

**COUNTY OF SAN DIEGO
IN-HOME SUPPORTIVE SERVICES
PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN**

FINANCIAL STATEMENTS

JUNE 30, 2014

San Diego

Los Angeles

**San Francisco
Bay Area**

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A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
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FOR THE YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

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Governing Board

County of San Diego In-Home Supportive Services Public Authority

Money Purchase Pension Plan

San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the County of San Diego In-Home Supportive Services Public Authority Money Purchase Pension Plan (Plan), as of and for the year ended June 30, 2014, which comprise the statement of net assets available for benefits as of June 30, 2014, and the related statement of changes in net assets available for benefits for the year ended June 30, 2014, 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 opinions 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 from 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 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 net assets available for benefits as of June 30, 2014, and the related changes in net assets available for benefits or the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of San Diego In-Home Supportive Services Public Authority Money Purchase Pension Plan's basic financial statements. The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the County of San Diego In-Home Supportive Services Public Authority Money Purchase Pension Plan's financial statements for the year ended June 30, 2013, from which such partial information was derived.

The financial statements of the Commission as of June 30, 2013 were audited by other auditors whose report dated November 5, 2013, expressed an unmodified opinion on those basic financial statements



San Diego, California
December 2, 2014

**COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2014 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Investments	\$ 1,980,826	\$ 1,658,677
Receivable from IHSS	4,089	3,485
Employer's contribution receivable	50,008	45,999
Total Assets	<u>2,034,923</u>	<u>1,708,161</u>
 LIABILITIES		
Accrued expenses	4,089	3,485
Total Liabilities	<u>4,089</u>	<u>3,485</u>
 NET ASSETS AVAILABLE FOR BENEFITS	 <u>\$ 2,030,834</u>	 <u>\$ 1,704,676</u>

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

COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS TO NET ASSETS ATTRIBUTED TO:	2014
Investment income (including unrealized gain of \$165,142)	\$ 236,867
Realized gain	29,926
Employer contributions	188,458
Deposit for plan fees and expenses	15,564
	<hr/>
Total Additions	470,815
	<hr/>
DEDUCTIONS TO NET ASSETS ATTRIBUTED TO:	
Administrative expenses	15,564
Benefits paid directly to participants	129,093
	<hr/>
Total Deductions	144,657
	<hr/>
Net Increase	326,158
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NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of fiscal year	1,704,676
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End of fiscal year	\$ 2,030,834
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The accompanying notes are an integral part of these financial statements.

**COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – PLAN DESCRIPTION

The following description of the COUNTY OF SAN DIEGO IN-HOME SUPPORTING SERVICES PUBLIC AUTHORITY (Authority) MONEY PURCHASE PENSION PLAN (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The plan is defined contribution plan covering all employees who complete the employer's introductory period (first six months of employment or such other period of time that the County of San Diego In-Home Supportive Services Public Authority establishes as a condition of permanent employment). All eligible employees shall be eligible to enroll in the Plan on the first day of the next following month.

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e. both measurable and available. "Available" means collectible within the current period or within 30 days after year-end. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

Contributions and funding policy

For each plan year, the employer (Authority) shall contribute on behalf of each active (eligible) participant an amount equal to 8% of compensation (total of an employee's compensation for services rendered to the Authority that is includible in gross income-compensation for any plan year, on an annualized basis, shall be subject to a maximum of \$255,000, as adjusted by the Secretary of the Treasury under Section 401(a)(17) of the Code) including compensation paid during the introductory period. Employee voluntary contributions are not permitted under this Plan. All minimum funding requirements have been met.

Participants' accounts

Each participant's account is credited with the Authority's contribution (calculated above), account earnings, and allocation of the forfeitures of terminated participants' nonvested accounts. The forfeitures are not actual additions of the employee's account but are a reduction of current or future Authority contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014**

NOTE 1 – PLAN DESCRIPTION (continued)

Vesting

Vesting is calculated based on the following schedule:

<u>Completed Years of Service</u>	<u>Vested Share</u>
Less than 1 year	0%
1 year but less than 2	20%
2 year but less than 3	40%
3 year but less than 4	60%
4 year but less than 5	80%
5 or more years	100%

Payment of expenses

The Trustee shall deduct from, and charge against Plan assets, any taxes paid by it which may be imposed upon the Plan or the income thereof, or which the Trustee is required to pay, upon or with the respect to the interest of any person herein. The Trustee’s compensation and expenses shall be a charge upon the Fund until paid by the employer (Authority), shall be withdrawn from the Fund if not paid by the employer (Authority). The reasonable expenses incurred in the administration of the Plan shall be deducted from the Plan assets, unless the employer (Authority) agrees to pay such expenses, including reasonable legal and actuarial expenses. For the fiscal year ended June 30, 2014, \$15,564 of expenses (which includes \$4,089 of accrued expenses) was incurred by the Plan, which was paid by the Authority.

