

Washtenaw County Money Purchase Pension Plan

Years Ended
December 31,
2012 and 2011

Financial
Statements

WASHTENAW COUNTY MONEY PURCHASE PENSION PLAN

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INDEPENDENT AUDITORS' REPORT

March 26, 2013

To the Board of Trustees
Washtenaw County Money Purchase Pension Plan
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the *Washtenaw County Money Purchase Pension Plan* (the "Plan"), which comprise the statements of plan net position as of December 31, 2012 and 2011, and the related statements of changes in plan net position 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor 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 entity'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 entity'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 our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan's net position held in trust for pension benefits at December 31, 2012 and 2011, and changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Lehmann Lohson". The signature is written in a cursive, flowing style with a large initial 'L'.

FINANCIAL STATEMENTS

WASHTENAW COUNTY MONEY PURCHASE PENSION PLAN

Statements of Plan Net Position

December 31, 2012 and 2011

	2012	2011
Assets		
Investments, at fair value - mutual funds	<u>\$ 982,934</u>	<u>\$ 959,644</u>
Net position held in trust for pension benefits	<u><u>\$ 982,934</u></u>	<u><u>\$ 959,644</u></u>

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

WASHTENAW COUNTY MONEY PURCHASE PENSION PLAN

Statements of Changes in Plan Net Position

For the Years Ended December 31, 2012 and 2011

	2012	2011
Additions to net position		
Contributions:		
Employees	\$ 3,166	\$ 3,429
Employer	3,166	3,429
	<u>6,332</u>	<u>6,858</u>
Total contributions		
	<u>6,332</u>	<u>6,858</u>
Investment income:		
Interest and dividends	18,521	12,146
Appreciation (depreciation) in fair value of investments	103,143	(15,443)
	<u>121,664</u>	<u>(3,297)</u>
Total investment income (loss)		
	<u>121,664</u>	<u>(3,297)</u>
Total additions	<u>127,996</u>	<u>3,561</u>
Deductions from net position		
Payments to terminated participants	104,706	212,815
Administrative expense	-	21
	<u>104,706</u>	<u>212,836</u>
Total deductions from net position	<u>104,706</u>	<u>212,836</u>
Change in net position	23,290	(209,275)
Net position held in trust for benefits, beginning of year	<u>959,644</u>	<u>1,168,919</u>
Net position held in trust for benefits, end of year	<u>\$ 982,934</u>	<u>\$ 959,644</u>

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

NOTES TO FINANCIAL STATEMENTS

WASHTENAW COUNTY MONEY PURCHASE PENSION PLAN

Notes To Financial Statements

1. PLAN DESCRIPTION

The Washtenaw County Money Purchase Pension Plan (MPPP; the "Plan") is a defined contribution pension plan established and administered by Washtenaw County (the "County") to provide benefits at retirement, subject to the change effective on or about December 31, 2008 as described below, to all regular employees of the County hired on or after January 1, 1989. Plan members are required to contribute 6.0% or 7.5% of covered salary depending on the particular collective bargaining unit to which they belong. The County is required to match the plan member contributions. Plan provisions and contribution requirements are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County's various collective bargaining agreements.

The Plan is included as a pension trust fund in the County's financial statements.

As a result of collective bargaining agreements, effective on or about December 31, 2008, most Plan members were required to transfer their MPPP account balances to the County's defined benefit pension plan (as described in Note 4), thereby withdrawing from the MPPP and enrolling in that other plan.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The MPPP financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

3. INVESTMENTS

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

The Plan's investments are held by its trustee, a third-party financial institution. The management agreement between the Plan and the trustee requires thirteen separate mutual funds, including ten stock funds, one balanced fund, one bond fund, and one guaranteed interest fund. Participants select the particular funds into which their contributions and the related County matching contributions are made.

WASHTENAW COUNTY MONEY PURCHASE PENSION PLAN

Notes To Financial Statements

Plan investments as of December 31 are summarized as follows:

	2012	2011
Mutual funds:		
Prudential Guaranteed Interest Account	\$ 236,980	\$ 252,240
American Balanced Fund A	118,020	102,312
PIMCO Total Return Bond Fund A	47,381	75,123
Equity stock funds:		
Prudential Jennison Mid Cap Growth	51,962	45,508
Growth Fund of America A	207,754	181,524
Invesco Growth & Income Fund A	59,218	62,555
Prudential Stock Index Fund	82,655	76,433
Euro Pacific Growth Fund A	107,419	101,940
INV Small Cap Growth Fund A	49,952	42,619
Eaton Vance Worldwide Health Sciences A	3,433	2,973
Columbia Communication & Information A	10,100	9,398
Lord Abbett Mid Cap Value	8,060	7,019
Total investments	<u>\$ 982,934</u>	<u>\$ 959,644</u>

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2012 and 2011, the Plan's bond mutual fund is not rated by a nationally recognized statistical rating organization. The Plan's investment policy does not address credit risk.

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 Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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. At December 31, 2012 and 2011, the Plan's bond mutual fund is an open-end mutual fund. Accordingly, the Plan's investments are not exposed to custodial credit risk. The Plan's investment policy does not address custodial credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2012, the effective maturity of the Plan's bond mutual fund is 6.09 years. At December 31, 2011, the effective maturity of the Plan's bond mutual fund is 8.93 years. The Plan's investment policy does not address interest rate risk.

4. TRANSFERS TO DEFINED BENEFIT PLAN

During 2008 and 2009, because of changes in the collective bargaining agreements, most Plan members were required to withdraw from the MPPP and enroll in the County's defined benefit pension plan. As a result, 907 MPPP members transferred their account balances to that plan in 2008, and another 66 in 2009. As of December 31, 2012, one active member remains in MPPP. It is anticipated that the plan will be closed during 2013 with the transfer of the remaining account balances to approved deferred compensation accounts.

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