employment benefit obligation which is as of August 17, 2015

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

MARCH 31, 2015 AND 2014

ASSETS

	2015	2014
Investments, at fair value (*Notes 2, 3, 4 and Schedule*)	$ 3,316,599	$ 3,000,990
Receivables:		
Employer contributions	427,462	402,700
Accrued interest	2,765	2,016
Prepaid expense	5,751	7,083
Total receivables	435,978	411,799
Cash	1,043,545	948,969
Total assets	$ 4,796,122	$ 4,361,758

LIABILITIES

Accounts payable	$ 9,657	$ 8,984
Total liabilities	$ 9,657	$ 8,984

Net assets available for benefits	$ 4,786,465	$ 4,352,774

READ THE NOTES TO THE FINANCIAL STATEMENTS

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS END MARCH 31, 2015 AND 2014

	2015	2014
Additions to net assets available for benefits were provided by:		
Investment income		
Interest and dividends	$ 115,047	$ 120,292
Net appreciation in fair value of investments	6,098	48,366
Total investment income	121,145	168,658
Less: Investment expenses	4,772	4,916
Net investment income	116,373	163,742
Contributions:		
Employer	4,688,035	3,759,246
Employees	63,364	59,454
Retirees	21,766	27,941
Total contributions	4,773,165	3,846,641
Miscellaneous income	13,472	1,136
Total additions	4,903,010	4,011,519
Deductions from net assets available for benefits were attributable to:		
Benefit payments	4,183,470	3,317,961
Life insurance premiums	105,630	93,848
Administrative expenses (*Schedule*)	180,219	151,418
Total deductions	4,469,319	3,563,227
Increase in net assets available for benefits	433,691	448,292
Net assets available for benefits:		
Beginning of year	4,352,774	3,904,482
End of year	$ 4,786,465	$ 4,352,774

READ THE NOTES TO THE FINANCIAL STATEMENTS

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

STATEMENTS OF PLAN BENEFIT OBLIGATIONS

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
Accumulated eligibility obligation:		
Participants' accumulated eligibility	$ 1,091,379	$ 857,256
Post employment benefit obligation:		
Current retirees and dependents	1,028,601	1,048,654
Other participants fully eligible for benefits	1,662,264	1,386,538
Other participants not yet fully eligible for benefits	1,007,436	954,378
Total vested benefits	3,698,301	3,389,570
Plan's total benefit obligations	$ 4,789,680	$ 4,246,826

READ THE NOTES TO THE FINANCIAL STATEMENTS

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487
STATEMENTS OF CHANGES IN PLAN BENEFIT OBLIGATIONS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
Accumulated eligibility obligation:		
Balance at beginning of year	$ 857,256	$ 877,347
Change during the year	234,123	(20,091)
Balance at end of year	1,091,379	857,256
Post employment benefit obligation:		
Balance at beginning of year	3,389,570	2,381,689
Increase during the year attributable to:		
Change due to Plan amendments	(70,454)	202,259
Changes in actuarial assumptions	404,855	(4,673)
Benefits earned and other changes	(25,670)	810,295
Balance at end of year	3,698,301	3,389,570
Plan's total benefit obligations at end of year	$ 4,789,680	$ 4,246,826

READ THE NOTES TO THE FINANCIAL STATEMENTS

(1) DESCRIPTION OF THE PLAN:

The following description of the International Union of Operating Engineers Local 487 Health and Welfare Fund provides only general information. Participants should refer to the Plan booklet for a more complete description of the Fund's provisions. Copies are available from Associated Administrators, LLC.

. **General -**

The Fund provides health and death benefits to eligible employees and their dependents as defined in the terms of the Collective Bargaining Agreement. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) as amended.

Operations of Fund are under the joint control of labor and management trustees.

. **Benefits -**

The Fund provides for hospital, medical, surgical, life and accidental death and dismemberment benefits.

. **Eligibility -**

A participant becomes eligible for benefits on the first day of the month following a period of three consecutive months of employment with a contributing employer provided that during the prior three-month period, a minimum of 400 hours in contributions has been received on his or her behalf, or alternately, 500 hours in six months. Upon meeting the minimum contributions, the employee will remain eligible for three consecutive months.

Employees must have a minimum of 100 hours in contributions received on their behalf during the corresponding month in order to continue to be eligible during the respective eligibility period or alternatively, an average of 100 credited hours per month going back for a period up to six months (i.e. 200 hours in 2 months, 300 hours in 3 months, etc.).

. **Terminated participants -**

Pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), as amended, the Fund offers continuing coverage to terminated participants on a self-pay basis.

. **Termination -**

Although there is no intent to do so, the Trust agreement provides for termination of the Fund subject to the provisions of the agreement and ERISA.

