



**THE CECIL COUNTY, MARYLAND NON-PENSION POST
EMPLOYMENT BENEFITS TRUST**

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**A FIDUCIARY FUND OF
CECIL COUNTY, MARYLAND**

Prepared by the Cecil County Department of Finance

THE CECIL COUNTY, MARYLAND NON-PENSION POST EMPLOYMENT BENEFITS TRUST

ANNUAL FINANCIAL REPORT OF A FIDUCIARY FUND OF CECIL COUNTY, MARYLAND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**THE CECIL COUNTY, MARYLAND NON-PENSION POST
EMPLOYMENT BENEFITS TRUST
BOARD OF TRUSTEES
200 Chesapeake Blvd.
Elkton, MD 21921
410-996-5385**

October 31, 2016

To the County Executive, County Council and
The Citizens of Cecil County, Maryland

We are pleased to present this Annual Financial Report of The Cecil County, Maryland Non-Pension Post Employment Benefits Trust (the Trust) for the fiscal year ended June 30, 2016. The Trust is a non-pension post-retirement plan and a fiduciary fund of Cecil County. This report is divided into two sections: an Introductory Section including the administrative organization and the letter of transmittal; and a Financial Section including the report of the independent public accountants, management's discussion and analysis, the financial statements of the Trust, and certain required and other supplementary information.

This report consists of management's representations concerning the finances of the Trust. Consequently, the Trustees of the Trust assume responsibility for the completeness and fairness of the presentation, including all disclosures. To provide a reasonable basis for making these representations, the Trustees of the Trust have established a comprehensive internal control framework that is designed to protect the Trust's assets from loss, theft, or misuse and to compile sufficient information for the preparation of the Trust's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Trust's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Trust's financial statements have been audited by SB & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Trust as of and for the fiscal year ended June 30, 2016, is free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation. The independent public accountants issued an unmodified opinion on the Trust's financial statements as of and for the fiscal year ended June 30, 2016, which means that the financial statements are fairly presented in conformity with GAAP. The independent public accountant's report is presented as the first component of the Financial Section of this report. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in

Transmittal Letter, June 30, 2016 The Cecil County MD, Non-Pension Post Employment Benefits Trust

conjunction with it. The Trust's MD&A can be found immediately following the report of the independent public accountants.

Profile of the Plan

The Trust was established effective June 17, 2008, under a trust agreement enacted by the Board of County Commissioners of Cecil County (BOCC) to provide funding for post-retirement non-pension benefits (related to health insurance) for certain employees of the County, Cecil College and the Cecil County Public Library. Responsibility for the administration and operation of the Trust is vested in a 3-member Board of Trustees (the Trustees) appointed by the County Executive and confirmed by the County Council. The Trust was created by the BOCC to comply with the Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45, which require recognition of the long-term liability created by non-pension post-retirement benefits provided to many governmental employees.

Funding

A non-pension post employment benefits plan is well funded when its assets are equal to or greater than the actuarial accrued liability. The Trust's funding objective is to meet long-term benefit promises through actuarially determined contributions to and investment earnings from the Trust. The actuarial accrued liability and actuarial value of the assets of the Trust as of July 1, 2016, the most recent actuarial valuation, amounted to \$5,658,000 and \$5,040,362 respectively, or 89.1% funded.

Additions and Deductions from Plan Net Position

The County Executive funded \$910,000 to the OPEB Fund which was higher than the Annual OPEB Cost (AOC) of \$593,000. The \$910,000 included \$514,550 in current year benefits and \$395,450 paid to the Trust for investment for future benefits. Net investment earnings of \$161,946 partially offset by a \$270,489 decrease in market value resulted in net investment loss of \$108,543 for fiscal year 2016.

The Trust paid \$121,550 in subsidies for retirees' health care premiums, \$393,000 to the health insurance plan for "hidden subsidies", \$2,472 for third-party administrative services, \$5,100 for auditing services and \$13,000 for actuarial services resulting in total deductions of \$535,122 from the Trust.

Net position of the Trust increased by \$266,335 and totaled \$5,187,238 as of June 30, 2016.

