



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

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Prepared by the Cecil County Treasurer's Office



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, 2011

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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 25, 2011

To the Board of County Commissioners and
The Citizens of Cecil County, Maryland

We are pleased to present the third Annual Financial Report of The Cecil County, Maryland Non-Pension Post Employment Benefits Trust (the Trust) for the fiscal year ended June 30, 2011. 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, 2011, 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 unqualified opinion on the Trust's financial statements as of and for the fiscal year ended June 30, 2011, 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

Transmittal Letter, June 30, 2011 The Cecil County MD, Non-Pension Post Employment Benefits Trust

(MD&A). This letter of transmittal is designed to complement the MD&A and should be read in 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 BOCC. 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 June 30, 2011, the most recent actuarial valuation, amounted to \$9,286,000 and \$2,025,000 respectively, or 21.8% funded.

Additions and Deductions from Plan Net Assets

The BOCC funded the Annual OPEB Cost (AOC) in the amount of \$879,000 which included \$547,750 in current year benefits and \$331,250 paid to the Trust for investment for future benefits. Net investment earnings of \$5,158 combined with a \$302,550 increase in market value resulted in net investment income of \$307,708 for fiscal year 2011.

The Trust paid \$99,750 in subsidies for retirees' health care premiums, \$448,000 to the health insurance plan for "hidden subsidies", \$5,287 for third-party administrative services, and \$4,200 for auditing services resulting in total deductions of \$557,237 from the Trust.

Net assets of the Trust increased by \$629,471 and totaled \$2,230,059 at June 30, 2011.

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 economy showed signs of improvement as the financial markets rebounded in the first half of FY2011. However, recent developments indicate that the U.S. economic recovery was "significantly slower" in the first half of the year than expected, and the outlook for economic growth in the quarters ahead are lowered. Temporary factors, including higher food and energy prices, and supply chain disruptions associated with the earthquake in Japan, are now judged to account for only some of the recent weakness in economic activity. Despite these factors, the Trust finished the year with a 20.22% return on investments net of fees. As noted previously, the Board of County Commissioners 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 continuing instability of the economy, the Board of Trustees will evaluate the fund's actuarial and investment policies over the coming months. Specifically, the Trustees will review the discount rate currently being used to determine the Trust's actuarial investments and liabilities and a new actuarial study will be performed. The Trustees will evaluate the impacts of potentially reduced contributions to the Trust over the next few years to determine the impact on the discount rate and current and future liabilities.

Acknowledgements

The operation of the Trust was made possible by the efforts of the Board of County Commissioners of Cecil County and the Trustees of the Trust, as well as the Human Resources staff and the members of the Treasurer's Office. Preparation of the Annual Financial Report on a timely basis was made possible by the dedicated service of the staff of the Cecil County Treasurer's Office.

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, 2011

Appointed Officials

Board of Trustees

Trustee
Trustee
Trustee

Craig W. Whiteford, Chairman
Donna M. Nichols
William M. Feehley

Consultants

Actuary
Independent Public Accountants

Bolton Partners, Inc.
SB & Company, LLC

FINANCIAL SECTION



SB & COMPANY, LLC

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of the County Commissioners and
The Citizens of Cecil County, Maryland

We have audited the accompanying statement of net assets of the Cecil County, Maryland Non-Pension Post Employment Benefits Trust (the Trust), a fiduciary fund of Cecil County, Maryland, as of June 30, 2011, and the related statement of change in net assets for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2011, and the change in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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 evidence sufficient to express an opinion or provide any assurance.



SB & COMPANY, LLC

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Trust. The accompanying other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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.

Hunt Valley, Maryland
October 25, 2011

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, 2011

The Trustees of the Cecil County, Maryland Non-Pension Post Employment Benefits Trust (the Trust) are pleased to present to the Board of County Commissioners of Cecil County 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, 2011.

