SUFFOLK COUNTY PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

SUFFOLK COUNTY PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
JUNE 30, 2016 AND 2015

TABLE OF CONTENTS

fuocogroup
Certified Public Accountants Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Suffolk County Public Employees
Deferred Compensation Board:

We have audited the accompanying financial statements of the Suffolk County Public Employees Deferred Compensation Plan (the Plan), which comprise the statements of fiduciary net assets available for plan benefits as of June 30, 2016 and 2015, and the related statements of changes in fiduciary net assets available for plan benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Suffolk County Public Employees Deferred Compensation Plan as of June 30, 2016 and 2015, and the respective changes in net assets available for plan benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

200 Parkway Drive South, Suite 302, Hauppauge, NY 11788
Tel (631) 360-1700 Fax (631) 360-1789
www.fuoco.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 3, 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 the financial reporting for planning 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.

Fuoco Group, LLP

Hauppauge, New York
June 2, 2017

SUFFOLK COUNTY PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2016 AND 2015

Overview

The following discussion and analysis is supplementary information required by accounting principles generally accepted in the United States of America and is intended to provide background and summary information for the Suffolk County (the County) Public Employees Deferred Compensation Plan (the Plan). This discussion and analysis should be read in conjunction with the financial statements, including notes, which begin on page 8.

These financial statements consist of the statements of fiduciary net assets available for plan benefits and the statements of changes in fiduciary net assets available for plan benefits which provide information about the financial status of the Plan. These statements include all assets and liabilities using the accrual basis of accounting. Revenue and expenses are taken into account regardless of when cash is received or paid.

Financial Highlights

Fiduciary net assets available for plan benefits totaled $1,231,792,130 and $1,212,115,519 at June 30, 2016 and 2015, respectively. This represents an increase of 1.6% and 6.4% in 2016 and 2015, respectively. The increase was significantly less in 2016 than 2015 due to market depreciation of the investments coupled with a reduction in investment interest and dividends.

Employee contributions increased in 2016. Contributions from participants were $50,254,156 and $47,439,968 in 2016 and 2015, respectively. The 2016 contributions represent an increase of 5.9% over the 2015 contributions. Contributions may have increased due to ongoing efforts to increase plan awareness and deferral rates.

Plan Additions for 2016 and 2015

	2016	2015	% Change
Employee contributions	$ 50,254,156	$ 47,439,968	5.9%
Rollovers and transfers, net	2,394,893	1,384,493	73.0%
Interest and dividends	32,717,673	70,447,844	-53.6%
Interest on participant loans	654,392	652,192	0.3%
Net appreciation (depreciation) in fair value of investments	(26,077,580)	(8,400,094)	210.4%
Other income	1,444,998	69,950	1965.8%
Total additions	$ 61,388,532	$ 111,594,353	-45.0%

SUFFOLK COUNTY PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2016 AND 2015

Plan Additions for 2015 and 2014

	2015	2014	% Change
Employee contributions	$ 47,439,968	$ 45,562,169	4.1%
Rollovers and transfers, net	1,384,493	1,769,515	-21.8%
Interest and dividends	70,447,844	41,572,682	69.5%
Interest on participant loans	652,192	619,068	5.4%
Appreciation (depreciation) in fair value of investments	(8,400,094)	123,757,445	-106.8%
Other income	69,950	60,002	16.6%
Total additions	$ 111,594,353	$ 213,340,881	-47.7%

The fluctuation in administrative expenses is due to the terms of the new service provider agreement, which establishes a new revenue sharing arrangement. This agreement became effective during the plan year ending June 30, 2016 but incorporates revenue and expenses from the plan year ending June 30, 2015 as well. As a result, the Administrative expenses for 2016 include approximately $119,859 in expenses incurred in the plan year ending June 30, 2015. These expenses were offset by a $1,375,048 increase in revenue over the two year period as a result of the new service provider agreement.

Plan Distributions and Expenses for 2016 and 2015

	2016	2015	% Change
Distributions to participants and beneficiaries	$ 41,308,778	$ 38,833,066	6.4%
Administrative expenses	403,143	250,259	61.1%
Total deductions	$ 41,711,921	$ 39,083,325	6.7%

Plan Distributions and Expenses for 2015 and 2014

	2015	2014	% Change
Distributions to participants and beneficiaries	$ 38,833,066	$ 40,605,017	-4.4%
Administrative expenses	250,259	261,195	-4.2%
Total deductions	$ 39,083,325	$ 40,866,212	-4.4%

The offering of loans to participants continues to be a popular option. As of June 30, 2016 and 2015, outstanding loan balances were $15,447,615 and $16,204,455, respectively. We anticipate that the participation rate among employees will increase due to the availability of this option and the volatility of the economy.