Investments

Through its trust documents, policies, and procedures, the Trust has established standards to assure that fiduciaries shall discharge their duties solely in the interest of the Trust participants and beneficiaries and with the degree of diligence, care, and skill which prudent men and women would ordinarily exercise under similar circumstance in a like position. (The general concept is often known as the "prudent person rule.") These standards require the diversification of investments by the Trust to enable the Trust to reduce overall risk and increase returns.

The Trustees have established an investment policy that allows for the delegation of investment authority to professional investment advisors. The Investment Policy Statement outlines the

Transmittal Letter, June 30, 2016 The Cecil County MD, Non-Pension Post Employment Benefits Trust

responsibility for the investment of the fund and the degree of risk deemed appropriate for the fund. Investment advisors are to execute the investment policy in accordance with the Trust documents, the Trustees' policy and established guidelines, but can use full discretion within the policy and guidelines.

Professional Services

Professional consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the Trust. An opinion from the independent public accountants is included in this report. The Trust also utilized a professional actuary to calculate its non-pension post employment obligation. The consultants appointed by the Board of Trustees are listed on page iv.

Major Initiatives

Current Year. The Trust finished the year with an increase in net position of 5.4%. This increase is due to the funding by the County exceeding the benefits paid. The County Executive funded the OPEB Trust over and above the required annual OPEB cost by \$317,000 and the Fund met its current obligations to provide post-employment benefits to retirees.

Long Term. The Board of Trustees will continue to monitor credit and duration exposures in the portfolio over the coming months. Specifically, the Trustees will keep abreast of market volatility, given the current expectation of the potential for the Federal Reserve to raise short-term interest rates. An actuarial evaluation was completed in September 2016, and will be done so annually going forward. The actuarial report showed a funded ratio of 89.1%.

Acknowledgements

The operation of the Trust was made possible by the efforts of the County Executive, County Council, and the Trustees of the Trust, as well as the Human Resources staff and members of the Department of Finance. Preparation of the Annual Financial Report, on a timely basis was made possible by the dedicated service of the Department of Finance staff.

In closing, the Trustees look forward to serving the members of The Cecil County Maryland, Non-Pension Post Employment Benefits Trust by providing benefits in their retirement.

Respectfully Submitted,



Winston L. Robinson
Trustee

**THE CECIL COUNTY, MARYLAND NON-PENSION POST
EMPLOYMENT BENEFITS TRUST**

Principal Officials & Consultants

June 30, 2016

Appointed Officials

Board of Trustees

Trustee
Trustee
Trustee

Craig W. Whiteford, Chairman
Donna M. Nichols
Winston L. Robinson

Consultants

Actuary
Administrator
Independent Public Accountant

Bolton Partners, Inc.
Flexible Benefit Administrators
SB & Company, LLC

FINANCIAL SECTION



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the County Executive and County Council and
The Citizens of Cecil County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the Cecil County, Maryland Non-Pension Post Employment Benefits Trust (the Trust), a fiduciary fund of Cecil County, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Trust's 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 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 respective financial position of the Trust, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The accompanying introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
October 31, 2016

SB & Company, LLC

THE CECIL COUNTY, MARYLAND NON-PENSION POST EMPLOYMENT BENEFITS TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2016

The Trustees of the Cecil County, Maryland Non-Pension Post Employment Benefits Trust (the Trust) are pleased to present to the County Executive, the County Council and other readers of the financial statements of the Trust this narrative overview and analysis of the financial activities of the Trust for the fiscal year ended June 30, 2016.

Financial Highlights

The assets of the Trust exceeded its liabilities at the close of the fiscal year by \$5,187,238 (net position). As the Trust completed its eighth year of operation, the Trust's total contributions decreased from \$1,058,908 in 2015 to \$910,000 in 2016. The net investment income decreased from \$101,693 in 2015 to a negative \$108,543 in 2016. The entire amount of net position is available to assist the County in financing non-pension post-retirement benefits provided by the County under the Cecil County Post Retirement Benefit Plan.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Trust's basic financial statements, which are comprised of three components: 1) Statement of Net Position, 2) Statement of Change in Net Position, and 3) Notes to the Financial Statements.