Payment of benefits

Upon termination of services or total and permanent disability, a participant may elect to receive 1) a lump sum distribution equal to his or her account, or 2) a lifetime annuity: which consists of monthly payments for the lifetime of the participant, not to exceed the life expectancy of the participant or beneficiary. Total distributions paid during the fiscal year ended June 30, 2014 were \$129,093.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Investment Valuation and Income Recognition

The assets (investments) of the Plan shall be periodically valued at their fair value, but in no event less frequently than annually. Earnings of the investments and the increase or decrease in the value of the investments since the last evaluation date shall be allocated to each participant’s account balance. Such allocation shall be made by the Plan administrator, in a non-discriminatory manner to recognize each participant’s account balance, the timing of participants’ withdrawals, and the employer’s contributions.

Interest and dividend income is recorded on the accrual basis.

**COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014**

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net assets during the reporting period. Actual results could differ from those estimates.

Payment of Benefits

Benefits are recorded when paid.

NOTE 3 – TAX STATUS

The Internal Revenue Service has determined and informed the Authority by a letter dated September 23, 2010, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan was restated effective July 1, 2013 and submitted to the IRS for a determination letter. The IRS acknowledged receipt of the submission on March 3, 2014. The Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable provisions of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Generally accepted accounting principles require the evaluation of tax positions taken by the Plan and recognition of a tax liability if the Plan has taken an uncertain tax position that is not more likely than not to be sustained upon examination by the IRS. The Sponsor, on behalf of the plan, has analyzed the tax position taken by the Plan, and has concluded that as of June 30, 2014, there are no uncertain tax positions that would require recognition of a liability or disclosure in the financial statements.

COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 4 – PLAN TERMINATION

It is the intent of the employer (Authority) to continue the Plan indefinitely and to make contributions required by the Plan. However, the employer (Authority), by action of its Board of Directors, may institute proceedings to effect a partial or total termination of the Plan.

In the event of a partial or total termination of the Plan or a complete discontinuance of contributions, each affected participant shall be automatically 100% vested in his/her account balance. Such account balances may be distributed under one of the distribution options stated in NOTE 1 above, as elected by the respective participant, or, at the sole discretion of the Employer (Authority), may be transferred to a successor qualified plan, in accordance with the applicable provisions of the Internal Revenue Code and the regulations issued thereto.

NOTE 5 – CONCENTRATION OF RISK

The Plan invests more than 99% of its funds in mutual funds. The other 1% is invested in Exchange Traded Funds. About 17% of its investment were invested in Vanguard Equity Income Fund, 14% of its investment were invested in Pimco Total Return Fund and 13% in the Hartford Capital Appreciation Fund – I, respectively. The remaining assets were invested in eighteen different mutual funds (each fund representing less than 8% of the net assets of the Plan).

NOTE 6 – INVESTMENTS

The Plan adopted Fair Value Measurements (“*FASB Codification 820-10-05*”) which establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about a fair value measurements. The 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

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 are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 6 – INVESTMENTS (continued)

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

The asset's 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 used need to maximize the use of observable inputs.

Following is a description of the valuation methodologies used for assets measured a fair value.

Mutual Funds: Valued at net asset value ("NAV") of shares held by the Plan at the end of the fiscal year.

Exchange Traded Funds: Valued at net asset value ("NAV") of shares held by the Plan at the end of the fiscal year.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of:

June 30, 2014	Level 1	Level 2	Level 3	Total
Mutual Funds and Exchange Traded Funds				
Short Term Investment Funds	\$ 61,512	\$ -	\$ -	\$ 61,512
Balanced Funds	343,868	-	-	343,868
Fixed Income Funds	714,998	-	-	714,998
Equity Funds	594,342	-	-	594,342
International Equity Funds	210,502	-	-	210,502
Commodities Fund	18,586	-	-	18,586
Alternative Strategies Fund	36,926	-	-	36,926
Cash	92	-	-	92
Total Assets at Fair Value	\$ 1,980,826	\$ -	\$ -	\$ 1,980,826

June 30, 2013	Level 1	Level 2	Level 3	Total
Mutual Funds and Exchange Traded Funds				
Short Term Investment Funds	\$ 52,886	\$ -	\$ -	\$ 52,886
Balanced Funds	179,851	-	-	179,851
Fixed Income Funds	598,423	-	-	598,423
Equity Funds	562,469	-	-	562,469
International Equity Funds	166,691	-	-	166,691
Commodities Fund	27,909	-	-	27,909
Alternative Strategies Fund	70,448	-	-	70,448
Total Assets at Fair Value	\$ 1,658,677	\$ -	\$ -	\$ 1,658,677

COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 6 – INVESTMENTS (continued)

The Plan’s investments are held by a federal savings bank administered trust fund. The following table presents fair values of instruments that represent 5 percent or more of the Plan’s net assets. The 5 percent is determined by comparing the current value of the holding at June 30, 2014 with the value of the plan assets at the beginning of the plan year.