Financial Highlights

The assets of the Trust exceeded its liabilities at the close of the fiscal year by \$2,230,059 (net assets). As the Trust completed its third year of operation, the Trust's total contributions increased from \$648,000 in 2010 to \$879,000 in 2011. The net investment income increased from \$116,856 in 2010 to \$307,708 in 2011 due to a stronger stock market. The entire amount of net assets 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 Assets, 2) Statement of Change in Net Assets, and 3) Notes to the Financial Statements.

The Statement of Net Assets (page 7) present information on all of the Trust's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

The Statement of Change in Net Assets (page 8) presents information showing how the Trust's net assets changed during the fiscal year. All changes in net assets 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 9 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, 2011**

Financial Analysis of the Trust

Net Assets. The following is a year-to-year comparison of net assets of the Trust.

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</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	\$ 358,490	\$ 208,098	\$ 150,392	72.3%
Investments	<u>1,871,569</u>	<u>1,393,080</u>	<u>478,489</u>	34.3%
Total Assets	<u>2,230,059</u>	<u>1,601,178</u>	<u>628,881</u>	39.3%
<u>Liabilities</u>				
Total Liabilities	<u>-</u>	<u>590</u>	<u>(590)</u>	-100.0%
<u>Net Assets</u>				
Held in Trust for Participants	<u>\$ 2,230,059</u>	<u>\$ 1,600,588</u>	<u>\$ 629,471</u>	39.3%

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 Assets. The Trust experienced an increase in net assets, \$629,471, in fiscal year 2011. Total contributions increased \$231,000 or 35.6% primarily due to the passage of time and claims experience. Investment income increased \$190,852 mainly due to a stronger stock market. Benefit payments increased \$216,000 primarily due to an increase in the implied subsidy of \$199,000.

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

	<u>2011</u>	<u>2010</u>	<u>Increase</u> <u>(Decrease)</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u> <u>Percentage</u>
<u>Additions</u>				
Contributions	\$ 879,000	\$ 648,000	\$ 231,000	35.6%
Net Investment Income	<u>307,708</u>	<u>116,856</u>	<u>190,852</u>	163.3%
Total Additions	<u>1,186,708</u>	<u>764,856</u>	<u>421,852</u>	55.2%
<u>Deductions</u>				
Benefit Payments	547,750	331,750	216,000	65.1%
Administrative Expenses	<u>9,487</u>	<u>11,403</u>	<u>(1,916)</u>	-16.8%
Total Deductions	<u>557,237</u>	<u>343,153</u>	<u>214,084</u>	62.4%
Changes in Net Assets	<u>\$ 629,471</u>	<u>\$ 421,703</u>	<u>\$ 207,768</u>	49.3%

The Cecil County, Maryland Non-Pension Post Employment Benefits Trust Management's Discussion and Analysis, June 30, 2011

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 Treasurer's Office, 200 Chesapeake Blvd, Elkton, Maryland 21921.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

ASSETS

Cash and Cash Equivalents	\$ 358,490
Investments, at Fair Value Mutual Funds	<u>1,871,569</u>
Total Assets	<u>2,230,059</u>

NET ASSETS

Net Assets Held in Trust for Participants	<u>\$ 2,230,059</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 ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

ADDITIONS

Contributions Cecil County	<u>\$ 879,000</u>
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INVESTMENT INCOME

Net Appreciation in Fair Value of Investments	302,550
Interest and Dividends	<u>30,522</u>

333,072

Less: Investment Expense	<u>(25,364)</u>
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Net Investment Income	<u>307,708</u>
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Total Additions	<u>1,186,708</u>
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DEDUCTIONS

Benefit Payments	547,750
Administrative Expense	<u>9,487</u>

Total Deductions	<u>557,237</u>
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Change in Net Assets	629,471
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**Net Assets Held in Trust
for Participants**

Beginning of Year	<u>1,600,588</u>
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End of Year	<u>\$ 2,230,059</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, 2011

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, 2010 the date of the last actuarial valuation, approximately 84 retirees and their beneficiaries were receiving benefits, and an estimated 668 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 Treasurer's Office, 200 Chesapeake Blvd., Elkton, Maryland 21921, by calling 410-996-5385 or on line at www.cecilmdtreasurer.us.