SUFFOLK COUNTY PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2016 AND 2015

Statements of Net Assets Available for Benefits

	2016	2015
Mutual funds	$ 521,702,693	$ 569,148,831
Common trust funds	433,104,735	388,128,709
Guaranteed investment contracts	260,244,920	238,401,596
Notes receivable from participants	15,447,615	16,204,455
Revenue sharing receivable	1,080,836	-
Cash in bank	241,481	231,928
Accrued expenses	(30,150)	-
Fiduciary net assets available for plan benefits	$ 1,231,792,130	$ 1,212,115,519

Statements of Net Assets Available for Benefits

	2015	2014
Mutual funds	$ 569,148,831	$ 884,047,636
Common trust funds	388,128,709	-
Guaranteed investment contracts	238,401,596	239,965,359
Notes receivable from participants	16,204,455	15,354,894
Cash in bank	231,928	236,602
Fiduciary net assets available for plan benefits	$ 1,212,115,519	$ 1,139,604,491

Decisions and Conditions Expected to Have a Significant Impact on the Plan's Future Financial Position

The annual maximum contribution was $18,000 for 2016 and 2015. If an employee is age 50 or older, the contribution limit was $24,000 for 2016 and 2015. These contribution limits will remain at $18,000 for 2017 ($24,000 if an employee is age 50 or older).

The market value of the Plan's assets from mid-2015 to mid-2016 increased in excess of $19 million, compared to an increase from mid-2014 to mid-2015 in excess of $71 million.

Factors that may have a positive impact on the fiduciary net assets available for plan benefits include:

- In Spring of 2015, after a request for proposal process, the Board selected T. Rowe Price as its sole service provider. In July of 2015, all assets at VALIC were transitioned to T. Rowe Price. Of the 38 non-T. Rowe Price stock and bond funds that were being offered by VALIC, 27 of those funds were added to the T. Rowe Price line-up, 22 of which are being offered with lower expense ratios. Those not being offered were duplicate target date funds. Also in July of 2015, 21 different T. Rowe Price funds changed to Common Trust Funds, which have lower expense/trustee fees. Obtaining these lower-fee funds should have a positive impact in the future on net assets available for plan benefits.

- In 2016, each of the Common Trust Funds that were added to the Plan in 2015 had trustee fee reductions of 4-8 basis points each. In early 2017, 14 of the Common Trust Funds had additional trustee fee reductions. This included an 11 basis point reduction on the trustee fee for all of the T. Rowe Price Retirement Trusts, which hold 15% of all Plan assets and are utilized for 30% of all new contributions. These fee reductions should result in higher investment gains for participants.

- Negotiated bargaining agreements by most bargaining units extend into the future. If employees know they will get steps (increases) or scheduled salary raises, they are more likely to plan ahead and increase their biweekly contribution amounts. In addition, most County employees who have completed ten years of service no longer contribute to the New York State pension plan. These employees are sent letters encouraging them to join the Plan or increase their deferrals since they will no longer have the obligation of contributing to their pension.

- T. Rowe Price currently provides representatives who are on-site at County buildings and union offices for 60 days per year. The representatives promote Plan enrollment, assist employees in the enrollment process and assist employees in making changes to their deferral amount and asset allocation

- It is hoped that the lack of quarterly or annual participant fees, the availability of funds with low expense ratios, as well as the Board's policy to allow retirees and terminated employees to stay in the Plan will encourage former employees to remain in the Plan rather than rollout their account balances into Individual Retirement Accounts (IRAs) or other employers' plans. The Administrator attends union retirement seminars to educate participants on their options after separation from County service.

- In a continual effort to enhance and improve the Plan, the Board evaluates the Plan offerings and removes and/or replaces funds due to a variety of factors, including under-performance over time or under-utilization.

- Effective June 26, 2015, T. Rowe Price resumed offering the Stable Value Fund to Suffolk County participants. On July 1, 2015, all assets in the T. Rowe Price Summit Cash Reserves Fund were mapped to the Stable Value Fund, where participants will earn substantially more interest. During the July, 2015 transition of assets from VALIC to T. Rowe Price, all assets in the VALIC fixed and stable interest accounts were mapped to the T. Rowe Price Stable Value Fund.

