



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

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	i
Principal Officials & Consultants	iv

FINANCIAL SECTION

Report of Independent Public Accountants	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position	6
Statement of Change in Net Position	7
Notes to the Financial Statements	8
Required Supplementary Information	
Schedule of Funding Progress	13
Schedule of Employer Contributions	13
Notes to the Required Supplementary Schedules	14
Other Supplementary Information	
Schedule of Administrative Expenses	15
Schedule of Investment Expenses	15
Schedule of Professional Fees Paid to Consultants	15

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

January 11, 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, 2015. 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, 2015, 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, 2015, 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, 2015 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, 2014, the most recent actuarial valuation, amounted to \$10,400,000 and \$4,310,910 respectively, or 41.5% funded.

Additions and Deductions from Plan Net Position

The County Executive funded the Annual OPEB Cost (AOC) in the amount of \$1,058,908 which included \$530,211 in current year benefits and \$528,697 paid to the Trust for investment for future benefits. Net investment earnings of \$167,176 partially offset by a \$65,483 decrease in market value resulted in net investment income of \$101,693 for fiscal year 2015.

The Trust paid \$115,325 in subsidies for retirees' health care premiums, \$414,886 to the health insurance plan for "hidden subsidies", \$2,397 for third-party administrative services, \$5,000 for auditing services and \$13,000 for actuarial services resulting in total deductions of \$550,608 from the Trust.

Net position of the Trust increased by \$609,993 and totaled \$4,920,903 at June 30, 2015.

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 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 U.S. economy appears to be on the threshold of a sustained period of accelerating growth that should become evident during the remainder of 2015 and continue through 2016. This promising outlook for growth is based upon steadily improving fundamental factors, including job creation, which should exceed 2.5 million this year and 3 million in 2016, financial and credit conditions, and income flows to households and firms. Consumer inflation appears to be in a bottoming process, and should drift steadily higher over the next two years, rising to only 2.5% by the middle of next year. The Federal Reserve is expected to begin a new rate-tightening cycle during the fall of 2015, while the impact on the real economy is expected to be minimal. Despite these factors, the Trust finished the year with an increase in net position of 14.1%. This increase is due to the funding by the County exceeding the benefits paid. As noted previously, the County Executive made its annual required contribution and the Fund met its current obligations to provide post-employment benefits to retirees.

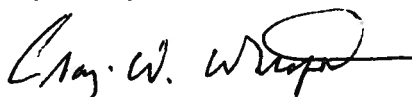
Long Term. In light of the continued torpor of the economy, the Board of Trustees will continue to monitor credit and duration exposures in the portfolio over the coming months. Specifically, the Trustees will keep abreast of market volatility, given the current expectation of the potential for the Federal Reserve to raise short-term interest rates. An actuarial evaluation is to be completed shortly, and will be done so annually going forward.

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 the members of the Department of Finance staff. 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,



Craig W. Whiteford
Chairman

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

Principal Officials & Consultants

June 30, 2015

Appointed Officials

Board of Trustees

Trustee
Trustee
Trustee

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

Consultants

Actuary
Administrator
Administrator
Independent Public Accountant

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

FINANCIAL SECTION



SB & 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, 2015, 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, 2015, 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.



SB & 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
January 11, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

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, 2015.

Financial Highlights

The assets of the Trust exceeded its liabilities at the close of the fiscal year by \$4,920,903 (net position). As the Trust completed its seventh year of operation, the Trust's total contributions increased from \$959,000 in 2014 to \$1,058,908 in 2015. The net investment income decreased from \$548,026 in 2014 to \$101,693 in 2015. 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, 2015**

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>2015</u>	<u>June 30,</u> <u>2014</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	\$ 488,566	\$ 532,812	\$ (44,246)	-8.3%
A/R Other	115,529	-	115,529	NA
Investments, at Fair Value	<u>4,317,596</u>	<u>3,778,098</u>	<u>539,498</u>	14.3%
Total Assets	4,921,691	4,310,910	610,781	14.2%
<u>Liabilities</u>				
Total Liabilities	<u>788</u>	<u>-</u>	<u>788</u>	NA
<u>Net Position</u>				
Held in Trust for Participants	<u>\$ 4,920,903</u>	<u>\$ 4,310,910</u>	<u>\$ 609,993</u>	14.1%

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 \$609,993 in fiscal year 2015. Total contributions increased \$99,908 or 10.4%. Investment income decreased by \$446,333 mainly due to a flux in the market during fiscal year 2015. Benefit payments increased by \$49,561 primarily due to an increase in the implied subsidy of \$40,886, which is related to an increase in the three-year average claims used to calculate the implied subsidy. Administrative expense was up \$12,284 or 151.4% mainly due to an actuarial report completed in fiscal year 2015 for \$13,000, the actuarial report was not completed in fiscal year 2014.