The Statement of Net Position (page 6) present information on all of the Trust's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

The Statement of Change in Net Position (page 7) presents information showing how the Trust's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Trust is reported as a fiduciary fund of the Cecil County, Maryland, government.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 8 of this report.

Required Supplementary Information. The required supplementary information and related notes provide additional information that is essential to a full understanding of the funding progress of the non-pension post employment benefits trust. The information can be found beginning on page 13 of this report.

Additional information. Other supplementary information is shown on page 15.

The Cecil County, Maryland Non-Pension Post Employment Benefits Trust Management's Discussion and Analysis, June 30, 2016

Financial Analysis of the Trust

Net Position. The following is a year-to-year comparison of net position of the Trust.

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>Increase</u> <u>(Decrease)</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u> <u>Percentage</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 310,805	\$ 488,566	\$ (177,761)	-36.4%
A/R Other	-	115,529	(115,529)	-100.0%
Investments, at Fair Value	<u>4,877,017</u>	<u>4,317,596</u>	<u>559,421</u>	13.0%
Total Assets	5,187,822	4,921,691	266,131	5.4%
<u>Liabilities</u>				
Total Liabilities	<u>584</u>	<u>788</u>	<u>(204)</u>	-25.9%
<u>Net Position</u>				
Held in Trust for Participants	<u>\$ 5,187,238</u>	<u>\$ 4,920,903</u>	<u>\$ 266,335</u>	5.4%

The Trust was established to fund future post employment non-pension benefits and consequently its assets consist of investments in a diversified mix of mutual funds. The liabilities of the Trust consist of short-term obligations related to administration of the fund.

Changes in Net Position. The Trust experienced an increase in net position of \$266,335 in fiscal year 2016. Total contributions decreased \$148,908 or 14.1%. Investment income decreased by \$210,236 mainly due to a flux in the market during fiscal year 2016. Benefit payments decreased by \$15,661 primarily due to a decrease in the implied subsidy of \$21,886, which is related to a decrease in the three-year average claims used to calculate the implied subsidy.

A year-to-year comparison of changes of the Trust's net position is as follows.

	<u>2016</u>	<u>2015</u>	<u>Increase</u> <u>(Decrease)</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u> <u>Percentage</u>
<u>Additions</u>				
Contributions	\$ 910,000	\$ 1,058,908	\$ (148,908)	-14.1%
Net Investment Income	<u>(108,543)</u>	<u>101,693</u>	<u>(210,236)</u>	-206.7%
Total Additions	801,457	1,160,601	(359,144)	-30.9%
<u>Deductions</u>				
Benefit Payments	514,550	530,211	(15,661)	-3.0%
Administrative Expenses	<u>20,572</u>	<u>20,397</u>	<u>175</u>	0.9%
Total Deductions	<u>535,122</u>	<u>550,608</u>	<u>(15,486)</u>	-2.8%
Changes in Net Position	<u>\$ 266,335</u>	<u>\$ 609,993</u>	<u>\$ (343,658)</u>	-56.3%

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Management's Discussion and Analysis, June 30, 2016**

Requests for Information

This financial report is designed to provide a general overview of the Trust's finances to the citizens of Cecil County, and other users of such data. Requests for additional copies of this report, an actuarial report, a list of investments, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Donna Nichols Trustee: The Cecil County, Maryland Non-Pension Post Employment Benefits Trust 200 Chesapeake Blvd, Elkton, Maryland 21921.

BASIC FINANCIAL STATEMENTS

**THE CECIL COUNTY, MARYLAND NON-PENSION POST
EMPLOYMENT BENEFITS TRUST**

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

ASSETS

Cash and Cash Equivalents \$ 310,805

Investments, at Fair Value
Mutual Funds 4,877,017

Total Assets 5,187,822

LIABILITIES

Accounts Payable 584

NET POSITION

**Held in Trust
for Participants** \$ 5,187,238

The accompanying notes to the financial statements are an integral part of this statement.