- The Board is committed to exploring options to reach out to non-participants or to educate participants on the importance of reaching their retirement goals. The Plan has had its own website (www.scdeferredcomp.org) since 2006. The site provides access to Board-produced and provider-produced forms as well as informational materials, including a listing of fund offerings for the prospective participants. The site has grown to include links to the providers as well as links to the bargaining units whose members sit on the Board. The website enables the Board to announce enhancements as well as store all prior employee memorandums relating to our Plan and quarterly Plan newsletters.

- The Board produced a *Plan Summary Guide*, formerly known as the Retirement Savings Planning Guide, to inform both non-participants and current participants of the benefits of joining and remaining in the Plan. The guide includes a comparative table to help the participant understand the value of contributing to a pre-tax deferral 457 plan as opposed to a post-tax deferral savings plan. This guide is posted on the Plan's website.

- The Administrator conducts employee orientations so that new employees are introduced to the Plan, given plan materials and can have their questions answered. Promoting rollover of assets, such as prior employers' qualified plans and IRAs, into our Plan has been incorporated into the orientation's PowerPoint slides.

Factors that may negatively impact the fiduciary net assets available for plan benefits include:

- The volatility of the market could impact investment yields, loan levels and unforeseeable emergency (UFE) requests. In 2016, the Board approved 6 UFE requests compared to 5 UFE's approved by the Board in 2015. As of December 2016, $15.4 million dollars in loans are outstanding compared to $16 million in December 2015. The Board continues to educate participants on the possible negative effects that loans can have on their retirement savings.

- The creation of a County 401(a) program for terminal pay, currently negotiated for four of eight bargaining units may re-direct contributions from the Plan. The 401(a) Terminal Pay Plan commenced in 2015. The first $53,000 of separation pay must be contributed to the 401(a) plan, the remainder, if any, can be contributed to the Plan up to the 457(b) limits set by the Internal Revenue Service. The 401(a) has not yet impacted the Plan, as members of the four unions participating typically receive separation pay checks that are large enough to contribute fully to both the 401(a) and 457(b). If other bargaining units negotiate the Plan, that will not be the case and there could be a negative impact on net assets available for plan benefits.

- The continuing reduction in the County workforce will likely have a negative impact on Plan assets. The number of County employees has been reduced by approximately 10% over the last five years and a greater portion of the workforce is part time employees. Part time employees are less likely to participate in the Plan and less likely to contribute at the level that a full time employee would contribute.

SUFFOLK COUNTY PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
STATEMENTS OF FIDUCIARY NET ASSETS AVAILABLE FOR PLAN BENEFITS
JUNE 30, 2016 AND 2015

	2016	2015
Assets:		
Investments at fair value	$ 954,807,428	$ 957,277,540
Investments at contract value	260,244,920	238,401,596
Cash in bank	241,481	231,928
Receivables:		
Revenue sharing receivable	1,080,836	-
Notes receivable from participants	15,447,615	16,204,455
Total receivables	16,528,451	16,204,455
Total assets	1,231,822,280	1,212,115,519
Liabilities:		
Accrued expenses	30,150	-
Total liabilities	30,150	-
Total fiduciary net assets available for plan benefits	$ 1,231,792,130	$ 1,212,115,519

See accompanying notes to financial statements.

SUFFOLK COUNTY PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS AVAILABLE FOR PLAN BENEFITS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Investment income:		
Net appreciation/(depreciation) in fair value of investments	$ (26,077,580)	$ (8,400,094)
Interest and dividends	32,717,673	70,447,844
Interest on participant loans	654,392	652,192
Total investment income	7,294,485	62,699,942
Contributions:		
Plan participants - deferrals of compensation	50,254,156	47,439,968
Rollovers and transfers, net	2,394,893	1,384,493
Total contributions	52,649,049	48,824,461
Other income:		
Revenue sharing income	1,444,998	69,950
Total other income	1,444,998	69,950
Total additions	61,388,532	111,594,353
REDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits paid to participants and beneficiaries	41,308,778	38,833,066
Administrative expenses	403,143	250,259
Total reductions	41,711,921	39,083,325
Change in fiduciary net assets available for plan benefits	19,676,611	72,511,028
Fiduciary net assets available for plan benefits at beginning of year	1,212,115,519	1,139,604,491
Fiduciary net assets available for plan benefits at end of year	$ 1,231,792,130	$ 1,212,115,519

See accompanying notes to financial statements.

