Steven I. Gordon
Certified Public Accountant

American Institute of
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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statements of net assets available for benefits and accumulated benefit obligations of **International Union of Operating Engineers Local 487 Health and Welfare Fund** ("Fund") as of March 31, 2012 and 2011 and the related statements of changes in net assets available for benefits and in accumulated benefit obligations for the years then ended. These financial statements are the responsibility of the Fund's trustees. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 the Fund's trustees, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Fund as of March 31, 2012 and 2011 and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of Administrative Expenses, Assets Held for Investment Purposes and Reportable Transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Fund's Trustees. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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December 3, 2012

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INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

MARCH 31, 2012 AND 2011

ASSETS

	2012		2011	
Investments, at fair value (*Notes 2, 3, 4 and Schedule*)	$	2,660,664	$	2,641,667
Receivables:				
Employer contributions		349,709		320,191
Accrued interest		4,223		-
Prepaid expense		7,056		7,288
Total receivables		360,988		327,479
Cash		762,337		707,010
Total assets	$	3,783,989	$	3,676,156

LIABILITIES

Accounts payable	$	79,499	$	15,412
Total liabilities	$	79,499	$	15,412

Net assets available for benefits	$	3,704,490	$	3,660,744

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, 2012 AND 2011

	2012	2011
Additions to net assets available for benefits were provided by:		
Investment income		
Interest and dividends	$ 74,803	$ 72,457
Net appreciation in fair value of investments	82,696	17,534
Total investment income	157,499	89,991
Less: Investment expenses	4,280	16,273
Net investment income	153,219	73,718
Contributions:		
Employer	2,944,561	3,092,601
Employees	100,295	163,491
Retirees	15,358	24,538
Total contributions	3,060,214	3,280,630
Miscellaneous Income	144	36,025
Total additions	3,213,577	3,390,373
Deductions from net assets available for benefits were attributable to:		
Benefit payments	2,909,627	3,154,316
Life insurance premiums	83,235	95,929
Administrative expenses (*Schedule*)	176,969	177,661
Total deductions	3,169,831	3,427,906
Increase (decrease) in net assets available for benefits	43,746	(37,533)
Net assets available for benefits:		
Beginning of year	3,660,744	3,698,277
End of year	$ 3,704,490	$ 3,660,744

READ THE NOTES TO THE FINANCIAL STATEMENTS

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

STATEMENTS OF PLAN'S BENEFIT OBLIGATIONS

FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
Post Employment benefit obligations:		
Participants' accumulated eligibility	$ 702,765	$ 827,889
Postretirement benefit obligations:		
Current retirees and dependents	961,866	641,767
Other participants fully eligible for benefits	720,135	828,462
Other participants not yet fully eligible for benefits	592,094	518,796
Total vested benefits	2,274,095	1,989,025
Plan's total benefit obligations	$ 2,976,860	$ 2,816,914

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, 2012 AND 2011

	2012	2011
Post Employment benefit obligations:		
Balance at beginning of year	$ 827,889	$ 839,553
Net change during year:		
Participants' accumulated eligibility	(125,124)	(11,664)
Balance at end of year	702,765	827,889
Postretirement benefit obligations:		
Balance at beginning of year	1,989,025	2,060,724
Increase (decrease) during the year attributable to:		
Change due to Plan amendments	(2,242)	(61,077)
Changes in actuarial assumptions	(327,702)	(237,157)
Benefits earned and other changes	615,014	226,535
Balance at end of year	2,274,095	1,989,025
Plan's total benefit obligations at end of year	$ 2,976,860	$ 2,816,914

READ THE NOTES TO THE FINANCIAL STATEMENTS

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

MARCH 31, 2012 AND 2011

(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.

(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

- **Use of estimates** -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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, 2012 and 2011 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-retirement 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 retirement 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-retirement benefit obligation is the portion of the expected post-retirement 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-retirement 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)*

- **Income taxes** -

In accordance with Internal Revenue Code Section §501(c)(9), the Fund is exempt from Federal income taxes and, therefore, no provision for Federal income taxes has been made. The Fund obtained its latest determination letter in which the Internal Revenue Service stated that the plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The plan has been amended since receiving the determination letter. However, the Fund's trustees believe that the plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the plan was qualified and the Fund was tax exempt as of the financial statement date.

- **Subsequent events** -

In May 2009, the Financial Accounting Standards Board (FASB) issued a new accounting standard which established general accounting standards and disclosure for subsequent events. In accordance with this standard, we evaluated subsequent events through December 3, 2012, the date that the financial statements were available to be issued.