Investments at Fair Value as Determined by Quoted Market Price	June 30, 2014
VANGUARD EQUITY INCOME-ADM	\$ 343,868
VANGAURD S-T INVEST GR-ADM	120,210
AMERICAN CENTURY GNMA FD-INV	100,144
PIMCO TOTAL RETURN FUND-INST	285,619
PIMCO INVESTMENT GRD CORP-INST	139,861
HARBOR CAPITAL APPRECIATION-I	142,449
HARTFORD CAPITAL APPRECIATION-I	255,660
Total	<u>\$ 1,387,811</u>

NOTE 7 – EMPLOYEE LOANS

Employee loans are not permitted by this plan.

NOTE 8 – COMPENSATION

The total payroll used for the calculations of the contribution amount for the fiscal year ended June 30, 2014 was \$2,417,005. The required contribution for the fiscal year ended June 30, 2014 was \$193,360. The actual contribution made for the fiscal year ended June 30, 2014 was \$188,458. The variance between the required and the actual contribution was due to forfeitures of \$4,902. The required contribution amount is 8% of the total covered payroll. The actual contribution amount is 7.8% of the total covered payroll. All eligible employees are covered under the Plan.

For the fiscal year ended June 30, 2014, participation was as follows:

Active Employees	Terminated Employees with Balances	Ineligible Employees	Total
44	8	3	55

COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 9 – ADMINISTRATIVE

The employer (Authority) shall have full power to administer the Plan and to construe, interpret, and apply all of its provisions, as hereinafter provided. Any action taken by the employer (Authority) in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the participants, as well as upon any employee or any person who is in any way affected by said action.

The employer (Authority), by action of its Board of Directors, reserves the right to amend or modify the Plan, retroactively or otherwise, at any time, in any respect consistent with requirements and regulations of the Internal Revenue Code, as amended from time to time, and regulations promulgated thereunder.

NOTE 10 – NET APPRECIATION (DEPRECIATION) IN FAIR VALUE INVESTMENTS

The net appreciation in fair value of investments, including realized and unrealized gains and losses on investments during the fiscal year ended June 30, 2014, was as follows:

Mutual Funds and Exchange Traded Funds	<u>\$ 195,068</u>
Total	<u>\$ 195,068</u>

NOTE 11 – PLAN MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS

In preparing the accompanying financial statements, Plan management has reviewed all known events that have occurred after June 30, 2014, and through December 2, 2014, the date when these financial statements were available to be issued, for inclusion in the financial statements and footnotes.

NOTE 12 – PARTIES-IN-INTEREST

Certain Plan investments are shares of mutual funds managed by First American Trust as defined by the Plan and therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for the investment management services are reimbursed by the Authority and totaled \$15,564. Other parties-in-interest are Nyhart Epler (formerly Epler Company) who is the third party administrator who received no fees paid by the Plan as these fees are paid by the Authority.

**SUPPLEMENTARY
INFORMATION**

COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
MONEY PURCHASE PENSION PLAN
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
JUNE 30, 2014

Identity of Issue Borrower, Lessor, or Similar Party	Description of Investment	Current Fair Value	Book (Cost) Value
BLACKROCK LIQ FD TEMPFUND-I	Mutual Fund	\$ 61,512	\$ 61,512
VANGUARD EQUITY INCOME-ADM	Mutual Fund	343,868	257,283
AMERICAN CENTURY GNMA FD-INV	Mutual Fund	100,144	100,604
GOLDMAN SACHS HIGH YIELD-I	Mutual Fund	23,162	22,747
PIMCO TOTAL RETURN FUND-INST	Mutual Fund	285,619	284,872
PIMCO INVESTMENT GRD CORP-INST	Mutual Fund	139,861	140,176
TEMPLETON GLOBAL BOND-ADV	Mutual Fund	46,002	45,843
VANGUARD S/T INVEST GR-ADM	Mutual Fund	120,210	119,661
GOLDMAN SACHS GRTH OPP-I	Mutual Fund	26,215	20,873
HARBOR CAPITAL APPERCIATION-I	Mutual Fund	142,449	94,081
HARTFORD CAPITAL APPRECIATOIN-I	Mutual Fund	255,660	169,642
T ROWE PRICE MID-CAP VAL	Mutual Fund	79,799	62,392
ROYCE VALUE PLUS FUND-SV	Mutual Fund	40,923	30,238
STRATTON SMALL CAP VALUE	Mutual Fund	49,296	33,267
HARBOR INTERNATIONAL-INST	Mutual Fund	58,237	47,858
JPMORGAN EMRG MRKT EQ-INST	Mutual Fund	35,245	32,775
MFS INTL VALUE FD-I	Mutual Fund	72,113	56,172
THORNBURG INTL VALUE FD-I	Mutual Fund	44,907	38,172
GOLDMAN SACHS COMMODITY STGY-I	Mutual Fund	9,623	9,167
COHEN & STEERS REALTY SHARES	Mutual Fund	24,670	22,407
PIMCO ALL ASSET FUND-INST	Mutual Fund	12,256	11,905
SPDR GOLD TRUST ETF	Exchange Traded Fund	8,963	9,187
CASH	Cash	92	92
		<u>\$ 1,980,826</u>	<u>\$ 1,670,926</u>

Note: See Note 12 to the financial statements for parties-in-interest