

The County Commissioners of Kent County, Maryland

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016



**The County Commissioners of Kent County, Maryland
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

Prepared By:

**Kent County Office of Finance
Patricia M. Merritt, CFO**

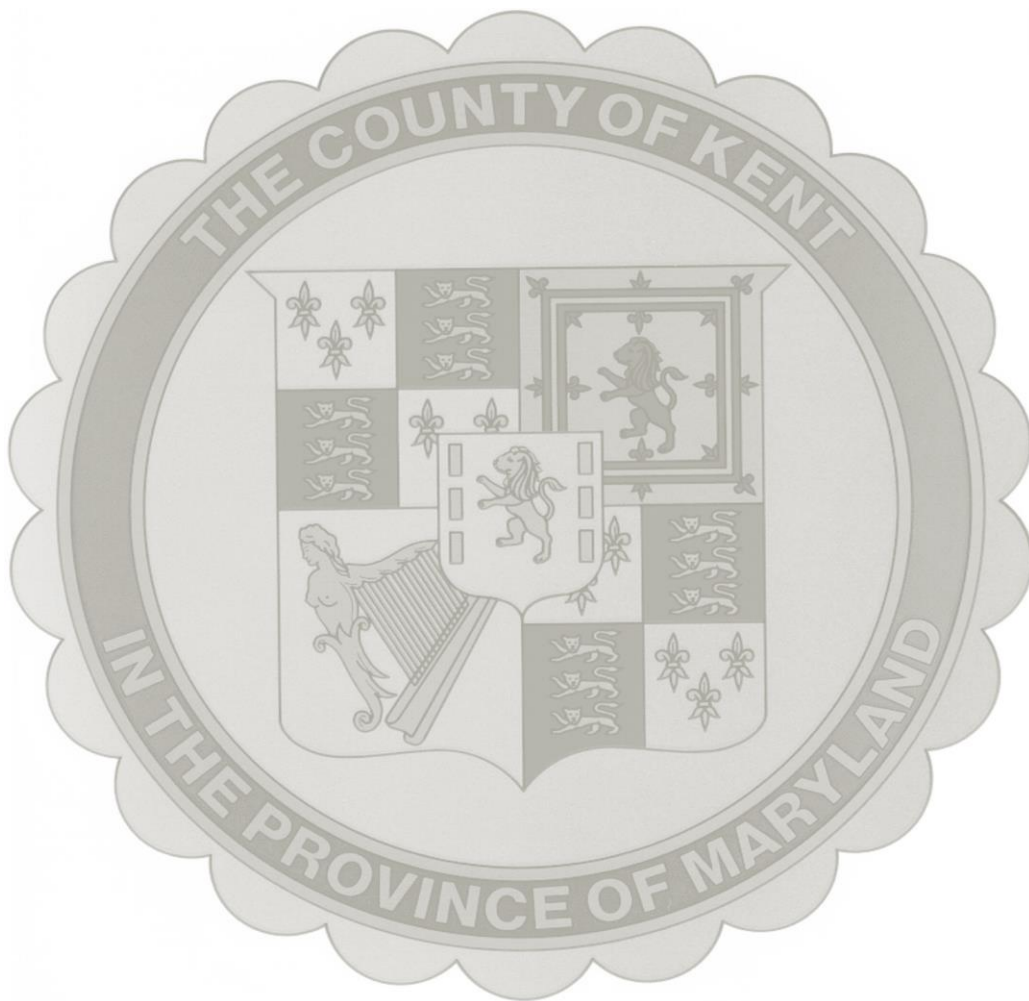
The County Commissioners of Kent County, Maryland
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

Table of Contents

Introductory Section	1
Formal Transmittal of the Comprehensive Annual Financial Report (CAFR)	2
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.....	7
Certain Elected and Other Officials.....	8
Kent County, Maryland Government Organizational Chart	9
Financial Section	11
Report of Independent Public Accountants.....	12
Management’s Discussion and Analysis	15
Basic Financial Statements	25
Statement of Net Position.....	26
Statement of Activities.....	27
Balance Sheet – Governmental Funds	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Net Position - Proprietary Funds	32
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Position – Fiduciary Funds.....	35
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	36
Notes to Basic Financial Statements	37
I. Summary of Significant Accounting Policies.....	38
II. Reconciliation of Government-wide and Fund Financial Statements	46
III. Detailed Notes on All Activities and Funds.....	47
Required Supplementary Information	65
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	66
Schedule of Funding Progress – Other Post-Employment Benefit (OPEB) Trust Fund.....	69
Schedule of County’s Proportionate Share of the Net Pension Liability.....	70
Schedule of County Contributions.....	70
Combining Balance Sheet – Nonmajor Governmental Funds.....	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	74
Statement of Assets and Liabilities – Agency Funds	78

Statement of Changes in Assets and Liabilities – Agency Funds	79
Combining Balance Sheet – Family & Community Partnerships of Kent County.....	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Family & Community Partnerships of Kent County.....	84
Statistical Section.....	87
Financial Trends: Net Position by Component – Government-Wide.....	88
Financial Trends: Changes in Net Position – Government-Wide	89
Financial Trends: Fund Balances – Governmental Funds.....	92
Financial Trends: Changes in Fund Balances – Governmental Funds	93
Revenue Capacity: Property Tax Rates – Direct and Overlapping Governments.....	94
Revenue Capacity: Assessed Value of Taxable and Exempt Property	95
Revenue Capacity: Ten Highest Property Tax Payers	96
Revenue Capacity: Property Tax Levies and Collections	97
Revenue Capacity: Local General Tax Revenues	98
Debt Capacity: Ratio of Outstanding Debt by Type	99
Debt Capacity: Ratios of Bonded Debt Outstanding.....	100
Debt Capacity: Computation of Net Direct and Overlapping Debt.....	101
Debt Capacity: Computation of Legal Debt Margin	102
Demographic and Economic Information: Demographic Statistics	103
Demographic and Economic Information: Major Employers	104
Operating Information: County Government Employees – Full-Time Equivalents.....	105
Operating Information: County Government Employees – Full-Time Only By Function	106
Operating Information: Capital Asset Statistics by Function.....	107
Operating Information: Operating Indicators by Function	108

Introductory Section



Kent County Office of Finance

R. CLAYTON MITCHELL JR. GOVERNMENT CENTER
*400 HIGH STREET*CHESTERTOWN, MARYLAND 21620
TELEPHONE (410) 778-7478 FAX (410) 810-2947



November 29, 2016

To the Honorable Board of County Commissioners and
The Citizens of Kent County, Maryland

Formal Transmittal of the Comprehensive Annual Financial Report (CAFR)

The audited Comprehensive Annual Financial Report (CAFR) of Kent County, Maryland (the County), prepared by the Office of Finance for the fiscal year ended June 30, 2016, is hereby submitted in compliance with State law which requires that all general-purpose governments issue a complete set of financial statements prepared according to accounting principles generally accepted in the United States of America (GAAP) and be audited by an independent, licensed, certified public accountant in accordance with auditing standards generally accepted in the United States of America (GAAS). For the fiscal year ended June 30, 2016, the County contracted with SB & Company, LLC of Hunt Valley, Maryland to audit the financial statements. The Report of Independent Public Accountants is included on pages 12-14. The annual report was prepared by the Kent County Office of Finance in cooperation with the finance departments of the County's discretely presented component units.

This report consists of management's representations concerning the finances of Kent County. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in the report. To provide a reasonable basis for making these representations, management of Kent County has established a comprehensive framework of internal control that has been designed to both protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed the anticipated benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Kent County'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 County for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures of the financial statements, assessing the accounting principles used and significant estimates made by managements, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Kent County's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first element of the Financial Section of this report.

GAAP requires 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 MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Kent County was formed in 1642 as the Isle and County of Kent by the Governor and Council. It is named for the County of Kent in England. The County is located on the Eastern Shore of Maryland. It is bordered to the north by Cecil County, to the east by the State of Delaware, to the south by Queen Anne's County, and to the west by the Chesapeake Bay. There is no direct access to the Western Shore of Maryland. The County occupies 414 square miles and serves a population of 19,787 citizens. The County Commissioners of Kent County are empowered to levy a property tax on real properties located within its boundaries, as well as an income tax on citizens residing within the County.

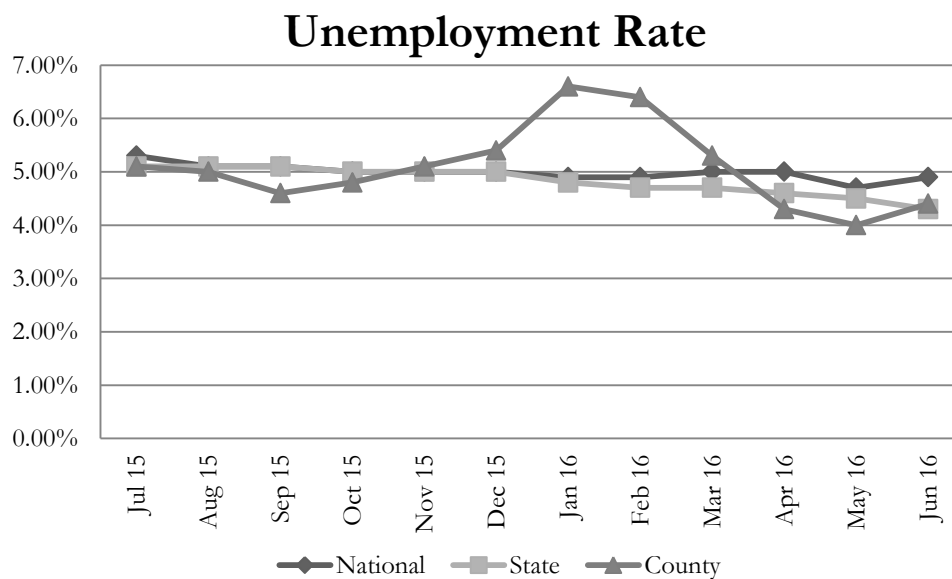
The County operates as a Maryland Code Home Rule County, which enables the Board of County Commissioners to exercise broad local legislative authority. Under code home rule, both legislative and executive functions of the County are vested in the three member Board of County Commissioners. All three members of board are elected at large and serve a four year term.

The County provides or funds (in whole or part) a full range of services including public safety (sheriff's office, volunteer fire and rescue services, emergency services, detention center, and animal control); construction and maintenance of county roads; solid waste; planning, housing and zoning; tourism and economic development; culture and recreation, education, libraries, and general administrative services. In addition, the County operates a water and wastewater utility, and a recreation facility.

The approved annual budget is prepared by fund, function (e.g. public safety), and department (e.g. emergency services). Department heads may make transfers between line items in their department; transfers must be ratified by the Board of County Commissioners. Budget to actual comparisons are provided in this report for individual governmental funds for which an appropriated annual budget has been adopted. The budget comparisons for the general fund are presented on pages 66 through 68 as part of the Required Supplementary Information subsection of this report.

Local Economy

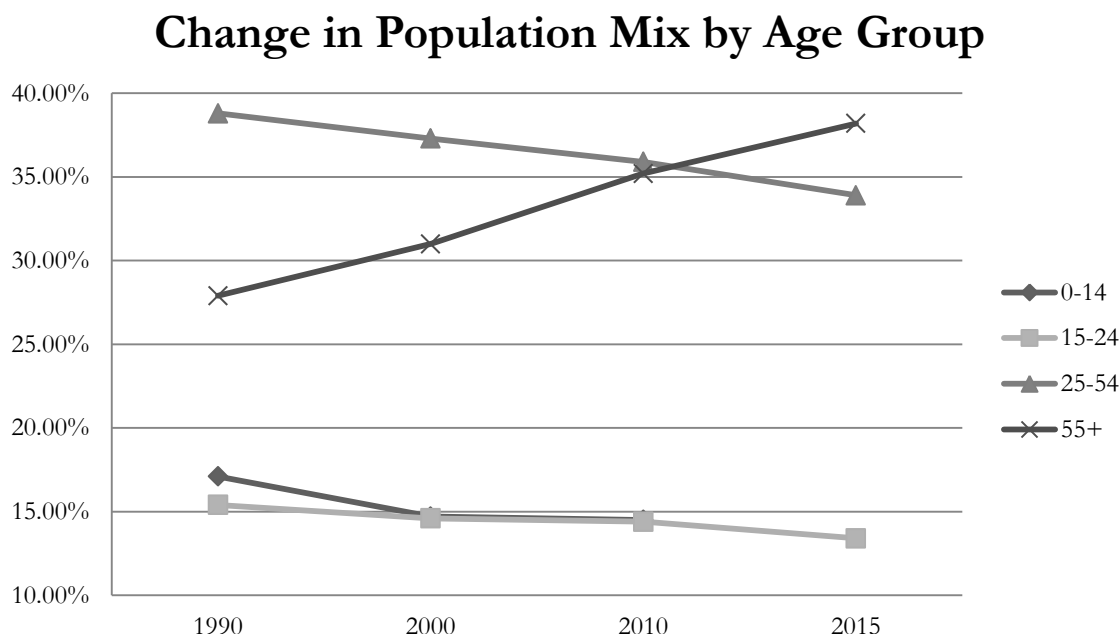
The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which Kent County operates. The chart below shows the unemployment rate in Kent County compared to the state wide and national unemployment rates. During the winter months, the County's unemployment rate is significantly higher than the State and National rates. This is most likely due to the seasonality of employment in the agricultural and maritime industries.