(1) DESCRIPTION OF THE PLAN (CONTINUED):

- **Funding policy -**

The union, employer association and individual employers to the Collective Bargaining Agreement have established a funding policy and method in order to promote the purpose of the Plan and to insure compliance with ERISA. Each employer contributes to the Plan such amounts and at such times as are required by the applicable provisions of the Collective Bargaining Agreement, or such other agreements as are approved by the Board of Trustees to provide benefits for employees. Contribution rates are from $3.90 to $4.00 for each employee's hour of service.

- **Subsequent events -**

The plan has evaluated subsequent events through July 6, 2015, the date the financial statements were available to be issued.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- **Records maintenance -**

The Fund's records are in the custody of Associated Administrators, LLC. The administrator performs the various administrative functions necessary for the operation of the fund, including the processing of employer contributions and welfare benefits and the payment of administrative expenses

- **Basis of accounting and use of estimates -**

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of American (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

- **Concentration of credit risk -**

Financial instruments which potentially expose the Plan to concentrations of credit risk, as defined by FASB Codification 825-10-50-20, consist primarily of cash and cash equivalents, marketable securities and employer contributions receivable and related income. The balances, at times, may exceed federally insured limits. The Plan invests in marketable securities which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual debt security.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

. **Contributions receivable -**

Contributions receivable at March 31, 2015 and 2014 represent uncollected contributions earned during each year as determined by subsequent collections. Because these contributions were actually received after the year-end, an allowance for doubtful account is unnecessary. Due to the uncertainty regarding their ultimate collection, delinquent accounts, if any, are not recognized as income until received.

. **Investment valuation and income recognition -**

Investments are reported at fair value (*see Note 3*). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (see Note 4 for discussion of fair value measurements).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

. **Benefit obligations -**

Plan obligations for accumulated eligibility credits were estimated by applying the average cost of benefits times the number of participants who were eligible for subsequent coverage at March 31. The subsequent coverage available for participants is April 1st through June 30th.

. **Post-employment benefit obligations -**

The post-retirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed to employee service rendered to March 31. Post employment benefits include future benefits expected to be paid to or for (1) currently retired or terminated participants and their beneficiaries and dependents and (2) active employees and dependents after retirement from service with participating employers. Prior to an active participant's full eligibility date, the post-employment benefit obligation is the portion of the expected post-employment benefit obligation that is attributed to that participant's service in the industry rendered to the valuation date.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

. **Post-employment benefit obligations (continued)–**

The actuarial present value of the expected post-retirement benefit obligation is determined by an independent actuary, and is that amount that results from applying actuarial assumptions to historical claims cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. (See Note 5)

(3) INVESTMENTS:

Investments at March 31, 2015 and 2014 consisted of the following (with investments that represent more than 5% of total Fund assets separately identified).

Investments at fair value as determined by quoted market price:

	2015	2014
Mutual funds		
SEI Large Cap Fund	$ 200,834	$ 430,721
SEI Core Fixed Income Fund	673,248	448,858
SEI Short Term Duration Gov. Fund	-	250,381
SEI Opportunistic Fund	828,015	937,538
SEI Ultra Short Duration Bond Fund	-	295,649
SEI Limited Duration Bond Fund	659,403	-
Others	955,099	637,843
Total investments	$3,316,599	$3,000,990

(3) INVESTMENTS (CONTINUED):

During the year ended March 31, 2015 the Fund's mutual fund investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$6,098 (reported as Net appreciation in fair value of investments in the Statement of Changes in Net Assets Available for Benefits).

(4) FAIR VALUE MEASUREMENTS:

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for asset measured at fair value.

(4) FAIR VALUE MEASUREMENTS (CONTINUED):

Following is a description of the valuation methodologies used for asset measured at fair value. There have been no changes in methodologies used at March 31, 2015 and 2014:

Mutual funds: Valued at the net asset value of shares held by the plan at year end.

Money Market Funds: Valued at fair value using amortized cost which approximated fair value.

Auction Rate Preferred: Valued at the highest bid made by private investors.

The following tables set forth by level, within the fair value hierarchy, the Fund's assets at fair value as of March 31, 2015 and 2014.

Assets of fair value as of March 31, 2015:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity	$ 836,228	$ -	$ -	$ 836,228
Fixed Income	2,480,371	-	-	2,480,371
Total Mutual Fund	3,316,599	-	-	3,316,599
Total assets at fair value	$3,316,599	$ -	$ -	$3,316,599

Assets of fair value as of March 31, 2014:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity	$ 766,422	$ -	$ -	$ 766,422
Fixed Income	2,234,568	-	-	2,234,568
Total Mutual Fund	3,000,990	-	-	3,000,990
Total assets at fair value	$3,000,990	$ -	$ -	$3,000,990

(5) POST-RETIREMENT OBLIGATIONS:

The Fund's post-retirement benefit obligations at March 31, 2015 and 2014 were determined by an independent actuary, The Segal Company.