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 BOCC's intent to fully fund the ARC each year. Funding of the ARC consists of three

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2011**

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 ARC for fiscal year 2011 was \$879,000 and was paid as follows: \$99,750 to the health insurance fund on behalf of retirees; \$448,000 in hidden subsidy and \$331,250 to the Trust. The county's annual OPEB cost, the annual OPEB cost contributed, and the net OPEB obligation for fiscal year 2011 were as follows:

Annual required contribution	\$ 896,000
Interest on net OPEB obligation	(75,000)
Adjustment to annual required contribution	<u>58,000</u>
Annual OPEB cost (expense)	879,000
Contributions made	<u>879,000</u>
Increase (Decrease) in net OPEB obligations	-
Net OPEB obligation – beginning of year	<u>(1,003,488)</u>
Net OPEB obligation – end of year	<u><u>(\$1,003,488)</u></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 June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date <u>June 30</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Projected Unit Cost Method <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2011	\$ 2,025,000	\$ 9,286,000	\$ 7,261,000	21.8%	\$25,443,669	28.5%

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, 2011**

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, 2010
Actuarial cost method	Projected Unit Credit Method
Amortization method	Level Percentage - Closed
Amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Rate of Inflation	Implicit in healthcare cost increase below
Discount rate	7.50%
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 8.0% decreasing gradually. The rate in 2050 is 4.90%.
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, 2011, 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)	\$ 27,468
Total Deposits	<u>\$ 27,468</u>

Investments

Money Market Mutual Funds	\$ 331,022
Mutual Funds	1,871,569
Total Investments	<u>\$ 2,202,591</u>

**The Cecil County, Maryland Non-Pension Post Employment Benefits Trust
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2011**

Below is a list of the mutual funds the Trust was invested in as of June 30, 2011:

PNC LTD Maturity Bond	\$ 317,461
Vanguard Bond Index Fund	306,356
Total Fixed Income	<u>623,817</u>
Blackrock Equity Dividend Fund	402,331
Blackrock Capital Appreciation Fund	144,425
T Rowe Price Growth Stock	246,624
WisdomTree Large Cap Dividend Fund	46,018
Total Large Capitalization	<u>839,398</u>
Blackrock US Opportunities	104,478
Total Mid Capitalization	<u>104,478</u>
iShares TR Russell 2000 Index	41,483
Total Small Capitalization	<u>41,483</u>
Dodge & Cox Intl Stock Fund	128,935
Harbor Intl Fund	133,458
Total International	<u>262,393</u>
Total Mutual Funds	<u><u>\$ 1,871,569</u></u>

Credit Risk. No rating was available for the Money Market Mutual fund. The Trust held 10 separate mutual funds as of June 30, 2011 of which 4 had a Morningstar rating of 4 stars or better (the best rating is 5 stars). The remaining 6 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 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 Treasurer, 200 Chesapeake Blvd., Elkton, Maryland 21921.

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

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date June 30	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%

*Actuarial report is completed every two years.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Years Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Covered	Net Pension Obligation (Asset)
2009*	\$ 516,000	100%	\$ (1,003,488)
2010	648,000	100%	(1,003,488)
2011	879,000	100%	(1,003,488)

*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, 2011**

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, 2010
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Percentage - Closed
Original Unfunded Liability	\$4,317,000
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.50%
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, 2011**

SCHEDULE OF ADMINISTRATIVE EXPENSES

Professional Fees	<u>\$ 9,487</u>
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SCHEDULE OF INVESTMENT EXPENSES

Investment Managers	<u>\$ 25,364</u>
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SCHEDULE OF PROFESSIONAL FEES PAID TO CONSULTANTS

<u>Type of Service</u>	<u>Consultant</u>	
Auditing	SB & Company, LLC	\$ 4,200
Administrative	Conexis	5,287
Total Payments to Consultants		<u>\$ 9,487</u>