The local employment base is somewhat limited and centers on agriculture, tourism, manufacturing, construction, health services, and education. The largest employers in the County are Washington College and the Shore Regional Health Facility at Chestertown.

Property values throughout the county appear to be stabilizing. While fiscal year 2017 assessments are projected at the same level as fiscal year 2016, fiscal year 2018 assessments are expected to show very slight growth. Projected changes in significant revenue sources are detailed in the Management’s Discussion and Analysis on page 23.

The County’s population has remained relatively constant, rising slightly from 19,197 in 2000 to 19,787 in 2016. The mix of the population by age, however, is shifting. As the following chart illustrates, the only segment of the population that is increasing, are residents over the age of 55. As this change in demographic continues, the County will be challenged to shift its services to meet the needs of its aging citizenry.



Median household incomes within the County are significantly lower than the state as a whole. According to census data, the County median income (2010-2014) was \$58,201, compared to the state median income of \$74,149. Additionally, 13.8% of the County’s population is below poverty level compared to 9.7% of the State’s population.

Major Initiatives

One of the primary priorities is to enhance the infrastructure needed to support new and existing business, particularly access to affordable, robust and high capacity internet access. This was the primary goal identified in the economic development plan. Ideally, this will expand the competitive capability of local businesses and provide more job opportunities for younger, middle-aged residents. Additionally, it will improve the county’s ability to attract and retain newly retired residents who choose to live in Kent County. Kent County has included \$4,500,000 in its fiscal year 2017 capital budget for broadband expansion.

Another priority is education. As the County’s population ages, school enrollment continues to decline. The current school system structure consists of small neighborhood elementary schools, all of which are under capacity. This configuration has led to the County having one of the highest per pupil education costs in the state. In addition to the operating costs, the average age of the County’s school buildings is 55 years, and maintenance is a concern. Kent County Public School’s Capital Improvement Plan (2018-2023) has identified \$30,000,000 of needed building renovations at three elementary schools, which will need to be addressed in the near future. In the coming years, The Board of County Commissioners will be collaborating with the Board of Education to explore options that provide quality education in a cost effective manner.

Acknowledgements

The preparation of this document would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Office. We wish to thank all County departments for their assistance in providing the data necessary to prepare this report and special thanks to Bernadette Bowman for providing the photographs. Credit is also due to the Board of County Commissioners for their unfailing support and for maintaining the highest standards of professionalism in the management of the County's finances.

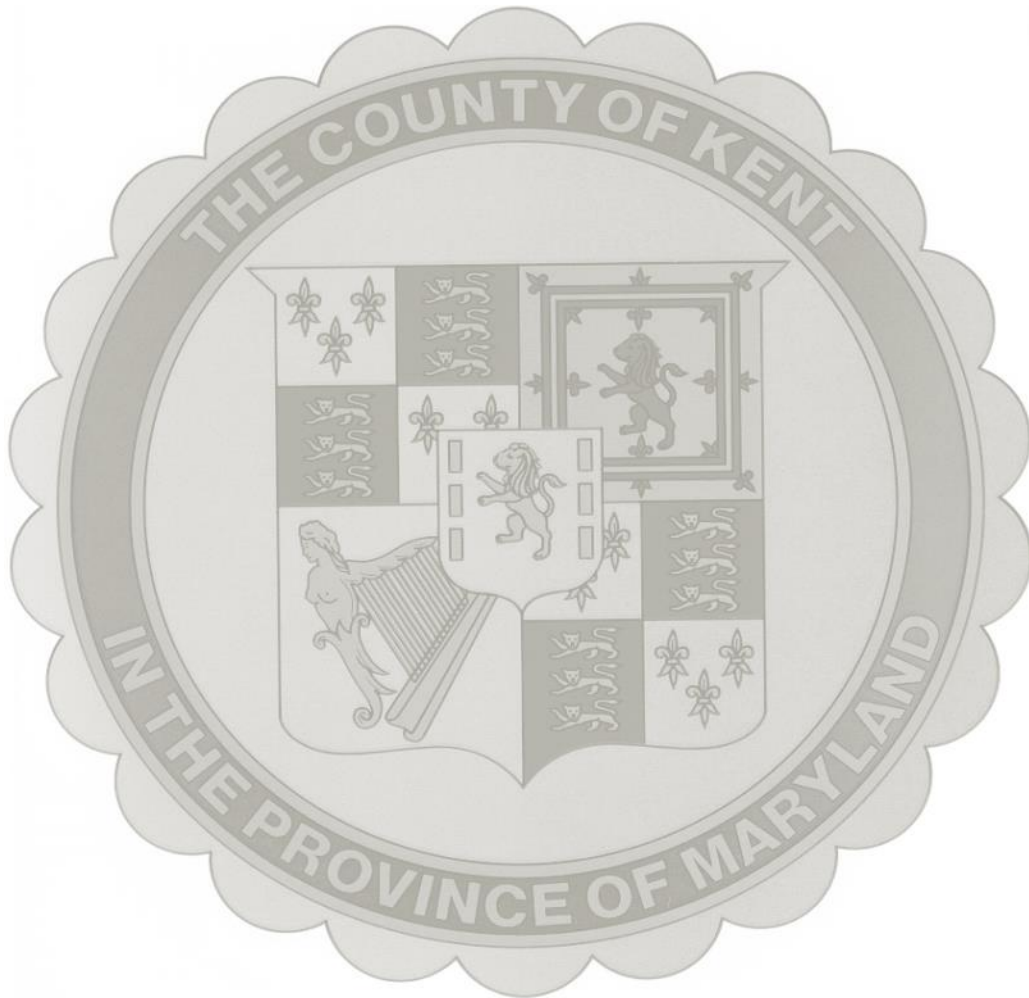
Respectfully submitted,

A handwritten signature in cursive script that reads "Patricia Merritt".

Patricia M. Merritt, C.P.A.
Chief Finance Officer

A handwritten signature in cursive script that reads "Shelley Herman".

Shelley Herman
County Administrator





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**The County Commissioners
of Kent County, Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

**The County Commissioners of Kent County Maryland
Certain Elected and Other Officials
June 30, 2016**

Certain Elected Officials – Board of County Commissioners



Ronald H. Fithian,
Member



William W. Pickrum,
President



William A. Short,
Member

Certain Department Heads

County Administrator
Chief Finance Officer
Director of Emergency Services
Director of Human Resources
Director of Information Technology
Director of Parks and Recreation
Director of Planning, Housing and Zoning
Director of Tourism
Economic Development Coordinator
Office of Family and Community Partnerships of Kent County
Warden

Shelley L. Heller
Patricia M. Merritt
Wayne Darrell
S. Martin Hale
C. Scott Boone
Myra Butler
Amy Moredock
Bernadette Bowman
Jamie L. Williams
Rosemary Ramsey Granillo
Herb Dennis

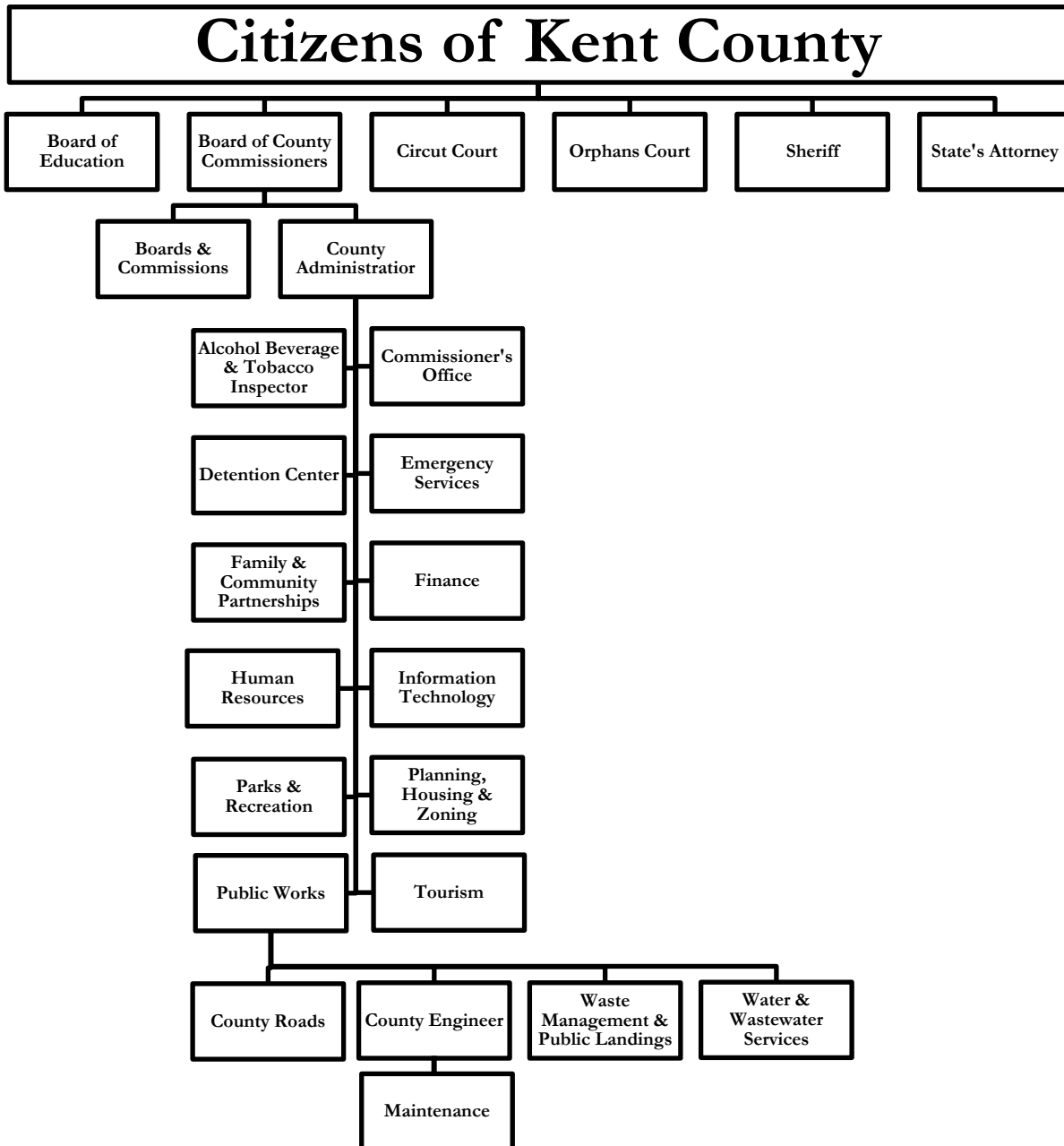
Independent Auditor

SB & Company, LLC
Certified Public Accountants and Business Advisors
Hunt Valley, Maryland

Bond Counsel

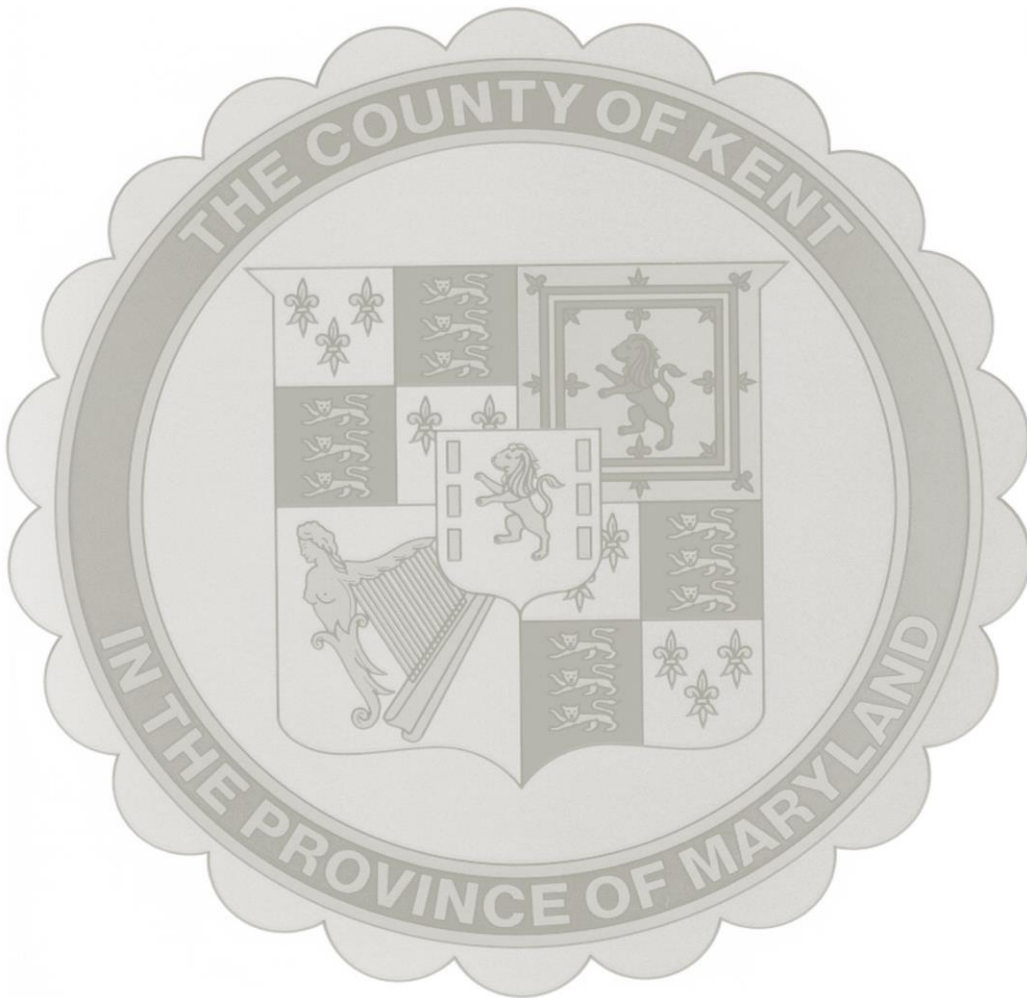
McKennon, Shelton and Henn LLP
Baltimore, Maryland