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

	<u>2015</u>	<u>2014</u>	<u>Increase</u> <u>(Decrease)</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u> <u>Percentage</u>
<u>Additions</u>				
Contributions	\$ 1,058,908	\$ 959,000	\$ 99,908	10.4%
Net Investment Income	<u>101,693</u>	<u>548,026</u>	<u>(446,333)</u>	-81.4%
Total Additions	1,160,601	1,507,026	(346,425)	-23.0%
<u>Deductions</u>				
Benefit Payments	530,211	480,650	49,561	10.3%
Administrative Expenses	<u>20,397</u>	<u>8,113</u>	<u>12,284</u>	151.4%
Total Deductions	<u>550,608</u>	<u>488,763</u>	<u>61,845</u>	12.7%
Changes in Net Position	<u>\$ 609,993</u>	<u>\$ 1,018,263</u>	<u>\$ (408,270)</u>	-40.1%

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Management's Discussion and Analysis, June 30, 2015**

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 Cecil County Government, Attn: Department of Finance, 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, 2015

ASSETS

Cash and Cash Equivalents	\$ 488,566
Accounts Receivable - Other	115,529
Investments, at Fair Value Mutual Funds	<u>4,317,596</u>
Total Assets	<u>4,921,691</u>

LIABILITIES

Accounts Payable	<u>788</u>
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NET POSITION

Held in Trust for Participants	<u><u>\$ 4,920,903</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**

**STATEMENT OF CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

ADDITIONS

Contributions Cecil County	<u>\$ 1,058,908</u>
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INVESTMENT INCOME

Net Depreciation in Fair Value of Investments	(65,483)
Interest and Dividends	<u>197,951</u>

132,468

Less: Investment Expense	<u>(30,775)</u>
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Net Investment Income	<u>101,693</u>
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Total Additions	<u>1,160,601</u>
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DEDUCTIONS

Benefit Payments	530,211
Administrative Expense	<u>20,397</u>

Total Deductions	<u>550,608</u>
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Change in Net Position	609,993
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**Held in Trust
for Participants**

Net Position - Beginning	<u>4,310,910</u>
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Net Position - Ending	<u>\$ 4,920,903</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, 2015

1. Plan Description

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, 2014 the date of the last actuarial valuation, approximately 92 retirees and their beneficiaries were receiving benefits, and an estimated 692 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.

2. Summary of Significant Accounting Policies

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.

Valuation of 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.

3. 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 Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2015**

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 2015 were as follows:

Annual required contribution	\$	881,000
Interest on net OPEB obligation		(70,000)
Adjustment to annual required contribution		61,000
Annual OPEB cost (expense)		<u>\$872,000</u>
Contributions made		<u>1,058,908</u>
Increase (Decrease) in net OPEB obligation		(186,908)
Net OPEB obligation(asset) - beginning of year		<u>(1,003,488)</u>
Net OPEB obligation(asset) - end of year	\$	<u>(1,190,396.00)</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.

4. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Cost Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2014	\$ 4,310,910	\$ 10,400,000	\$ 6,089,090	41.5%	\$ 26,852,179	22.7%

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.

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2015**

5. 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.

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2014
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 7.50% decreasing gradually. The rate in 2050 is 5.00%. The ultimate rate is 4.24% and is reached in 2084.
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

6. Cash Deposits and Investment Portfolio Disclosure

Investment policy information is further discussed in Note 2. As of June 30, 2015, 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)	\$ 121,784
Total Deposits	\$ 121,784

Investments

Money Market Mutual Funds	\$ 366,782
Mutual Funds	4,317,596
Total Investments	\$ 4,684,378

The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2015

List of Mutual Fund the Trust was invested in as of June 30, 2015:

Blackrock High Yield	\$ 83,572
Dodge & Cox Income Fund	452,056
Eaton Vance Floating Rate	58,501
PNC Limited Maturity Bond	397,859
T Row e Price High Yield	71,919
Vanguard Total Bond Index Fund	453,925
Total Fixed Income	<u>1,517,832</u>
T Row e Price Grow th Stock	477,353
T Row e Price Value Fund	556,398
TouchStone Sands Capital Select	293,959
Vanguard Grow th ETF	112,724
Vanguard Value ETF	141,712
Wisdom Tree Large Cap Dividend Fund	173,831
Total Large Capitalization	<u>1,755,977</u>
Vanguard Mid Cap ETF	106,277
Aston Fairpointe Mid Cap	200,362
Total Mid Capitalization	<u>306,639</u>
iShares TR Russell 200 Index	82,907
Total Small Capitalization	<u>82,907</u>
Dodge & Cox Intl Stock Fund	326,999
Harbor Intl Fund	327,242
Total International	<u>654,241</u>
Total Investments	<u><u>\$ 4,317,596</u></u>

Credit Risk. No rating was available for the Money Market Mutual fund. The Trust held 17 separate Bond/Stock funds as of June 30, 2015 of which two had a Morningstar rating of 5 stars (the best rating is 5 stars). Nine of the funds had a Morningstar rating of 4 and the remaining six mutual funds received a 3 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

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2015**

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.

7. Commitments and Contingencies

The Trust is not party to any legal proceedings.

8. 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, 2015**

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%

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)

*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, 2015**

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, 2014
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, 2015

SCHEDULE OF ADMINISTRATIVE EXPENSES

Professional Fees	<u>\$ 20,397</u>
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SCHEDULE OF INVESTMENT EXPENSES

Investment Managers	<u>\$ 30,775</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	5,000
Administrative	TASC	1,245
Administrative	Flexible Benefit Administrators	1,152
Total Payments to Consultants		<u>\$ 20,397</u>