Significant assumptions used in the valuation were as follows:

Discount rate	3.30%
Health trend rate	8.0% graded to 5% over 6 yrs
Administrative expense rate	3%
Retiree contribution increase rate	8.0% graded to 5% over 6 yrs
Postretirement mortality rate	Healthy - RP-2000 Combined Healthy Blue Collar Table Projected 10 years with Scale AA Disabled – RP-2000 Combined Healthy Blue Collar Table with ages set forward 10 years

(6) RECIPROCAL AGREEMENT:

The Fund is signatory to a master reciprocal agreement along with the various unions outside the territorial jurisdiction. Frequently, employees who are normally employed within the territory of one local may be temporarily employed within the territory of another local. Eligibility for benefits is generally determined from an employee having worked a specified number of hours during a stated period of time. To prevent deprivation of benefits to employees solely because of temporary employment within the jurisdiction of a local other than their home local, the reciprocal agreement provides for the following:

1. When an employee of the home local works in the territory of a reciprocating local, the latter is to make contributions to the former's fringe benefit funds on the employee's behalf. This is represented by a receipt in the records of the home local's trust funds. Reciprocal agreement income is included in total contributions.

2. The monies received by the Plan on behalf of employees from participating locals are forwarded to the employee's home union fringe benefit trust funds and are not reflected as contributions income in the accompanying financial statements.

(7) RELATED-PARTY AND PARTY-IN-INTEREST TRANSACTIONS:

The Fund is related by common membership with the International Union of Operating Engineers Local 487 Union, International Union of Operating Engineers Local 487 Pension Fund and the South Florida Operating Engineers Joint Apprentice and Training Fund. No transactions took place between the parties in 2015 or 2014.

(8) RISKS AND UNCERTAINTIES:

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Fund contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

(9) TAX STATUS:

The Fund is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(9) and, therefore, no provision for Federal income taxes has been made.

In addition, the Fund is required to operate in conformity with the IRC to maintain the tax-exempt status. The plan administrator believes that the Fund is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Fund is tax-exempt

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if it has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service, The Fund has taken no such positions. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Trustees believe the Fund is no longer subject to audits for tax periods ending prior to 3/31/12.

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES

MARCH 31, 2015 AND 2014

	2015	2014
DESCRIPTION		
Accounting & auditing	$ 12,893	$ 10,690
Administrative fees	72,720	69,930
Bank charges	3,620	3,570
Consulting	56,000	30,000
Insurance	8,734	9,102
Legal fees	19,311	19,951
Meetings & conferences	3,533	5,106
Miscellaneous	3,067	2,378
Printing	341	691
Total administrative expenses	$ 180,219	$ 151,418

READ THE NOTES TO THE FINANCIAL STATEMENTS

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487 HEALTH AND WELFARE FUND
ASSETS HELD FOR INVESTMENT PURPOSES
FOR THE YEAR ENDED MARCH 31, 2015

Identity of Issuer	Description of Investment	Cost of Acquisition	Fair Market Value
Mutual Funds:			
SEI Large Cap Fund	8,906 shares	155,742	200,834
SEI Small Cap Fund	7,171 shares	122,140	138,483
SIIT US Managed Volatility Fund	13,968 shares	194,815	204,505
SIIT World Equity Fund	18,860 shares	231,000	230,665
SEI Core Fixed Income Fund	62,802 shares	655,724	673,248
SEI Emerging Markets Equity Fund	6,149 shares	67,185	61,741
SEI High Yield Bond Fund	14,218 shares	135,754	132,801
SEI Emerging Markets Debt Fund	19,571 shres	218,733	186,904
SEI Limited Duration Bond	65,874 shares	658,743	659,403
SEI Opportunistic Fund	100,122 shares	813,486	828,015
Total		3,253,322	3,316,599
Total assets held for investment purposes		3,253,322	3,316,599

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487 HEALTH AND WELFARE FUND
REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2015

Identity of Party Involved	Description of Asset	Purchase Price	Selling Price	Lease Rental	Expenses Incurred with Transactions	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain or (Loss)
Short Duration Gov. Fund	Mutual Fund	250,306	250,771	-	-	250,306	250,771	465
SEI Limited Duration Fund	Mutual Fund	659,284	659,284	-	-	659,284	659,284	-
SIIT Ultra Short Duration Bond Fund	Mutual Fund	989,171	987,712	-	-	989,171	987,712	(1,459)
SEI Opportunistic Income Fund	Mutual Fund	267,789	271,101	-	-	267,789	271,101	3,312