The County Commissioners of Kent County Maryland
Kent County, Maryland Government Organizational Chart
June 30, 2016





Financial Section





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The County Commissioners of Kent County, Maryland
Chestertown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Kent County, Maryland (the County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County'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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Kent County, Maryland. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors. 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



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

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. 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.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Kent County, Maryland, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 employer contributions for other post employment benefits, schedules of the County's proportionate share of the net pension liability and County 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



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual fund statements, budget and actual schedule, introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund statements and budget and actual schedule are 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 accompanying combining and individual fund statements and budget and actual schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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
November 28, 2016

SB & Company, LLC

Management's Discussion and Analysis

Introduction

As management of Kent County, Maryland (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows at the close of fiscal year 2016 by \$63,206,462 (*net position*). This amount is net of a (\$4,046,054) unrestricted net position deficit. GASB 68 and debt issued to capital projects that are not associated with an asset on the County's financials contribute to this deficit.
- The County's total net position decreased by \$868,418.
- As of the close of fiscal year 2016, the County's governmental funds reported combined ending fund balances of \$11,202,888; an increase of \$476,933 in comparison with the prior year. Approximately 44% of this amount (\$4,967,599) is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of fiscal year 2016, the unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$10,102,503, or approximately 22.2% of total general fund expenditures.
- The County's government-wide long-term debt decreased by \$1,682,613 during fiscal year 2016, as detailed on page 22.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent 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. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (i.e.: uncollected taxes and earned but unused vacation time).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health and social services, culture and recreation, community development, education, and others. The business-type activities of the County include water and wastewater services and bayside landing.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school district and a legally separate library for which the County is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide statements can be found on pages 26-27 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 28-31 of this report.

Proprietary Funds

The County maintains two enterprise funds which are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its water and wastewater services and bayside landing operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater services and bayside landing operations.

The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains two different types of fiduciary funds. The County has one *Private-purpose trust fund* that is used to report resources held in trust for property owners involved in tax sale transactions. The *Agency fund* reports resources held by

the County in a custodial capacity for individuals, private organizations and other governments. The County has four agency funds: state and town tax collections, Millington public drainage association, inmate accounts, and motor vehicle administration.

The fiduciary fund financial statements can be found on pages 35-36 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 37-63 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* and other supplementary information. The statement of agency fund assets and liabilities, general fund statement of revenues, expenditures, and changes in fund balance – budget and actual, combining balance sheet and combining statement of revenues, expenditures, and changes in fund balances for nonmajor governmental funds and for the family and community partnerships of Kent County fund are presented in this section.

Required supplementary information and other supplementary information can be found on pages 65-85 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$63,206,462, at the close of the most recent fiscal year.

Kent County, Maryland's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 16,183,310	\$ 15,334,254	\$ 292,977	\$ 901,873	\$ 16,476,287	\$ 16,236,127
Capital assets, net	46,266,425	47,362,924	41,489,643	42,140,771	87,756,068	89,503,695
Total assets	62,449,735	62,697,178	41,782,620	43,042,644	104,232,355	105,739,822
Deferred outflow of resources	1,732,440	1,091,594	-	-	1,732,440	1,091,594
Long-term liabilities outstanding	26,622,453	25,166,391	12,837,289	13,308,710	39,459,742	38,475,101
Other liabilities	2,677,694	2,925,827	425,752	538,184	3,103,446	3,464,011
Total liabilities	29,300,147	28,092,218	13,263,041	13,846,894	42,563,188	41,939,112
Deferred inflow of resources	195,145	817,424	-	-	195,145	817,424
Net position:						
Net invested in capital assets	37,465,079	37,891,332	28,687,052	28,871,869	66,152,131	66,763,201
Restricted	1,100,385	969,743	-	-	1,100,385	969,743
Unrestricted	(3,878,581)	(3,981,945)	(167,473)	323,881	(4,046,054)	(3,658,064)
Total net position	\$ 34,686,883	\$ 34,879,130	\$ 28,519,579	\$ 29,195,750	\$ 63,206,462	\$ 64,074,880

By far the largest portion of the County's net position reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, machinery and equipment), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$1,100,385 or 1.7%, represents resources that are subject to external

restrictions on how they may be used. The majority of restricted net assets include funds for inventory, prepaid items, and reforestation and open space activities.

Unrestricted net position reflects a negative balance of \$4,046,054. GASB 68 and debt issued to capital projects that are not associated with an asset on the County's financials contribute to this deficit.

The County's overall net position decreased by \$868,418. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

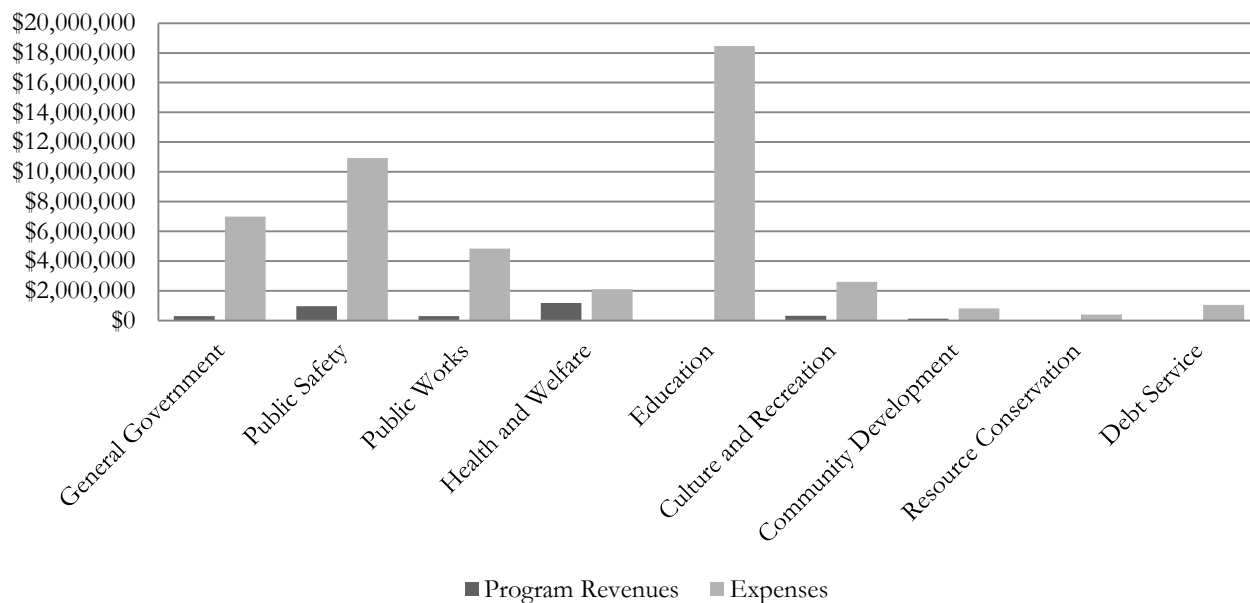
Governmental Activities

During the current fiscal year, the net position for governmental activities decreased \$192,247 from the prior fiscal year, which resulted in an ending balance of \$34,686,883. The decrease in the overall net position of governmental activities is primarily the result of an increase in the net pension liability.

Kent County, Maryland Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 567,624	\$ 486,196	\$ 2,124,193	\$ 2,073,487	\$ 2,691,817	\$ 2,559,683
Operating grants and contributions	2,321,403	1,621,376	2,760	-	2,324,163	1,621,376
Capital grants and contributions	284,655	442,590	-	24,207	284,655	466,797
General revenues:						
Property taxes	30,451,731	30,188,083	-	-	30,451,731	30,188,083
Income taxes	12,341,494	13,687,506	-	-	12,341,494	13,687,506
Other taxes	1,965,759	2,067,843	-	-	1,965,759	2,067,843
State shared	228,948	222,422	-	-	228,948	222,422
Other revenues	673,820	659,615	25,780	32,441	699,600	692,056
Total revenues	48,835,434	49,375,631	2,152,733	2,130,135	50,988,167	51,505,766
Expenses:						
General government	6,996,289	5,472,627	-	-	6,996,289	5,472,627
Public safety	10,925,385	10,297,034	-	-	10,925,385	10,297,034
Public works	4,838,919	4,669,683	-	-	4,838,919	4,669,683
Health and social services	2,091,870	1,439,401	-	-	2,091,870	1,439,401
Education	18,454,631	18,587,895	-	-	18,454,631	18,587,895
Culture and recreation	2,597,233	2,424,347	-	-	2,597,233	2,424,347
Community development	807,887	641,490	-	-	807,887	641,490
Resource conservation development	393,922	378,754	-	-	393,922	378,754
Debt service	1,053,398	1,089,455	-	-	1,053,398	1,089,455
Water and wastewater services	-	-	3,668,292	3,990,466	3,668,292	3,990,466
Bayside landing	-	-	28,759	45,942	28,759	45,942
Total expenses	48,159,534	45,000,686	3,697,051	4,036,408	51,856,585	49,037,094
Increase/(decrease) in net position before transfers	675,900	4,374,945	(1,544,318)	(1,906,273)	(868,418)	2,468,672
Transfers	(868,147)	(1,001,689)	868,147	1,001,689	-	-
Increase/(decrease) in net position	(192,247)	3,373,256	(676,171)	(904,584)	(868,418)	2,468,672
Net position beginning	34,879,130	31,505,874	29,195,750	30,100,334	64,074,880	61,606,208
Net position ending	\$ 34,686,883	\$ 34,879,130	\$ 28,519,579	\$ 29,195,750	\$ 63,206,462	\$ 64,074,880

Expenses and Program Revenues – Governmental Activities



Business-type Activities

For the County’s business-type activities, the results for the current fiscal year were negative in that overall net position decreased to reach an ending balance of \$28,519,579. The total decrease in net position for business-type activities (water and wastewater services and bayside landing funds) was \$676,171 or 2.3% from the prior fiscal year. The decline is primarily attributable to depreciation expense that is not funded through the charges for service or the transfer from the County’s general fund.

Financial Analysis of the Government Funds

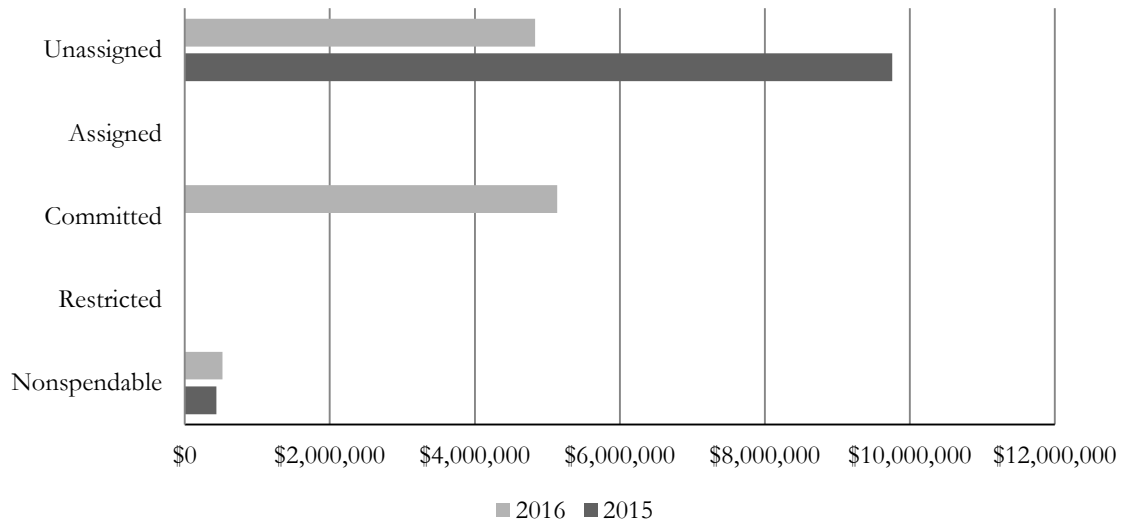
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County’s *governmental funds* is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of County Commissioners.