SUFFOLK COUNTY PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF PLAN

The following description of the Suffolk County Public Employees Deferred Compensation Plan (the Plan) is provided for general informational purposes. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General - The Plan is a defined contribution plan which permits employees of the County of Suffolk, New York (the County) to defer receipt of a portion of their current salary until future years. Participants do not pay income taxes on their contributions or investment returns while these funds remain in the Plan.

The Plan is intended to satisfy the requirements of an "eligible state deferred compensation plan" under Section 457 of the Internal Revenue Code (IRC) of 1986, as amended.

Amounts maintained under a deferred compensation plan by a state or local government is to be held in trust for the exclusive benefit of plan participants and their beneficiaries.

Contributions - Participants may defer the lesser of $18,000 or 100% of gross annual compensation for calendar years 2016 and 2015. Individuals age 50 or over may make an additional "catch up" contribution effective for tax years after December 31, 2001. For calendar years 2016 and 2015, the additional "catch up" contribution was $6,000. An additional "catch up" is allowed for previous missed contributions for participants within three years of retirement.

Participant Accounts - Each participant's account is credited with the participant's contributions as remitted, with a daily allocation of Plan earnings (losses) on the investment options in which the participant is invested. Each participant's account balance is invested in accordance with the respective investment options selected by the participant. Participants are 100% vested in their account balances at all times. The Plan had approximately 8,680 and 8,562 participants with vested account balances at June 30, 2016 and 2015, respectively.

Investments - Employee contributions are deposited into a trust account, which is invested by the Trustee in various investment options as directed by each participant. The investment options available for the year ending June 30, 2016 include mutual funds, common trust funds and a stable value common trust fund maintained by the Trustee. Plan participants, at their sole discretion, may transfer amounts among the various investment options in accordance with the terms of the Plan. For the year ending June 30, 2015 there was also a Guaranteed interest accumulation account option available with a second trustee.

Payment of Benefits - A participant's deferred compensation account balance is available upon termination of service, retirement, death, or the occurrence of certain unforeseeable emergencies as defined by the IRC. A participant may elect to receive one lump sum amount equal to the value of his or her account, or periodic payments in monthly, quarterly, semi-annual or annual installments. In addition to these regular periodic payments, a participant may also request a non-scheduled distribution of at least $500 no more than twelve times a year.

Participants also have the right to redirect the timing, amount and method of payment of distributions. In connection with a participant's severance from employment, a participant may elect to have all or a portion of their account rolled over into a qualified plan, a 403(b) plan, another government 457 plan, or an individual retirement account.

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

Certain eligible participants are entitled to a full distribution (inactive account distribution) of their account prior to separation from service if the total amount payable does not exceed $5,000 and there have been no deferrals to the Plan by the participant in the prior two years. Participants are not eligible for an inactive account withdrawal if they have taken a prior inactive distribution election

Notes Receivable from Participants - Participants, after approval from the Plan Administrator, may borrow from their fund accounts a minimum of $1,000 up to a maximum amount equal to the lesser of $50,000 or 50 percent of their vested account balance. Participants may have only one loan outstanding at a time. Loan transactions are treated as a transfer to (from) the investment fund from (to) the participant loan. The maximum payment term for any loan is 5 years, unless the loan is to be used to purchase a primary residence, in which case the loan may be extended to 15 years. The loans are secured by the balance in the participant's account and bear interest at the prime rate plus 1%.

Unforeseeable Emergency (UFE) - Participants, after approval from the Deferred Compensation Board, may receive a UFE withdrawal which may not exceed the lesser of the amount reasonably needed to meet the financial need created by such unforeseeable emergency or the value of the participant's plan balance as of the most recent valuation date. All payments shall be made in one lump sum cash withdrawal within 60 days after approval of the request.

Plan Amendments - There were no significant amendments to the Plan during the years ended June 30, 2016 and 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Plan's financial statements have been prepared on the accrual basis of accounting. Participant contributions are recognized in the period in which the contributions are due. Benefits are recognized when due in accordance with the terms of the Plan.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Valuation and Income Recognition - The Plan's investments are stated at fair value (except for fully benefit-responsive investment contracts, which are reported at contract value). Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

Purchases and sales of securities are recorded on a trade-date basis. Interest and dividend income are recognized in the period earned. Gains and losses on the sale of investments are recognized when realized, while unrealized gains and losses are recognized daily based on fluctuations in market value. Investment income includes both the Plan's realized and unrealized gains and losses incurred throughout the year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable from Participants - Notes receivable from participants are stated at their unpaid balances plus any unpaid accrued interest. Delinquent notes receivable are reclassified to distributions based on the terms of the Plan document.