**THE CECIL COUNTY, MARYLAND NON-PENSION POST
EMPLOYMENT BENEFITS TRUST**

**STATEMENT OF CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

ADDITIONS

Contributions Cecil County	<u>\$ 910,000</u>
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INVESTMENT INCOME

Net Depreciation in Fair Value of Investments	(270,489)
Interest and Dividends	<u>195,483</u>

Investment Income (Loss)	(75,006)
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Less: Investment Expense	<u>(33,537)</u>
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Net Investment Income (Loss)	<u>(108,543)</u>
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Total Additions	<u>801,457</u>
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DEDUCTIONS

Benefit Payments	514,550
Administrative Expense	<u>20,572</u>

Total Deductions	<u>535,122</u>
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Change in Net Position	266,335
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**Held in Trust
for Participants**

Net Position - Beginning	<u>4,920,903</u>
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Net Position - Ending	<u><u>\$ 5,187,238</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

The Cecil County, Maryland Non-Pension Post Employment Benefits Trust

Notes to the Financial Statements for the Fiscal Year Ended June 30, 2016

1. Summary of Significant Accounting Policies

The financial statements of the Cecil County, Maryland Non-Pension Post Employment Benefits Trust (the Trust) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. During the year ending June 30, 2016, the Plan has adopted all GASB Statements through No. 72, entitled Fair Value Measurement and Application. These statements did not have a material effect on the Plan's financial statements

GASB has issued the following Statement which the Trust plans to adopt by its effective date after evaluating the effects of the pronouncement.

Statement No. 74 Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans.

The following summarizes the Trust's significant accounting policies:

Financial Reporting Entity

The Cecil County Post Retirement Benefit Plan (the "Plan") is a single employer defined benefit plan administered by the County. The Plan provides medical, prescription drug, dental and vision to all eligible retired employees of the County, Cecil County Public Library and Cecil College. The retiree must meet the eligibility requirements in order to participate in the "Plan." Depending on the employee's years of service, the County contributes \$75 to \$150 per month per participant to the Plan, and the participant is required to pay the balance of the Plan's insurance premiums, as well as any annual deductibles. As of July 1, 2016 the date of the last actuarial valuation, approximately 87 retirees and their beneficiaries were receiving benefits, and an estimated 698 active employees are potentially eligible to receive future benefits.

The Cecil County, Maryland Non-Pension Post Employment Benefits Trust (the Trust) was established effective June 17, 2008, under a trust agreement enacted by the Board of County Commissioners of Cecil County (BOCC) to assist the County in financing non-pension post-retirement benefits (OPEB) provided by the County under the Cecil County Post Retirement Benefit Plan.

Although the Trust is a legally separate entity, the County appoints all members of the Trust's Board of Trustees and makes all employer contributions to the Trust. The Trust is a fiduciary fund of Cecil County, MD, because it provides services and benefits exclusively to the County. Cecil County issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. The financial report may be obtained from the Cecil County Department of Finance, 200 Chesapeake Blvd., Elkton, Maryland 21921, by calling 410-996-5385 or on line at www.ccgov.org/dept_finance/opeb.cfm

Basis of Accounting

The Trust's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer's policy is to fund these obligations in the year they occur. Employer contributions to the Trust are irrevocable.

The Cecil County, Maryland Non-Pension Post Employment Benefits Trust Notes to the Financial Statements for the Fiscal Year Ended June 30, 2016

Investments

The Trust is authorized by its trust agreement to establish an investment policy and invest long-term to assist the County in financing post-retirement healthcare costs under the Plan. The investment policy allocates investments between 1) large, mid and small capitalization mutual funds, and international stock blend mutual funds traded on national exchanges; 2) fixed income domestic mutual funds traded on national exchanges; and 3) cash equivalents (deposits or short-term investments maturing within a year). Certain investments are prohibited. Specific allocation targets are reviewed quarterly. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The Trust does not hold any investments that are not traded on a national or international exchange.