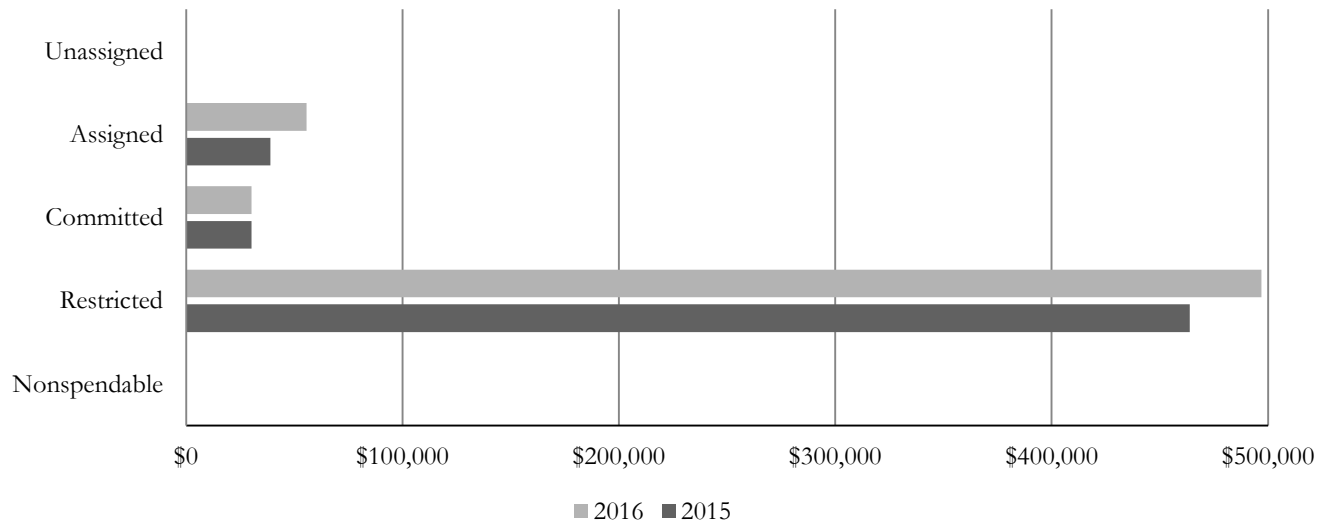
As of the end of the current fiscal year, the County’s *governmental funds* reported combined fund balances of \$11,202,888, an increase of \$476,933 in comparison with the prior year. Approximately 44% of this amount (\$4,967,599) constitutes *unassigned fund balance*, which is available for spending at the County’s discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$517,604), 2) restricted for particular purposes (\$496,897), 3) committed for particular purposes (\$5,165,079) or 4) assigned for particular purposes (\$55,709).

General Fund - Components of Fund Balance June 30, 2016 and 2015



The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,967,599, while the total fund balance was \$10,620,107. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total general fund balance to total general fund expenditures. Unassigned fund balance represents approximately 10.9% of total expenditures, while total fund balance represents approximately 23.4% of that same amount.

Other Governmental Funds - Components of Fund Balance June 30, 2016 and 2015



The fund balance of the County's general fund increased by \$426,994. This was primarily due to the deferral of capital projects and position vacancies.

The County's other major governmental fund, the capital projects fund, had a \$20,000 increase in fund balance during the current fiscal year. This reflects funding being carried over into subsequent fiscal years for technology upgrades.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the County's major enterprise fund (water and wastewater services) at the end of the year was \$27,045,948. The total decrease in net position was \$666,802. As noted earlier in the discussion of business-type activities, the decrease for the water and wastewater net position is primarily attributable to depreciation expense that is not funded through the charges for service or the transfer from the County's general fund.

General Fund Budgetary Highlights

Original budget compared to final budget

The original general fund expenditure budget of \$51,347,550 was amended by (\$2,113,710) to a final general fund expenditure budget of \$49,233,840. Major components of the amendment included:

- Income tax, recordation tax and property transfer tax revenue estimates were adjusted down \$1,302,000 based on recent trends.
- Transfers to the capital projects fund were decreased by \$2,000,000 due to the delay of the broadband expansion project into fiscal year 2017.

Final budget compared to actual results.

Actual expenditures for the year were \$3,791,341 less than estimated. The most significant differences occurred in the following areas:

- General government spending was \$1,129,243 under estimates. The largest savings were experienced in insurance costs, building maintenance and utilities, and election office costs.
- Public safety costs were \$609,398 less than anticipated. The sheriff's office, detention center, communications division and emergency medical services all had savings in salary and benefits due to staff turnover. Fuel and prisoner medical and food costs were also lower than anticipated.
- Public works spending was \$689,406 under budget for the year. Unfavorable weather conditions reduced the roadway surface treatment and patching program. There was also a considerable savings in fuel in all public works departments.
- Parks and recreation spending was \$173,184 less than estimated. Turnover and position vacancies contributed to the majority of the savings.
- Transfers to other funds were \$1,162,397 under budget. The transfer to the capital projects fund was \$772,261 less than anticipated. This was due to the delay of the public safety building feasibility study and the Fairlee Creek dredging project along with lower costs for the public school capital projects. The transfer to the water wastewater services fund was \$376,920 less than expected primarily due to staff vacancies and lower facility maintenance.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$87,756,068 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and water treatment and distribution plants. The total decrease in capital assets for the current fiscal year was approximately 1.95%.

Kent County, Maryland, Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 22,677,724	\$ 22,677,724	\$ 1,731,536	\$ 1,731,536	\$ 24,409,260	\$ 24,409,260
Construction in Progress	566,774	503,324	689,595	290,817	1,256,369	794,141
Buildings	9,987,123	10,908,246	1,514,003	1,549,168	11,501,126	12,457,414
Machinery, Equipment and Vehicles	6,317,795	6,361,008	1,418,081	1,442,200	7,735,876	7,803,208
Improvements	1,676,658	1,789,097	235,510	252,093	1,912,168	2,041,190
Infrastructure	5,040,351	5,123,525	35,900,918	36,874,957	40,941,269	41,998,482
Total	\$ 46,266,425	\$ 47,362,924	\$ 41,489,643	\$ 42,140,771	\$ 87,756,068	\$ 89,503,695

Major capital asset events during the current fiscal year included the following:

- The County acquired \$1.4 million of additional governmental and business-type assets which included dump trucks , a wheel loader, and a grader (\$674,000) for the highway and park departments, a vacuum truck (\$157,000) for water and wastewater services, vehicles (\$386,000) for alcohol beverage, public works, waste management, planning, emergency services, sheriff's office and water and wastewater services, and replaced the Cliff City landing pier (\$91,500), half of which was grant funded by the Department of Natural Resources.
- The County also disposed of \$1.1 million dollars of assets including the demolition of the former US Coast Guard Station on Still Pond Creek, in preparation for a new pavilion and bath house at that location.

Additional information on Kent County's capital assets can be found on pages 49-50 of this report.

Long-term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$22,852,108. The remainder of the County's long-term obligations are capital leases.

Kent County, Maryland's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 10,049,518	\$ 10,998,014	\$ 12,802,590	\$ 13,268,902	\$ 22,852,108	\$ 24,266,916
Capital Leases	1,772,290	2,040,095	-	-	1,772,290	2,040,095
Total	\$ 11,821,808	\$ 13,038,109	\$ 12,802,590	\$ 13,268,902	\$ 24,624,398	\$ 26,307,011

During the current fiscal year, the County's total debt decreased by \$1,682,613. The County's significant debt activities included:

- \$948,496 of governmental activities debt was retired.
- The water and wastewater services enterprise fund retired \$466,312 of its current outstanding debt.

The County's debt policy limits the issuance of debt to under \$20,000,000 in any single year. This year the County did not issue any new debt.

Additional information on Kent County's long term debt can be found on pages 57-61 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the County and were considered in developing the 2017 fiscal year budget:

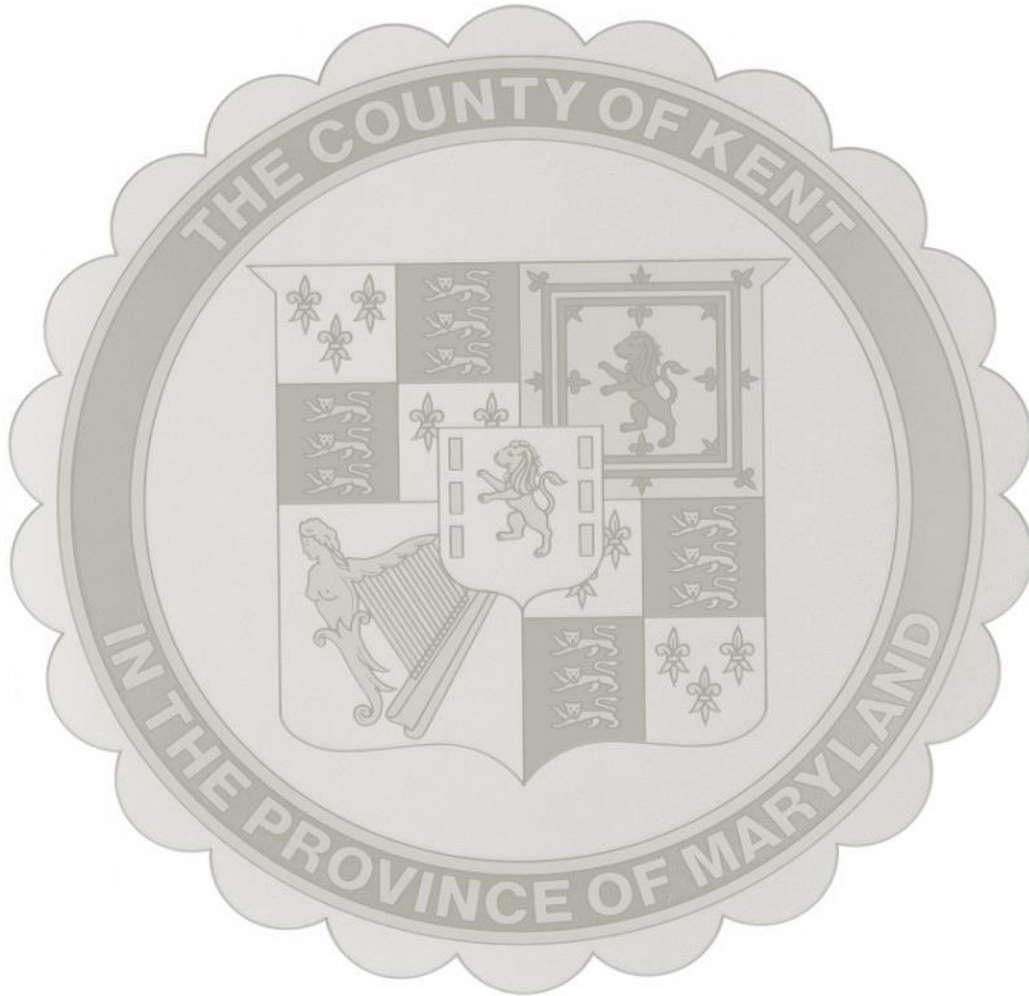
- Revenues are expected to remain relatively constant in fiscal year 2017.
- The County will use \$5,135,000 of fund balance resources in fiscal year 2017 for capital projects and equipment needs. Approximately \$4,500,000 is dedicated to the broadband expansion project.
- The fiscal year 2017 property tax rate remains at \$1.022 per \$100 of assessed property value.
- The fiscal year 2017 income tax rate remains at 2.85%.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of Finance

400 High Street
Chestertown, Maryland 21620



Basic Financial Statements

Government-wide financial statements combine all of Kent County's governmental and business-type activities, as well as its discretely presented component units.

Fund financial statements show the financial position and the operating results by fund.