New Accounting Pronouncements — In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which removes the requirement to present investments for which the practical expedient is used to measure fair value at net asset value (NAV) within the fair value hierarchy table. Instead, an entity would be required to include those investments as a reconciling item so that the total fair value amount of investments in the disclosure is consistent with the fair value investment balance on the statement of net assets available for benefits. The Plan elected to early adopt ASU 2015-07 as of June 30, 2016, as permitted and has applied ASU 2015-07 retrospectively, as required. The adoption has been reflected in Note 3 — Fair Value Measurements of the financial statements. The adoption had no impact on the statements of fiduciary net assets available for plan benefits or the statements of changes in fiduciary net assets available for plan benefits as of June 30, 2016 and 2015.

In July 2015, the FASB issued ASU 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contract, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient, which simplifies the required disclosures related to employee benefit plans. Part I eliminates the requirement to measure and disclose the fair value of fully benefit-responsive contracts, including common collective trust assets. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II eliminates the requirement to disclose individual investments which comprise 5% or more of total net assets available for benefits, as well as the net appreciation or depreciation of fair values by type. Part II also requires plans to continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Furthermore, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III allows plans to measure investments using values from the end of the calendar month closest to the plan's fiscal year end. The Plan has elected to adopt ASU 2015-12 Parts I and II early. Accordingly, the amendments were retrospectively applied resulting in the elimination of the $4,107,459 Adjustment to reflect fully benefit-responsive investment contracts from fair value to contract value at June 30,2015. The total fiduciary net assets available for plan benefits for the year ending June 30, 2015 did not change. ASU 2015-12 Part III was not applicable to the Plan.

NOTE 3 – FAIR VALUE MEASUREMENTS

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

- Level 2 - Inputs to the valuation methodology include:
    - Quoted prices for similar assets or liabilities in active markets;
    - Quoted prices for identical or similar assets or liabilities in inactive markets;
    - Inputs other than quoted prices that are observable for the asset or liability;
    - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.
There have been no changes in the methodologies used at June 30, 2016 and 2015

- Mutual funds and common trust funds - Valued at the market value of shares held by the Plan at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value on a recurring basis as of June 30, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 521,702,693	$ -	$ -	$ 521,702,693
Common Trust Funds	433,104,735	-	-	433,104,735
Total Investments - at Fair Value	$ 954,807,428	$ -	$ -	$ 954,807,428

	2015			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 569,148,831	$ -	$ -	$ 569,148,831
Common Trust Funds	388,128,709	-	-	388,128,709
Total Investments - at Fair Value	$ 957,277,540	$ -	$ -	$ 957,277,540

NOTE 4 – INVESTMENTS AT CONTRACT VALUE

The T. Rowe Price Stable Value Fund is a Common Trust Fund offered and managed by the Trustee. The fund strategies seek current income while maintaining stability of invested principal. The fund invests in synthetic guaranteed investment contracts, U.S. Treasury and agency securities, and cash and cash equivalents, including money market instruments. The trust will also maintain a cash reserve to augment its liquidity. The level of the cash reserve is predicated on expected future liquidity needs.

NOTE 4 – INVESTMENTS AT CONTRACT VALUE (CONTINUED)

The beneficial interest of each participant in the T. Rowe Price Stable Value Fund (the "Fund") is represented by units. Units are issued and redeemed daily at the Fund's constant NAV of $1 per unit. Distribution to the Fund's unit holders are declared daily from the net investment income and automatically reinvested in the Fund on a monthly basis, when paid. It is the policy of the Fund to use its best efforts to maintain a stable NAV of $1 per unit, although there is no guarantee that the Fund will be able to maintain this value.

Participants in the Fund ordinarily may direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the Fund, plus earnings, less participant withdrawals and administrative expenses. The Fund imposes certain restrictions on investments made under the Plan, and the Fund itself may be subject to circumstances that impact its ability to transact at contract value. Plan management believes that events causing the Fund to transact at less than contract value are unlikely to occur. At June 30, 2016 and 2015 amounts invested in the Fund were $260,244,920 and $451,940 respectively.