Fair Value Measurements

The Plan categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions

2. Contributions and Reserves

Funding Policy: The County's Annual Required Contribution (ARC) is an actuarially determined amount that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. It is the County Executive and County Council's intent to fully fund the ARC each year. Funding of the ARC consists of three components: cash payments made directly to the health insurance plan on behalf of the retirees (\$75 to \$150 per month based on length of service); payment of the "hidden subsidy" (Retirees pay the same rate as active employees; the difference between the insurance rate for active employees versus the rate that should have been charged to retirees is the hidden subsidy); with the remainder paid directly to the Trust.

Required Contribution, Annual OPEB Cost and Net OPEB Obligation - The County's annual other post employment benefit (OPEB) cost (expense) is calculated based on the ARC. The county's annual OPEB cost, the annual OPEB cost contributed, and the net OPEB obligation for fiscal year 2016 were as follows:

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2016**

Annual required contribution	\$ 602,000
Interest on net OPEB obligation	(83,000)
Adjustment to annual required contribution	<u>74,000</u>
Annual OPEB cost (expense)	\$593,000
Contributions made	<u>910,000</u>
Increase (Decrease) in net OPEB obligation	(317,000)
Net OPEB obligation(asset) - beginning of year	<u>(1,190,396)</u>
Net OPEB obligation(asset) - end of year	<u>\$ (1,507,396)</u>

It should be noted that the County has a negative OPEB obligation which means that the Plan is currently funded in excess of the required amount.

3. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2016	\$ 5,040,362	\$ 5,658,000	\$ 617,638	89.1%	\$ 29,779,797	2.1%

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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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, shows information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2016**

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2016
Actuarial cost method	Projected Unit Credit Method
Amortization method	Level Percentage - Closed
Amortization period	30 years (as of July 1, 2008)
Asset valuation method	Market Value
Actuarial assumptions:	
Rate of Inflation	Implicit in healthcare cost increase below
Discount rate	7.00%
Projected salary increases	4.00% per year of service
Healthcare cost trend rate	Based on Society of Actuaries Long Term Medical Trend Model. The initial rate is 5.90% decreasing gradually. The ultimate rate is 4.00% and is reached in 2076.
Employees included	25% of active employees currently enrolled in health care 5% of terminated employees currently enrolled
Marital status and age of spouse	Actual coverage election

5. Cash Deposits and Investment Portfolio Disclosure

Investment policy information is further discussed in Note 2. As of June 30, 2016, the Trust had the following deposits and investments. Insured deposits and money market mutual funds are classified as cash and cash equivalents on the Statement of Net Assets.

Deposits

Insured Deposits (FDIC)	\$ 147,460
Total Deposits	\$ 147,460

Investments

Money Market Mutual Funds	\$ 163,345
Mutual Funds	4,877,017
Total Investments	\$ 5,040,362

The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2016

List of Mutual Fund the Trust was invested in as of June 30, 2016:

Blackrock High Yield	\$ 92,867
Dodge & Cox Income Fund	444,792
Eaton Vance Floating Rate	59,174
PNC Limited Maturity Bond	402,871
T Rowe Price High Yield	96,925
Vanguard Total Bond Index Fund	662,202
Total Fixed Income	1,758,831
T Rowe Price Growth Stock	549,946
T Rowe Price Value Fund	551,753
BlackRock S&P 500 Index	432,590
Vanguard Growth ETF	157,262
Vanguard Value ETF	216,555
Wisdom Tree Large Cap Dividend Fund	181,672
Total Large Capitalization	2,089,778
Vanguard Mid Cap ETF	117,448
Principal Mid Cap Fund	220,691
Total Mid Capitalization	338,139
iShares TR Russell 200 Index	86,465
Total Small Capitalization	86,465
Dodge & Cox Intl Stock Fund	274,677
Harbor Intl Fund	329,127
Total International	603,804
Total Investments	\$ 4,877,017

The summary below identifies the fair market value level of the investments as of June 30, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2016
<u>Investments by Fair Value Level:</u>				
Fixed Income Funds	1,758,831	-	-	1,758,831
Equity Mutual Funds	3,118,186	-	-	3,118,186
Total Investments at Fair Value	\$ 4,877,017	\$ -	\$ -	\$ 4,877,017