The County Commissioners of Kent County, Maryland
Statement of Net Position
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Board of Education	Public Library
ASSETS					
Cash and cash equivalents	\$ 32,232	\$ 150	\$ 32,382	\$ 4,815,787	\$ 213,179
Equity in pooled cash	9,579,750	34,936	9,614,686	-	-
Property taxes receivable	1,594,670	-	1,594,670	-	-
Intergovernmental receivable	3,488,586	56,810	3,545,396	766,743	-
Other receivables	329,040	765,051	1,094,091	14,992	15,813
Internal balances	636,673	(636,673)	-	-	-
Inventories	403,504	69,997	473,501	62,310	-
Prepays	118,855	2,706	121,561	-	286
Capital assets, not being depreciated:					
Land	22,677,724	1,731,536	24,409,260	147,475	-
Construction in progress	566,774	689,595	1,256,369	111,943	-
Capital assets, net of accumulated depreciation					
Buildings	9,987,123	1,514,003	11,501,126	18,552,552	-
Machinery, equipment and vehicles	6,317,795	1,418,081	7,735,876	44,394	72
Infrastructure	5,040,351	35,900,918	40,941,269	-	-
Improvements	1,676,658	235,510	1,912,168	484,478	9,437
Library collection	-	-	-	-	225,613
Total Assets	<u>62,449,735</u>	<u>41,782,620</u>	<u>104,232,355</u>	<u>25,000,674</u>	<u>464,400</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	<u>1,732,440</u>	<u>-</u>	<u>1,732,440</u>	<u>614,866</u>	<u>-</u>
LIABILITIES					
Accounts payable and other accrued liabilities	1,809,868	169,080	1,978,948	2,333,724	48,000
Accrued interest payable	116,962	54,019	170,981	-	-
Intergovernmental payable	468,488	202,653	671,141	15,618	3,291
Unearned revenues	282,376	-	282,376	147,625	-
Noncurrent liabilities:					
Due within one year	1,869,170	503,290	2,372,460	-	-
Due in more than one year	<u>24,753,283</u>	<u>12,333,999</u>	<u>37,087,282</u>	<u>9,498,873</u>	<u>-</u>
Total Liabilities	<u>29,300,147</u>	<u>13,263,041</u>	<u>42,563,188</u>	<u>11,995,840</u>	<u>51,291</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - related to pensions	<u>195,145</u>	<u>-</u>	<u>195,145</u>	<u>216,948</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	37,465,079	28,687,052	66,152,131	19,340,842	235,122
Restricted for:					
Narcotics Task Force	96,552	-	96,552	-	-
Agricultural Land Preservation	140,434	-	140,434	-	-
Platform Tennis	1,884	-	1,884	-	-
Family & Community Partnerships of Kent Co.	-	-	-	-	-
Inmate Welfare	44,490	-	44,490	-	-
Capital Projects	40,000	-	40,000	-	-
Law Library	36,740	-	36,740	-	-
Regional Family Services	417	-	417	-	-
Special Events Overtime	2,093	-	2,093	-	-
Shop with a Cop	32	-	32	-	-
Reforestation & Open Space	220,139	-	220,139	-	-
Other purposes	517,604	-	517,604	248,494	286
Unrestricted	<u>(3,878,581)</u>	<u>(167,473)</u>	<u>(4,046,054)</u>	<u>(6,186,584)</u>	<u>177,701</u>
Total Net Position	<u>\$ 34,686,883</u>	<u>\$ 28,519,579</u>	<u>\$ 63,206,462</u>	<u>\$ 13,402,752</u>	<u>\$ 413,109</u>

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

The County Commissioners of Kent County, Maryland
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Board of Education	Public Library
Primary Government:									
Governmental activities:									
General government	\$ 6,996,288	\$ 117,283	\$ 157,690	\$ 15,125	\$ (6,706,190)	\$ -	\$ (6,706,190)	\$ -	\$ -
Public safety	10,925,385	149,570	797,698	23,926	(9,954,191)	-	(9,954,191)	-	-
Public works	4,838,919	108,899	96,362	94,654	(4,539,004)	-	(4,539,004)	-	-
Health and social services	2,091,870	12,458	1,170,115	1,200	(908,097)	-	(908,097)	-	-
Education	18,454,631	-	-	-	(18,454,631)	-	(18,454,631)	-	-
Culture and recreation	1,871,969	179,414	26,747	51,790	(1,614,018)	-	(1,614,018)	-	-
Libraries	725,264	-	-	46,000	(679,264)	-	(679,264)	-	-
Resource conservation	393,922	-	-	-	(393,922)	-	(393,922)	-	-
Community development	807,887	-	72,791	51,960	(683,136)	-	(683,136)	-	-
Debt service - interest	1,053,398	-	-	-	(1,053,398)	-	(1,053,398)	-	-
Total governmental activities	48,159,533	567,624	2,321,403	284,655	(44,985,851)	-	(44,985,851)	-	-
Business-type activities:									
Water and wastewater services	3,668,292	2,081,552	2,760	-	-	(1,583,980)	(1,583,980)	-	-
Bayside landing	28,759	42,641	-	-	-	13,882	13,882	-	-
Total business-type activities	3,697,051	2,124,193	2,760	-	-	(1,570,098)	(1,570,098)	-	-
Total primary government	\$51,856,584	\$ 2,691,817	\$ 2,324,163	\$ 284,655	(44,985,851)	(1,570,098)	(46,555,949)	-	-
Component Units:									
Kent County Board of Education	\$34,067,439	\$ 288,033	\$ 7,834,239	\$ -				(25,945,167)	-
Kent County Public Library	895,288	20,799	159,900	-				-	(714,589)
Total component units	\$34,962,727	\$ 308,832	\$ 7,994,139	\$ -				(25,945,167)	(714,589)
General revenues:									
Property taxes					30,451,731	-	30,451,731	-	-
Income taxes					12,341,494	-	12,341,494	-	-
State shared taxes					228,948	-	228,948	-	-
Other taxes					1,965,759	-	1,965,759	-	-
Other revenues					673,819	25,780	699,599	147,922	60,889
Grants and contributions not restricted to specific programs					-	-	-	24,707,742	701,959
Transfers					(868,147)	868,147	-	-	-
Total general revenues and transfers					44,793,604	893,927	45,687,531	24,855,664	762,848
Change in net position					(192,247)	(676,171)	(868,418)	(1,089,503)	48,259
Net position - beginning					34,879,130	29,195,750	64,074,880	14,492,255	364,850
Net position - ending					\$34,686,883	\$28,519,579	\$63,206,462	\$13,402,752	\$ 413,109

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

The County Commissioners of Kent County, Maryland
Balance Sheet – Governmental Funds
June 30, 2016

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 32,232	\$ -	\$ -	\$ 32,232
Equity in pooled cash	8,690,241	-	889,509	9,579,750
Property taxes receivable	1,594,670	-	-	1,594,670
Intergovernmental receivable	2,949,698	57,284	481,604	3,488,586
Other receivables	322,773	-	6,267	329,040
Due from other funds	785,556	-	-	785,556
Inventories	403,504	-	-	403,504
Prepaid items	114,100	-	4,755	118,855
Total assets	<u>\$ 14,892,774</u>	<u>\$ 57,284</u>	<u>\$ 1,382,135</u>	<u>\$ 16,332,193</u>
LIABILITIES				
Accounts payable	\$ 827,227	\$ 8,497	\$ 215,340	\$ 1,051,064
Accrued liabilities	711,083	-	47,721	758,804
Intergovernmental payable	302,051	-	166,437	468,488
Due to other funds	6,029	8,787	134,067	148,883
Unearned revenue	6,587	-	275,789	282,376
Total liabilities	<u>1,852,977</u>	<u>17,284</u>	<u>839,354</u>	<u>2,709,615</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	2,419,690	-	-	2,419,690
Total deferred inflows of resources	<u>2,419,690</u>	<u>-</u>	<u>-</u>	<u>2,419,690</u>
FUND BALANCES				
Nonspendable:				
Inventory	403,504	-	-	403,504
Prepaid expenditures	114,100	-	-	114,100
Restricted:				
General government	-	-	37,157	37,157
Public safety	-	-	129,342	129,342
Resource conservation	-	-	330,398	330,398
Committed:				
Resource conservation	-	-	30,175	30,175
Appropriation of fund balance	5,134,904	-	-	5,134,904
Assigned:				
General government	-	40,000	-	40,000
Parks, recreation, and culture	-	-	1,884	1,884
Public safety	-	-	13,825	13,825
Unassigned	<u>4,967,599</u>	<u>-</u>	<u>-</u>	<u>4,967,599</u>
Total fund balances	<u>10,620,107</u>	<u>40,000</u>	<u>542,781</u>	<u>11,202,888</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,892,774</u>	<u>\$ 57,284</u>	<u>\$ 1,382,135</u>	<u>\$ 16,332,193</u>

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

The County Commissioners of Kent County, Maryland
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Amounts reported for governmental activities in the statement of net position (page 26) are different because:

Total fund balance - governmental funds (page 28)		\$ 11,202,888
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Nondepreciable capital assets:		
Land and land improvements	\$ 22,677,724	
Construction in progress	566,774	
Depreciable capital assets:		
Buildings	14,770,729	
Improvements	2,532,712	
Machinery and equipment	17,815,121	
Infrastructure	10,473,603	
Total capital assets:	68,836,663	
Less accumulated depreciation	<u>(22,570,238)</u>	46,266,425
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	\$ (10,049,518)	
Capital leases	(1,772,290)	
Landfill liability	(811,437)	
Compensated absences	(969,092)	
Net other post-employment benefits obligation	(3,491,200)	
Net pension liability	(9,528,916)	
Accrued interest payable	<u>(116,962)</u>	(26,739,415)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Taxes	\$ 2,419,690	2,419,690
Deferred outflow of financial resources represents consumption of net position that applies to a future period and therefore are not reported in the funds:		
Change in assumptions in net pension liability	\$ 558,020	
Net difference between projected and actual earnings on plan investments	226,231	
Contributions subsequent to the measurement date	<u>948,188</u>	1,732,440
Deferred inflow of financial resources represents an acquisition of net position that applies to a future period and therefore are not reported in the funds:		
Difference between actual and expected experience	\$ (195,145)	<u>(195,145)</u>
Net position of governmental activities		<u>\$ 34,686,883</u>

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

The County Commissioners of Kent County, Maryland
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property	\$ 29,951,731	\$ -	\$ -	\$ 29,951,731
Income	12,232,681	-	-	12,232,681
Other	1,887,866	-	77,893	1,965,759
State shared	228,948	-	-	228,948
Licenses and permits	325,727	-	-	325,727
Intergovernmental	355,329	151,831	2,098,898	2,606,058
Charges for services	566,523	-	1,101	567,624
Fines and forfeitures	14,955	-	16,454	31,409
Rental Income	112,248	-	-	112,248
Miscellaneous	154,824	-	62,442	217,266
Total revenues	<u>45,830,832</u>	<u>151,831</u>	<u>2,256,788</u>	<u>48,239,451</u>
EXPENDITURES				
Current:				
General government	5,933,329	-	176,770	6,110,099
Public safety	9,218,102	-	628,810	9,846,912
Public works	4,999,428	-	65,565	5,064,993
Health and social services	787,842	-	1,282,966	2,070,808
Education	17,982,973	471,658	-	18,454,631
Parks, recreation and culture	1,491,414	-	2,465	1,493,879
Libraries	611,828	-	-	611,828
Resource conservation and development	358,600	-	35,322	393,922
Community development	683,664	-	114,514	798,178
Debt service:				
Principal	1,216,255	-	-	1,216,255
Interest	523,290	-	-	523,290
Capital outlay:				
Public works	-	100,117	-	100,117
Parks, recreation and culture	-	96,023	-	96,023
Libraries	-	113,436	-	113,436
Total expenditures	<u>43,806,725</u>	<u>781,234</u>	<u>2,306,412</u>	<u>46,894,371</u>
Excess (deficiency) of revenues over expenditures	<u>2,024,107</u>	<u>(629,403)</u>	<u>(49,624)</u>	<u>1,345,080</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	38,661	649,403	94,939	783,003
Transfers out	(1,635,774)	-	(15,376)	(1,651,150)
Total other financing sources (uses)	<u>(1,597,113)</u>	<u>649,403</u>	<u>79,563</u>	<u>(868,147)</u>
Net change in fund balances	426,994	20,000	29,939	476,933
Fund balances - beginning	<u>10,193,113</u>	<u>20,000</u>	<u>512,842</u>	<u>10,725,955</u>
Fund balances - ending	<u>\$ 10,620,107</u>	<u>\$ 40,000</u>	<u>\$ 542,781</u>	<u>\$ 11,202,888</u>

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

The County Commissioners of Kent County, Maryland
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities (page 27) are different because:

Net change in fund balances - total governmental funds (page 30)	\$ 476,933	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 1,445,175	
Depreciation expense	<u>(1,920,908)</u>	(475,733)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets:		
Asset sales		
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds are reported as financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold.	<u>\$ (620,766)</u>	(620,766)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Taxes	<u>\$ 608,816</u>	608,816
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Principal repayments:		
Capital leases	\$ 267,805	
General obligations bond payable	<u>948,496</u>	1,216,301
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued landfill liability	\$ 58,403	
Accrued interest payable	11,443	
Net other post-employment benefits obligation	(600,000)	
Net pension liability	(2,060,893)	
Accrued compensated absences	<u>(69,877)</u>	(2,660,924)
Deferred outflow of financial resources represents consumption of net position that applies to a future period and therefore are not reported in the funds:		
Change in assumptions in net pension liability	\$ 449,990	
Net difference between projected and actual earnings on plan investments	1,043,655	
Change in pension contributions	<u>(35,375)</u>	1,458,270
Deferred inflow of financial resources represents an acquisition of net position that applies to a future period and therefore are not reported in the funds:		
Difference between actual and expected experience	\$ (195,144)	<u>(195,144)</u>
Change in net position of governmental activities		<u>\$ (192,247)</u>