(3) INVESTMENTS:

Investments at March 31, 2012 and 2011 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:

(3) INVESTMENTS (CONTINUED):

	2012	2011
Mutual funds		
SEI World Equity Ex-US Fund	$ -	$248,065
SEI Large Cap Fund	685,118	447,304
SEI Core Fixed Income Fund	1,233,657	1,275,926
SEI Enhanced LIBOR OPPS Fund	310,365	318,586
Others	260,344	175,587
Auction Rate Preferred	171,000	176,000
Money market accounts	180	199
Total investments	$2,660,664	$2,641,667

During the year ended March 31, 2012 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $82,696 (reported as Net appreciation in fair value of investments in the Statement of Changes in Net Assets Available for Benefits) as follows:

Mutual funds	$87,696
Auction Rate Preferred	(5,000)
	$82,696

(4) FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

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:

(4) FAIR VALUE MEASUREMENTS (CONTINUED):

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.

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, 2012 and 2011:

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.

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

MARCH 31, 2012 AND 2011

(4) FAIR VALUE MEASUREMENTS (CONTINUED):

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

Assets of fair value as of March 31, 2012:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity	$ 819,664	$ -	$ -	$ 819,664
Fixed Income	1,669,820	-	-	1,669,820
Total Mutual Fund	2,489,484	-	-	2,489,484
Auction Rate Preferred	-	171,000	-	171,000
Money market funds	-	180	-	180
Total assets at fair value	$2,489,484	$ 171,180	$ -	$2,660,664

Assets of fair value as of March 31, 2011:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity	$ 746,684	$ -	$ -	$ 746,684
Fixed Income	1,718,784	-	-	1,718,784
Total Mutual Fund	2,465,468	-	-	2,465,468
Auction Rate Preferred	-	176,000	-	176,000
Money market funds	-	199	-	199
Total assets at fair value	$2,465,468	$176,199	$ -	$2,641,667

(5) POST-RETIREMENT OBLIGATIONS:

The Fund's post-retirement benefit obligations at March 31, 2012 and 2011 were determined by an independent actuary, The Segal Company.

Significant assumptions used in the valuation were as follows:

Discount rate	3.95%
Health trend rate	8.5% graded to 5% over 7 yrs
Administrative expense rate	3%
Retiree contribution increase rate	8.5% graded to 5% over 7 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 PARTIES:

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 2012 or 2011.

(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.

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487

HEALTH AND WELFARE FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES

MARCH 31, 2012 AND 2011

	2012	2011
DESCRIPTION		
Accounting & auditing	$ 10,804	$ 10,188
Administrative fees	64,659	62,175
Bank charges	4,932	5,613
Consulting	59,516	49,088
Insurance	9,640	9,876
Legal fees	20,307	35,620
Meetings & conferences	2,672	2,403
Miscellaneous	1,582	2,082
Printing	2,857	616
Total administrative expenses	$ 176,969	$ 177,661

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487 HEALTH AND WELFARE FUND
ASSETS HELD FOR INVESTMENT PURPOSES
FOR THE YEAR ENDED MARCH 31, 2011

Identity of Issuer	Description of Investment	Cost of Acquisition	Fair Market Value
Mutual Funds:			
SEI Large Cap Fund	37,033.388 shares	577,850	685,118
SEI Small Cap Fund	10,123.876 shares	119,948	134,547
SEI Core Fixed Income Fund	117,715.386 shares	1,227,031	1,233,657
SEI Enhanced Libor Opps Fund	39,039.682 shares	308,833	310,365
SEI High Yield Bond Fund	13,368.4371 shares	124,388	125,797
Total		2,358,050	2,489,484
Auction Rate Preferred:			
Agic Conv & Inc PFD		46,000	35,000
AllianceBernstein 3.229% PFD Ser W		187,000	136,000
Total		233,000	171,000
Money Market Funds:			
Prime Obligation Fund		180	180
Total		180	180
Total investments		2,591,230	2,660,664
Cash & Cash Equivalents:			
SunTrust Bank		762,337	762,337
Total		762,337	762,337
Total assets held for investment purposes		3,353,567	3,423,001

INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 487 HEALTH AND WELFARE FUND
REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2012

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)
SEI World Equity Ex-Us Fund	Mutual Funds		220,160	-	-	245,795	220,160	(25,635

READ THE NOTES TO THE FINANCIAL STATEMENTS