Fair Market Value Levels Debt securities (Fixed Income funds) classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities Equity

The Cecil County, Maryland Non-Pension Post Employment Benefits Trust Notes to the Financial Statements for the Fiscal Year Ended June 30, 2016

Mutual funds listed on a national market or exchange are valued at the last sales price, or, if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Credit Risk. No rating was available for the Money Market Mutual fund. The Trust held 16 separate Bond/Stock funds as of June 30, 2016 of which two had a Morningstar rating of 5 stars (the best rating is 5 stars). Ten of the funds had a Morningstar rating of 4, three of the funds had a Morningstar rating of 3 and the remaining fund received a 2 star rating from Morningstar.

Interest Rate Risk. The Trust's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The Trust's investment policy applies the "prudent person" rule to its investments as a whole and its Investment Consultants and/or Investment Managers: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income derived". The investment policy requires that no more than 5% of any class of investments shall be in one corporation or affiliated group. Further, the policy requires that no more than 20% of any class of investments shall be in any one industry; investments in U.S. Treasury and U.S. Agency obligations are not limited.

6. Commitments and Contingencies

The Trust is not party to any legal proceedings.

7. Reports Available

Additional copies of this annual financial statement and actuarial information are available from the Cecil County Department of Finance, 200 Chesapeake Blvd., Elkton, Maryland 21921.

REQUIRED SUPPLEMENTARY
INFORMATION
&
OTHER SUPPLEMENTARY
INFORMATION

**THE CECIL COUNTY, MARYLAND NON-PENSION POST
EMPLOYMENT BENEFITS TRUST**

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	\$ 1,100,000	\$ 7,039,000	\$ 5,939,000	15.6%	\$ 28,693,498	20.7%
2011	2,025,000	9,286,000	7,261,000	21.8%	25,443,669	28.5%
2012	2,573,261	10,114,000	7,540,739	25.4%	25,795,025	29.2%
2013	3,185,000	10,833,000	7,648,000	29.4%	26,603,993	28.7%
2014	4,310,910	10,400,000	6,089,090	41.5%	26,852,179	22.7%
2015	4,805,577	8,396,000	3,590,423	57.2%	27,669,211	13.0%
2016	5,040,362	5,658,000	617,638	89.1%	29,774,797	2.1%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Years Ended June 30	Annual OPEB Cost (AOC)	Percentage of AOC Covered	Net OPEB Obligation (Asset)
2009*	\$ 516,000	100%	\$ (1,003,488)
2010	648,000	100%	(1,003,488)
2011	879,000	100%	(1,003,488)
2012	915,000	100%	(1,003,488)
2013	920,000	100%	(1,003,488)
2014	959,000	100%	(1,003,488)
2015	872,000	121%	(1,190,396)
2016	593,000	153%	(1,507,396)

*First year of plan

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Required Supplementary Schedules
for the Fiscal Year Ended June 30, 2016**

Funding Progress

The Plan inception date is June 17, 2008.

The information presented in the above schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2016
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Percentage - Closed
Original Unfunded Liability	30 years (as of July 1, 2008)
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00%
Projected Salary Increases	4.0% per year of service
Employees Included	25% of active employees currently enrolled in health care 5% of terminated employees currently enrolled in health care
Marital Status and Age of Spouse	Actual coverage election

**THE CECIL COUNTY, MARYLAND NON-PENSION POST
EMPLOYMENT BENEFITS TRUST
OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF ADMINISTRATIVE EXPENSES

Professional Fees	<u>\$ 20,572</u>
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SCHEDULE OF INVESTMENT EXPENSES

Investment Managers	<u>\$ 33,537</u>
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SCHEDULE OF PROFESSIONAL FEES PAID TO CONSULTANTS

<u>Type of Service</u>	<u>Consultant</u>		
Actuary	Bolton Partners Inc	\$	13,000
Auditing	SB & Company, LLC		5,100
Administrative	Flexible Benefit Administrators		2,472
Total Payments to Consultants		<u>\$</u>	<u>20,572</u>