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

The County Commissioners of Kent County, Maryland
Statement of Net Position - Proprietary Funds
June 30, 2016

	Business-type Activities		
	Water and Wastewater Services	Bayside Landing	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 150	\$ -	\$ 150
Equity in pooled cash	32,127	2,809	34,936
Accounts receivable	765,051	-	765,051
Intergovernmental receivable	56,810	-	56,810
Due from other funds	6,029	-	6,029
Inventories	69,997	-	69,997
Prepaid items	2,706	-	2,706
Total current assets	<u>932,870</u>	<u>2,809</u>	<u>935,679</u>
Noncurrent Assets:			
Capital Assets:			
Land	531,536	1,200,000	1,731,536
Buildings	1,551,705	206,539	1,758,244
Improvements	292,462	39,190	331,652
Infrastructure	48,586,653	109,500	48,696,153
Construction in progress	689,595	-	689,595
Machinery, equipment, and vehicles	3,488,507	10,887	3,499,394
Less accumulated depreciation	(15,124,446)	(92,485)	(15,216,931)
Total noncurrent assets	<u>40,016,012</u>	<u>1,473,631</u>	<u>41,489,643</u>
Total assets	<u>40,948,882</u>	<u>1,476,440</u>	<u>42,425,322</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	106,788	2,065	108,853
Accrued liabilities	56,187	-	56,187
Bonds payable	475,010	-	475,010
Customer deposits payable	4,040	-	4,040
Accrued interest payable	54,019	-	54,019
Intergovernmental payable	201,909	744	202,653
Due to other funds	642,702	-	642,702
Total current liabilities	<u>1,540,655</u>	<u>2,809</u>	<u>1,543,464</u>
Noncurrent Liabilities:			
Compensated absences	34,699	-	34,699
Bonds payable	12,327,580	-	12,327,580
Total noncurrent liabilities	<u>12,362,279</u>	<u>-</u>	<u>12,362,279</u>
Total liabilities	<u>13,902,934</u>	<u>2,809</u>	<u>13,905,743</u>
NET POSITION			
Net investment in capital assets	27,213,421	1,473,631	28,687,052
Unrestricted	(167,473)	-	(167,473)
Total net position	<u>\$ 27,045,948</u>	<u>\$ 1,473,631</u>	<u>\$ 28,519,579</u>

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

The County Commissioners of Kent County, Maryland
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities		
	Water and Wastewater Services	Bayside Landing	Total Enterprise Funds
Operating revenues:			
Charges for services:			
Water	\$ 571,688	\$ -	\$ 571,688
Sewer	1,389,655	-	1,389,655
Septic	120,209	-	120,209
Public landings	-	42,641	42,641
Miscellaneous	13,459	-	13,459
Total operating revenues	<u>2,095,011</u>	<u>42,641</u>	<u>2,137,652</u>
Operating expenses:			
Water	431,718	-	431,718
Sewer	1,070,188	-	1,070,188
Septic	43,436	-	43,436
Parks and recreation	-	10,949	10,949
Public landings	-	8,441	8,441
Administration	594,723	-	594,723
Depreciation	<u>1,232,542</u>	<u>9,369</u>	<u>1,241,911</u>
Total operating expenses	<u>3,372,607</u>	<u>28,759</u>	<u>3,401,366</u>
Operating income (loss)	<u>(1,277,596)</u>	<u>13,882</u>	<u>(1,263,714)</u>
Nonoperating revenues (expenses):			
Intergovernmental	2,760	-	2,760
Allocation fees	11,800	-	11,800
Gratitude reimbursement	487	-	487
Interest income	-	34	34
Interest expense	<u>(295,685)</u>	<u>-</u>	<u>(295,685)</u>
Total nonoperating revenues (expenses)	<u>(280,638)</u>	<u>34</u>	<u>(280,604)</u>
Income (loss) before transfers	<u>(1,558,234)</u>	<u>13,916</u>	<u>(1,544,318)</u>
Transfers in	891,432	-	891,432
Transfers out	<u>-</u>	<u>(23,285)</u>	<u>(23,285)</u>
Change in net position	(666,802)	(9,369)	(676,171)
Net position - beginning	27,712,750	1,483,000	29,195,750
Net position - ending	<u>\$ 27,045,948</u>	<u>\$ 1,473,631</u>	<u>\$ 28,519,579</u>

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

The County Commissioners of Kent County, Maryland
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities		
	Waste and Wastewater Services	Bayside Landing	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 2,272,413	\$ 56,039	\$ 2,328,452
Payments to suppliers	(1,236,181)	(24,291)	(1,260,472)
Payments to employees	(1,007,175)	(9,346)	(1,016,521)
Net cash provided (used) by operating activities	<u>29,057</u>	<u>22,402</u>	<u>51,459</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating subsidies and transfers (to) from other funds	<u>1,284,733</u>	<u>(23,285)</u>	<u>1,261,448</u>
Net cash provided (used) by noncapital financing activities	<u>1,284,733</u>	<u>(23,285)</u>	<u>1,261,448</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	(590,783)	-	(590,783)
Principal paid on capital debt	(466,312)	-	(466,312)
Proceeds from sale of assets	-	-	-
Interest paid on capital debt	<u>(294,005)</u>	<u>-</u>	<u>(294,005)</u>
Net cash used by capital and related financing activities	<u>(1,351,100)</u>	<u>-</u>	<u>(1,351,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	<u>-</u>	<u>34</u>	<u>34</u>
Net cash provided by investing activities	<u>-</u>	<u>34</u>	<u>34</u>
Net increase (decrease) in cash and cash equivalents	<u>(37,310)</u>	<u>(849)</u>	<u>(38,159)</u>
Balances - beginning of year	<u>69,587</u>	<u>3,658</u>	<u>73,245</u>
Balances - end of year	<u>\$ 32,277</u>	<u>\$ 2,809</u>	<u>\$ 35,086</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,277,596)	\$ 13,882	\$ (1,263,714)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,232,542	9,369	1,241,911
Changes in assets and liabilities:			
Accounts receivable	222,406	-	222,406
Intergovernmental receivable	(44,686)	13,398	(31,288)
Prepaid expenses	4,225	-	4,225
Inventory	(5,532)	-	(5,532)
Due from general fund	992	-	992
Accounts payable and accrued expenses	(201,911)	(14,247)	(216,158)
Interest payable	1,193	-	1,193
Intergovernmental payable	103,843	-	103,843
Customer deposits and overpayments	(1,310)	-	(1,310)
Compensated absences payable	<u>(5,109)</u>	<u>-</u>	<u>(5,109)</u>
Net cash provided by operating activities	<u>\$ 29,057</u>	<u>\$ 22,402</u>	<u>\$ 51,459</u>

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

The County Commissioners of Kent County, Maryland
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2016

	Tax Sale Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 19,841
Equity in pooled cash	169,578	67,444
Receivables	<u>10,797</u>	<u>819,134</u>
Total assets	<u>180,375</u>	<u>906,419</u>
LIABILITIES		
Accounts payable	180,375	9,172
Due to other governments	<u>-</u>	<u>897,247</u>
Total liabilities	<u>180,375</u>	<u>\$ 906,419</u>
NET POSITION		
Net position held in trust for property owners involved in tax sale transactions	<u>\$ -</u>	

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

The County Commissioners of Kent County, Maryland
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2016

	Tax Sale Private Purpose Trust Fund
	<u> </u>
ADDITIONS	
Tax sale redemptions	\$ 530,748
Tax sale deed executions	<u>2,287</u>
Total additions	<u>533,035</u>
 DEDUCTIONS	
Tax sale redemptions	530,748
Tax sale deed executions	<u>2,287</u>
Total deductions	<u>533,035</u>
 Change in net position	 -
 Net position - beginning	 -
Net position - ending	<u>\$ -</u>

Notes to Basic Financial Statements

I.	Summary of significant account policies	38
A.	Description of government wide financial statements	38
B.	Reporting entity	38
C.	Basis of presentation – government-wide financial statements	38
D.	Basis of presentation – fund financial statements	39
E.	Measurement focus and basis of accounting	40
F.	Budgetary information	40
G.	Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance	41
H.	Revenue and expenditures/expenses	44
I.	Implementation of new accounting principals	45
II.	Reconciliation of government-wide and fund financial statements	46
A.	Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position	46
B.	Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.	46
III.	Detailed notes on all activities and funds	47
A.	Cash deposits with financial institutions and investments	47
B.	Receivables	48
C.	Capital assets	49
D.	Accrued liabilities	51
E.	Pension obligations	51
F.	Other post-employment benefit (OPEB) obligations	54
G.	Deferred compensation plan	56
H.	Risk management	56
I.	Lease obligations	57
J.	Short-term debt	58
K.	Long-term liabilities	58
L.	Fund balance	61
M.	Interfund receivables and payables	62
N.	Interfund transfers	62
O.	Landfill closure and post-closure care costs	62
P.	Joint ventures	63
Q.	Agreements	63
R.	Contingencies	63

The County Commissioners of Kent County, Maryland
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

Kent County, Maryland (the County) was founded in 1642, the second civil division in the province of Maryland. The County is governed by three commissioners who are elected at large to serve four-year terms. This board assumes responsibilities conferred upon them by the Maryland General Assembly and provides the following services: public safety, public works, health and social services, sanitation, recreation and culture, education, economic development, community development and general administrative services. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Discretely presented component units. The Board of Education of Kent County, which operates all public schools (grades Pre K through 12) within the County, is a component unit of Kent County, Maryland by virtue of the Board's fiscal dependency on the County through the County's responsibility for levying taxes, issuing debt, and its approval of the Board's budget. The County Board of Education's governing board is elected by the citizens of Kent County. The component unit has no taxing authority of its own.

The Kent County Public Library is a component unit of Kent County, Maryland by virtue of the Library's fiscal dependency on the County. The County levies taxes and appoints members to the Library Board of Trustees from nominations submitted by the remaining members of that board. The Library Board of Trustees governs the Library.

Separately issued financial statements of the individual component units can be obtained from their respective administrative offices listed below:

**Board of Education of
Kent County, Maryland**
5608 Boundary Avenue
Rock Hall, Maryland 21661

Kent County Public Library
408 High Street
Chestertown, MD 21620

Joint Venture. The Midshore Regional Landfill is a joint venture with Talbot, Caroline, and Queen Anne's counties. Disclosure of the County's participation in this joint venture is presented in Note III. P.

Separately issued financial statements can be obtained from the joint ventures' administrative office listed below:

Maryland Environmental Service
259 Najoles Road
Millersville, MD 21108

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while

business-type activities incorporate data from the County's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's water and wastewater functions and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The *general fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *capital projects fund* accounts for the acquisition and construction of the County's major capital facilities, other than those financed by proprietary funds.

The government reports the following major enterprise funds:

The *water and wastewater services fund* accounts for the activities related to operating the sewage treatment plants, sewage pumping stations, and the water distribution systems throughout the County.

Additionally, the County reports the following fund types:

The *private-purpose trust fund* accounts for monies received from tax sale transactions on behalf of property owners.

The *agency fund* accounts for inmate accounts at the detention center, vehicle registration charges collected on behalf of the motor vehicle administration, special assessment charges collected on behalf of the Millington Drainage Association, and property taxes collected on behalf of other governments.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and enterprise funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, other local taxes, state shared taxes, licenses, fines and forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, enterprise funds, and capital projects fund. The capital projects fund is appropriated on a project-length basis. Special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the county commissioners. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

State regulations authorize the County to invest in: U.S. treasury obligations, U.S. government agency and instrumentality obligations, repurchase agreements (collateralized), certificates of deposit, bankers' acceptances, commercial paper, money market mutual funds and the Maryland Local Government Investment Pool.

The Maryland Local Government Investment Pool (MLGIP) was created by the state legislature through Section 22G of Article 94 of the Annotated Code of Maryland and is under the supervision of the state treasurer. The pool has an AAAM Standards and Poor's rating.