In addition to the Stable Value Fund, at June 30, 2015 there were three VALIC guaranteed interest accumulation accounts that Participants could invest in. Two offered by VALIC, one by T. Rowe Price. The accounts were credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. Average interest rate credited for the three options for the period ranged from .25% to 3.08%. The contracts are included in the Plan's financial statements at contract value. They are fully benefit-responsive. There were no reserves against the contract values for the credit risk of the contract issuer or otherwise. Total contract value of these investments at June 30, 2015 was $237,949,656. This investment option was no longer available at June 30, 2016.

NOTE 5 – REVENUE SHARING INCOME

Effective with the July 1, 2005 service provider agreement, the Deferred Compensation Board had a revenue sharing arrangement with VALIC, one of the two service providers. Under this arrangement, VALIC paid the Board a portion of revenue earned from the assets held by the Plan. Such revenue was remitted directly to the Board and used in the best interest of the Plan as determined by the Board, including but not limited to Board member education and training, on-line subscriptions, association memberships, computer equipment and office supplies. The revenue sharing was calculated at the end of a full year based on the total assets (exclusive of Participant loans and Guaranteed interest accumulated accounts) held as of December 31 at that year. The agreement with this service provider ended in June 2015. In July of 2015, after a request for proposal process, the Board chose to go to a single provider, and the assets held at VALIC were transferred to T. Rowe Price. In September of 2015 the Board received the last revenue sharing payment of $36,642 from VALIC under the prior agreement. Revenue sharing income from VALIC for the year ending June 30, 2015 was $69,950.

The new revenue sharing agreement with T. Rowe Price was executed subsequent to fiscal year end, but is retroactive for the term beginning July 1, 2015 and through June 30, 2018, with two one year options to renew through June 30, 2019 and June 30, 2020, at the Board's option. The new agreement for services states that revenue sharing is calculated quarterly, using an average assets formula for earnings less a pre determined threshold per participant.

The revenue sharing income for the year ending June 30, 2016 amounted to $1,408,356 as calculated and includes an agreed and negotiated one time retroactive revenue sharing amount of $600,000 for the prior periods beginning with the third quarter of 2014 through the end of the second quarter 2015.

NOTE 6 – REVENUE SHARING RECEIVABLE

At June 30, 2016 the receivable from service provider represents monies owed the plan in accordance with the new revenue sharing agreement, net of prior reimbursements made. The funds will be placed in a plan level account to be used for Plan expenses and/or reallocated back to Plan Participants.

NOTE 7 – RECORDKEEPING AND ADMINISTRATIVE EXPENSES

The Deferred Compensation Board serves as the Plan administrator and represents the County in all matters concerning administration of the Plan.

Expenditures for administrative expenses such as loan processing fees and financial advice fees are paid directly by the Plan participants.

For the year ending June 30, 2015, the service providers covered the cost of a deferred compensation plan administrator, a civil service employee, by reimbursing the County every six months for the cost of salary and related benefits. In addition, the providers covered the cost of the annual audits of the Plan's financial statements. In addition, effective with the July 1, 2005 service provider agreement, providers had agreed to reimburse the Board for the quarterly administrative charge in lieu of charging the participants. At that time, the providers reimbursed the Board $1.25 per quarter for each participant that had a balance at the end of the quarter. Effective July 1, 2010, the providers agreed to increase the quarterly administrative reimbursement to $1.75 per participant per quarter. Such reimbursements were used to defray plan expenses.

For the year ending June 30, 2016 and going forward, Plan expenses will be paid with funds received by the Plan from the service provider pursuant to the revenue sharing agreement.

The current service provider agreement expires on June 30, 2018 and the Board has the option to extend through June 30, 2019 and or June 30, 2020.

NOTE 8 – PLAN TERMINATION

The County reserves the right to amend, suspend, or terminate the Plan and any deferrals there under, the trust agreement and any investment fund, in whole or in part and for any reason and without the consent of any employee, participant, beneficiary, or other person. Upon termination of the Plan, all amounts deferred shall be payable as provided in the Plan.

NOTE 9 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net assets available for Plan benefits.

NOTE 10 – SUBSEQUENT EVENTS

The Plan has evaluated events after June 30, 2016, and through June 2, 2017, which is the date the financial statements were available to be issued, and determined that there were no events or transactions occurring during this period that would require recognition or disclosure in these financial statements.