Investments for the County are reported at fair value (generally based on quoted market prices) except for the position in the Maryland Local Government Investment Pool which is reported at the net asset value per share. For the year ended June 30, 2016, the County did not have any investments.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and repair items. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. This year no tax-exempt bond anticipation notes (BANS) were issued, consequently, no interest was capitalized.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	50
Improvements	20
Infrastructure	50
Machinery and equipment	7-20
Office furniture and fixtures	7
Automobiles and trucks	10

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County reports a deferred outflow of resources for the change in assumptions in net pension liability and board pension contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments. The County also reports the item, *unavailable revenue*, reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from income taxes and property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

6. *Net position flow assumption*

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

7. *Fund balance flow assumptions*

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. *Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County reports the following fund balances in governmental activities:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. The County reported the following nonspendable fund balances:

Fund	Fund Balance	Nonspendable Category
General Fund	\$ 403,504	Inventory
	114,100	Prepaid Expenditures

Restricted – Amounts that can only be spent for specific purposes because of enabling legislation, constitutional provisions or externally imposed conditions by grantors, creditors or contributors. The County reported the following restricted fund balances:

Fund	Fund Balance	Restricted by
Special Revenue Fund		
Agricultural Land Preservation	\$ 140,434	Tax Property Article 13-306 and contributors
Reforestation & Open Space	189,964	Natural Resources Article 5-1610
Inmate Welfare	44,490	Correctional Services Article 10-502
Law Library	36,740	Courts and Judicial Proceedings Article 13-501
Regional Family Services	417	Courts and Judicial Proceedings Article 7-202
Kent County Drug Task Force	22,135	Kent County Drug Task Force Forfeiture Agreement
Sheriff's Forfeiture	62,717	Federal Forfeiture Regulations

Committed – Amounts that can be used only for specific purposes are determined by formal action (adoption or amendment) by the Board of County Commissioners who are the highest level of decision making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The County reported the following committed fund balances:

Fund	Fund Balance	Committed by
General Fund	\$ 5,134,904	Kent County Budget Document
Special Revenue Fund		
Reforestation & Open Space	30,175	Kent County Land Use Ordinance

Assigned – Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The Board of County Commissioners may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The County reported the following assigned fund balances:

Fund	Fund Balance	Assigned by
Special Revenue Fund		
Sheriff Forfeitures	\$ 11,700	Kent County Budget Document
Special Events Overtime	2,093	Kent County Budget Document
Shop with a Cop	32	Kent County Budget Document
Platform Tennis	1,884	Kent County Budget Document
Capital Projects Fund	40,000	Kent County Budget Document

Unassigned – Amounts that are not included in other fund balance classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

H. Revenues and expenditures/expenses

1. *Program revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property taxes*

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. Payments are due by September 30th for all non-principal residences. Beginning October 1st, interest is charged each month on taxes that remain unpaid. For principal residences and small business with property tax liabilities of less than \$100,000, a two part installment plan is offered. The first installment is due by September 30th. Beginning October 1st, interest is charged on the amount of the first installment only. The second installment is due by December 31st. Beginning January 1st, interest is charged on all outstanding balances. A final billing (mailed on January 1) reflects any adjustments (i.e. new construction) to the current year's actual levy. Beginning April 1st, interest is charged each month on taxes that remain unpaid. Property taxes are levied at rates enacted by the Board of County Commissioners in the annual budget on the assessed value as determined by the Maryland Department of Assessments and Taxation. The tax rate for the fiscal year ended June 30, 2016 was \$1.022 per \$100 of full assessed value.

3. *Compensated absences*

Primary Government

Vacation/ Compensatory Leave Time. The County's policy permits employees to accumulate earned but unused vacation and compensatory leave time benefits, which are eligible for payment upon separation from County service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. As of June 30, 2016, a total of \$969,092 in unused vacation and compensatory leave time has been recorded as compensated absences payable on the Statement of Net Position.

Sick Leave. Accumulated sick leave lapses when employees leave the employ of the County and, upon separation from service, no monetary obligation exists.

Component Units

Board of Education

Sick Leave. As of June 30, 2016, the value of accumulated unused sick leave which will be used has not been determined. It is not practical to estimate the portion of such values, which will ultimately be paid because payment is contingent upon employees' future illnesses or retirement. The Board expects its commitment to provide sick leave to be met during the normal course of activities over the working lives of its present employees. Any accumulated unused sick leave at retirement will ultimately be taken into consideration and paid through retirement benefits by the State of Maryland.

Vacation. Twelve-month employees earn annual leave at varying rates dependent upon position and length of service. Annual leave generally must be taken by June 30 each year. For support staff, up to 15 days may be transferred to the next fiscal year. For administrative staff, up to three days may be transferred to the first week of July, and they can contribute 10 unused days to their 403B plans at the end of the fiscal year.

As of June 30, 2016, a total of \$41,080 in unused annual leave is available, which has been recorded as compensated absences payable in the Statement of Net Position.

Expenditures in the statement of revenues and expenditures for such items are the amounts accrued during the year that normally would be liquidated with expendable available financial resources. All accrued compensated absences are recorded in the government-wide financial statements.

Public Library

The Library accrues a liability for certain compensated absences that employees have earned but have not yet been paid. The Library estimates the portion to be used within the current fiscal year, and this portion is treated as a current liability in the general fund balance sheet. Expenditures in the statement of revenues and expenditures for such items are the amounts accrued during the year that normally would be liquidated with expendable available financial resources. All accrued compensated absences are recorded in the government-wide financial statement. The total liability of compensated absences as of June 30, 2016, was \$5,256.

4. *Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater services and bayside landing funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I. Implementation of new accounting principles

The GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; These statements did not have a material effect on the County's financial statements.

The GASB has also issued Statement No. 74 entitled, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*; and GASB Statement No. 77; entitled, *Tax Abatement Disclosures*, which will require adoption in the future, if applicable. These statements may or will have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. Reconciling items include the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and, therefore, are not reported in the funds.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and, therefore, are not reported in the funds.

Details of these reconciling transactions can be found on page 29.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. Reconciling items include the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.

The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities.

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and, therefore, are not reported in the funds.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and, therefore, are not reported in the funds.

Detail of these reconciling transactions can be found on page 31.

III. Detailed notes on all activities and funds

A. Cash deposits with financial institutions

Primary Government

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County maintains the following accounts:

<u>Financial Institution</u>	<u>Bank Balance</u> <u>June 30, 2016</u>
Chesapeake Bank and Trust (main operating account)	\$ 10,317,934
PNC Bank (payroll processing)	10,560
Chesapeake Bank and Trust (transitional insurance program)	250

None of the County's deposits are exposed to custodial credit risk. The deposits at Chesapeake Bank and Trust are collateralized with securities held by the pledging or financial institution's trust department or agent in the County's name and the deposits at PNC Bank are insured by the Federal Deposit Insurance Corporation. At the end of each day, the deposits at Chesapeake Bank and Trust are invested in an overnight sweep account.

Interest rate risk. The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to six months or less.

Credit risk. As of June 30, 2016, the County was not exposed to credit risk.

Concentration of credit risk. The County's investment policy limits investment in any one financial institution and establishes the following limits: primary government dealers – 60%, commercial banks/certificates of deposit – 40%, money market treasury funds – 40%, local government investment pools – 70%.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2016, the County was not exposed to any custodial credit risk.

Investment Policy. The County has adopted an investment policy that is designed to provide maximum safety and liquidity of funds while providing a reasonable rate of return. Permissible investments include U.S. Treasury Obligations, U.S. Government Agency and U.S. Government-Sponsored Enterprises, repurchase agreements, collateralized certificates of deposit, the Maryland Local Government Investment Pool, and mutual funds dealing in government securities. The County's policy and State law require that the underlying collateral for repurchase agreements and certificates of deposit must have a market value of at least 102% of the investment's cost plus accrued interest.

Component Units

Board of Education

As of June 30, 2016, the reported amount of the Board's deposits was \$4,938,558 and the bank balance was \$5,127,984. Of the total deposits, \$4,608,297 was not covered by FDIC but was collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Board's name. The value of the pledged securities exceeded the amount of deposits in excess of coverage by the FDIC.

Public Library

None of the Library's deposits are exposed to custodial credit risk. The Library maintains one bank account at PNC Bank. As of June 30, 2016, the carrying amount of the Library's deposits was \$213,178 and the bank balance was \$222,619, all of which was insured by the Federal Deposit Insurance Corporation.

B. Receivables

Below is the detail of receivables for the governmental and business-type activities:

Receivables	Capital		Nonmajor		Total		Business-type	Total
	General Fund	Projects Fund	Funds	Governmental	Funds	Governmental		
Property Tax	\$ 1,594,670	\$ -	\$ -	\$ -	\$ 1,594,670	\$ -	\$ -	\$ 1,594,670
Other Accounts:								
Insurance refund	\$ 180,374	\$ -	\$ -	\$ -	\$ 180,374	\$ -	\$ -	\$ 180,374
Kent center	20,132	-	-	-	20,132	-	-	20,132
Water and sewer fees	-	-	-	-	-	593,908	-	593,908
Hotel tax	82,597	-	-	-	82,597	-	-	82,597
Tax sale	-	-	-	-	-	92,406	-	92,406
Other	39,670	-	6,267	-	45,937	78,737	-	124,674
	\$ 322,773	\$ -	\$ 6,267	\$ -	\$ 329,040	\$ 765,051	\$ -	\$ 1,094,091
Intergovernmental:								
Income taxes	\$ 2,453,900	\$ -	\$ -	\$ -	\$ 2,453,900	\$ -	\$ -	\$ 2,453,900
Recordation tax	131,601	-	-	-	131,601	-	-	131,601
Family & community partnership grants	-	-	281,098	-	281,098	-	-	281,098
Property transfer tax	78,942	-	-	-	78,942	-	-	78,942
Highway user	116,142	-	-	-	116,142	-	-	116,142
Disaster relief	77,281	-	-	-	77,281	2,760	-	80,041
Department of Natural Resources	-	57,284	23,658	-	80,942	-	-	80,942
Tourism grant	-	-	44,357	-	44,357	-	-	44,357
Regional family services grant	-	-	37,912	-	37,912	-	-	37,912
911 fees	27,524	-	-	-	27,524	-	-	27,524
Homeland security	-	-	46,131	-	46,131	-	-	46,131
Other	64,308	-	48,448	-	112,756	54,050	-	166,806
	\$ 2,949,698	\$ 57,284	\$ 481,604	\$ -	\$ 3,488,586	\$ 56,810	\$ -	\$ 3,545,396

The County does not have any allowance for doubtful accounts related to the above receivables. The County expects to receive all of the receivables listed above within one year except for the following:

The State has estimated that they are holding \$2,453,900 of the County's income tax revenue for tax years 2014 and prior. It will take several years for the State to remit these monies to the County, however, the State estimates their liability to the County and the County reports this receivable in accordance with GAAP.

C. Capital assets

Primary Government

Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 22,677,724	\$ -	\$ -	\$ 22,677,724
Construction in progress	503,324	63,498	48	566,774
Total capital assets, not being depreciated	23,181,048	63,498	48	23,244,498
Capital assets, being depreciated:				
Buildings	15,594,029	-	823,300	14,770,729
Improvements	2,519,028	13,684	-	2,532,712
Machinery and equipment	16,810,072	1,270,146	265,097	17,815,121
Infrastructure	10,375,756	97,847	-	10,473,603
Total capital assets, being depreciated	45,298,885	1,381,677	1,088,397	45,592,165
Less accumulated depreciation for:				
Buildings	4,685,783	311,881	214,058	4,783,606
Improvements	729,931	126,123	-	856,054
Machinery and equipment	10,449,064	1,301,883	253,621	11,497,326
Infrastructure	5,252,231	181,021	-	5,433,252
Total accumulated depreciation	21,117,009	1,920,908	467,679	22,570,238
Total capital assets being depreciated, net	24,181,876	(539,231)	620,718	23,021,927
Governmental activities capital assets, net	\$ 47,362,924	\$ (475,733)	\$ 620,766	\$ 46,266,425
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,731,536	\$ -	\$ -	\$ 1,731,536
Construction in progress	290,817	398,778	-	689,595
Total capital assets, not being depreciated	2,022,353	398,778	-	2,421,131
Capital assets, being depreciated:				
Buildings	1,758,244	-	-	1,758,244
Improvements	331,652	-	-	331,652
Infrastructure	48,696,152	-	-	48,696,152
Machinery and equipment	3,307,390	192,005	-	3,499,395
Total capital assets, being depreciated	54,093,438	192,005	-	54,285,443
Less accumulated depreciation for:				
Buildings	209,076	35,165	-	244,241
Improvements	79,559	16,583	-	96,142
Infrastructure	11,821,196	974,038	-	12,795,234
Machinery and equipment	1,865,189	216,125	-	2,081,314
Total accumulated depreciation	13,975,020	1,241,911	-	15,216,931
Total capital assets, being depreciated, net	40,118,418	(1,049,906)	-	39,068,512
Business-type activities capital assets, net	\$ 42,140,771	\$ (651,128)	\$ -	\$ 41,489,643

Depreciation expense for the year ended June 30, 2016, was charged to the functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 254,781
Public safety	956,020
Public works	378,535
Parks, recreation and culture	326,196
Community development	5,376
Total depreciation expense - governmental activities	<u>\$ 1,920,908</u>

Business-type activities:

Water and wastewater services	\$ 1,232,542
Bayside landing	9,369
Total depreciation expense - business-type activities	<u>\$ 1,241,911</u>

Component Units

Board of Education

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Government activities				
Capital assets, not being depreciated:				
Land	\$ 147,475	\$ -	\$ -	\$ 147,475
Construction in progress	107,913	1,385,600	1,381,570	111,943
Total capital assets, not being depreciated	<u>255,388</u>	<u>1,385,600</u>	<u>1,381,570</u>	<u>259,418</u>
Capital assets, being depreciated:				
Land improvements	726,079	-	-	726,079
Buildings, furniture, fixtures and equipment	54,106,623	1,406,056	-	55,512,679
Vehicles	367,163	29,435	14,000	382,598
Total capital assets, being depreciated	<u>55,199,865</u>	<u>1,435,491</u>	<u>14,000</u>	<u>56,621,356</u>
Less accumulated depreciation for:				
Land improvements	204,022	37,579	-	241,601
Buildings, furniture, fixtures and equipment	35,552,326	1,407,801	-	36,960,127
Vehicles	342,723	9,481	14,000	338,204
Total accumulated depreciation	<u>36,099,071</u>	<u>1,454,861</u>	<u>14,000</u>	<u>37,539,932</u>
Total capital assets, being depreciated, net	<u>19,100,794</u>	<u>(19,370)</u>	<u>-</u>	<u>19,081,424</u>
Governmental activities capital assets, net	<u>\$ 19,356,182</u>	<u>\$ 1,366,230</u>	<u>\$ 1,381,570</u>	<u>\$ 19,340,842</u>

Public Library

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Computers and equipment	\$ 90,804	\$ -	\$ -	\$ 90,804
Furniture and fixtures	58,476	-	-	58,476
Library improvements	33,614	-	-	33,614
Less accumulated depreciation	<u>172,613</u>	<u>772</u>	<u>-</u>	<u>173,385</u>
Capital assets, net	<u>\$ 10,281</u>	<u>\$ (772)</u>	<u>\$ -</u>	<u>\$ 9,509</u>

The site for the Library was acquired by Kent County and the construction of the building was paid for by Kent County at a cost of \$600,341. In addition to the Library land and building, original equipment costing \$34,244 was purchased for the Library by Kent County. During the year ended June 30, 1995, Kent County paid \$10,859 for part of the cost of a new roof for the Library. During the year ended June 30, 1999, Kent County paid \$1,448 for one half of the cost of an upgrade for the Library's fire detection system. During the year ended June 30, 2016, Kent County paid \$67,436 towards ADA upgrades to the restrooms and circulation desk.

Library collections and related accumulated amortization activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets	\$ 884,572	\$ 60,973	\$ 68,147	\$ 877,398
Less accumulated depreciation	651,851	68,081	68,147	651,785
Capital assets, net	\$ 232,721	\$ (7,108)	\$ -	\$ 225,613

D. Accrued liabilities

Accrued liabilities reported by governmental funds at June 30, 2016, were as follows:

	General	Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$	711,083	\$ 29,046	\$ 740,129
Other		-	18,675	18,675
Total accrued liabilities	\$	711,083	\$ 47,721	\$ 758,804

E. Pension obligations

Primary Government

The County participates in three cost-sharing multiple-employer defined benefit pension plans administered by the State of Maryland. All three plans provide retirement, disability, and death benefits to plan members and their beneficiaries. For the year ended June 30, 2016, the County recognized aggregated pension expense of \$929,435 for all three pension systems.

Benefits under the State Retirement and Pension System are established under Title 21, and the Law Enforcement Officers' Pension System under Title 26, of the Annotated Code of Maryland – State Personnel and Pensions.

The Maryland State Retirement and Pension System issues a comprehensive annual financial report that includes disclosures regarding: actuarial value of assets, total actuarial accrued liability, unfunded actuarial accrued liability, if any, and funded liability ratio. This report can be obtained from the agency's office as follows:

Maryland State Retirement and Pension Systems

120 East Baltimore Street
Baltimore, Maryland 21201

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Alternate Contributory Pension System, the Reformed Contributory Pension System and the Law Enforcement Officer's Pension System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Descriptions

Alternate Contributory Pension System – This plan covers employees hired after June 30, 2002, plus eligible employees with service as of July 1, 2002. Members may retire with full benefits after completing 30 years of eligible service regardless of age or at age 62 or older with specified years of eligible service. On retirement from service, a member shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service. A member may retire with reduced benefits after attaining age 55 and completing fifteen years of eligible service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested retirement allowance at age 62.

Reformed Contributory Pension System – This plan covers employees hired after June 30, 2011. Members may retire with full benefits when their years of eligible service and age equal 90 or at age 65 or older with 10 years of eligible service. On retirement from service, a member shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service. A member may retire with reduced benefits after attaining age 60 and completing fifteen years of eligible service. A member terminating employment before attaining retirement age, but after completing ten years of eligible service, becomes eligible for a vested retirement allowance at age 65.

Law Enforcement Officer's Pension System (LEOPS) – This plan covers law enforcement employees hired after June 30, 2002, plus eligible employees with service as of July 1, 2002. Members may retire after 25 years of service or at age 50 with at least 5 years of service. A member who joined prior to July 1, 2012 is eligible for vesting after 5 years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 50. A member who joined after July 1, 2012 is eligible for vesting after 10 years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 65.

Funding Policy

Obligations to contribute to the plan were established under Title 21 and Title 26 of the Annotated Code of Maryland – State Personnel and Pensions. Members of all three pension plans contributed 7% of their gross regular employee compensation during fiscal year 2016.

Required contributions under the plans, which are not funded by employee contributions, are funded entirely by the County. Contributions by the County to both State plans take place during the fiscal year and are based upon salaries for the preceding fiscal year. The County contribution for the year ending June 30, 2016 is based on salaries for the year ending June 30, 2015. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees. The contributions for the fiscal years ending June 30th were equal to the actuarially determined amounts as follows:

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Alternate/Reformed Contributory Pension Systems	\$ 640,296	\$ 703,480	\$ 699,161
LEOPS	307,892	280,083	322,670

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the County reported a liability of \$9,528,916 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participants members actuarially determined. As of June 30, 2015, the County's proportion was 0.046%.

For the year ended June 30, 2016, the County recognized pension expenses of \$929,435. As of June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 558,021	\$ -
County contribution subsequent to the measurement date	948,188	-
Net difference between projected vs actual investment earnings	226,231	-
Difference between actual and expected experience	-	195,144
Total	<u>\$ 1,732,440</u>	<u>\$ 195,144</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources are related to pensions, which will be recognized in pension expense as follows:

Year Ended	
June 30,	
2017	\$ (90,352)
2018	(90,352)
2019	(90,352)
2020	(267,700)
2021	(50,352)

Actuarial Assumptions - The key actuarial assumptions used to perform the June 30, 2015, pension liability calculation are as follows:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.95% general, 3.45% wage
Salary increases	3.4% to 11.9%, including inflation
Investment rate of return	7.55%

Mortality rates were based on the RP-2014 Mortality Table with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System's Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, the best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.55%) or 1 percentage point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Discount Rate (7.55%)	1% Increase (8.55%)
County's proportionate share of the net pension liability	\$ 13,467,661	\$ 9,528,916	\$ 6,262,911

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This can be found at www.sra.state.md.us.

F. Other post-employment benefit (OPEB) obligations

Primary Government

Plan Description – The County's Other Post-Employment Benefit Plan (OPEB) is an agent multiple-employer defined benefit healthcare plan whose assets are held by Queen Anne's County, Maryland. An employee retiring from Kent County Government on or after July 2, 2002, who has accumulated thirty (30) years of service or more will be eligible to receive the same health benefits as provided to current full-time or permanent part-time employees, whichever is applicable. In so doing, the County will pay the same percentage of premium for an employee retiring as a full-time employee as it pays to current full-time employees, and will pay the same percentage for an employee retiring as a permanent part-time employee as it pays to current permanent part-time employees. In fiscal year 2016 the County paid 100% of retiree's health, dental, and vision premiums. Additionally, the County paid 60% of retiree's dependents health premiums and 55% of retiree's dependents dental and vision premiums.

On June 9, 2009, the County Commissioners authorized the establishment of a trust to fund costs of health insurance and any other post-employment benefits provided to eligible retirees of the County. The participants of the trust include: the County, the County Commissioners of Queen Anne's County (Queen Anne's County), the Queen Anne's County Free Library and the Board of Education of Queen Anne's County.

Funding Policy – The county contribution includes the pay-as-you-go premiums for current retirees and the trust contribution for future retirees. Both of these figures are determined annually as part of the budget process. In fiscal year 2016 the County contributed \$191,061 (\$191,061 for pay-as-you-go premiums and \$0 to the trust). Plan members receiving benefits contributed \$23,022.

Annual OPEB Cost and Net OPEB Obligation – The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual

OPEB cost for the year, the amount actually contributed to the plan, and the County's net OPEB obligation as of June 30 is as follows:

	2016	2015	2014
Annual required contribution (ARC)	\$ 819,000	\$ 764,000	\$ 764,000
Less net OPEB obligation (NOO) amortization	(137,000)	(106,000)	(78,000)
Plus interest on net OPEB obligation (NOO)	101,000	81,000	62,000
Total cost	783,000	739,000	748,000
Contributions made	-	-	-
Benefits paid during fiscal year	(183,000)	(174,000)	(191,006)
Increase in net OPEB obligation	600,000	565,000	556,994
Net OPEB obligation - beginning of year	2,891,200	2,326,200	1,769,206
Net OPEB obligation - end of year	\$ 3,491,200	\$ 2,891,200	\$ 2,326,200

Percentage of annual OPEB contribution	23.4%	23.5%	25.5%
--	-------	-------	-------

Funded Status and Funding Progress – The funded status for the OPEB plan as of July 1 is as follows:

For the Year Ended June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2014	\$ 156,330	\$ 8,968,000	\$ 8,811,670	1.8%	\$ 10,402,446	84.7%
2015	156,561	8,153,000	7,996,439	1.9%	8,864,273	90.2%
2016	162,000	8,654,000	8,492,000	1.8%	9,140,701	92.9%

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. The actuarial valuations used the following methods and assumptions:

Actuarial cost method	Projected unit credit
Discount rate	3.5%
Salary growth	3.0%
Medical and prescription trends	4.7% decreasing gradually
Remaining amortization period	22 years
Amortization method	Closed
Rate of inflation	2.2%

Component Units

Board of Education

Plan Description - The Kent County Public Schools Retiree Health Plan is a single-employer defined benefit healthcare Plan that is administered by the Board of Education and covers retired employees of the Board and their dependents. The Plan provides for the payment of a portion or all of the health insurance premiums for eligible retired employees depending on their position that was held and length of service. The Board of Education has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

Funding Policy – Premiums and other contributions for the Board's share of the cost of the group programs may be paid, as determined by the Board, from the assets of the Board or from the assets of the Retiree Benefit Trust of the Board of Education of Kent County (the Trust). Premium payments for some programs may require contributions by the participants as well as the Board. The frequency and amount of such contributions shall be established from time to time by the Board. In no event will payments made by participants be excluded from their taxable income. No participant shall have any claim against, right to, or interest in the Trust. In the event that the Board or the trustee of the Trust for any reason fails to pay premiums for, or otherwise implement, the group programs for participants, the sole liability of the Board shall be limited to the amount of premiums otherwise payable. The Board shall not be responsible for any losses to participants or dependents for such failure beyond the amount of such premiums or contributions.

Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Kent County Public Schools Retiree Health Plan pays 45% of the individual premium for each insured retiree who was a teacher, 55% for A&S employees. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost of such coverage if they retired on or after January 1, 1998. If they retired prior to December 31, 1997, the Board pays 45% of the premiums.

Annual OPEB Cost and Net OPEB Obligation – The Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation to Kent County Public Schools Retiree Health Plan:

Annual required contribution	\$ 1,821,000
Interest on net OPEB obligation	205,000
Amortization of net OPEB obligation	(279,000)
Annual OPEB cost (expense)	1,747,000
Benefits paid during fiscal year	(656,063)
Increase in net OPEB obligation	1,090,937
Net OPEB obligation - beginning of year	5,871,306
Net OPEB obligation - end of year	<u>\$ 6,962,243</u>

G. Deferred compensation plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all County employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The County has no liability for losses under the plan.

Investments are managed by the plan's administrator under several different investment options, or combinations thereof. The choice of the investment option(s) is made by the participants. The County has no management control over the assets of the plan. Accordingly, the assets of the plan are not included in these financial statements per GASB Statement No. 32.

H. Risk management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance. For property, general, excess and environmental liability coverage, the County is a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public

entity risk pool, which is owned and directed by the local governments that subscribe to its coverage's and operates under the terms of a Trust Agreement.

Subscribers to coverage provided by LGIT share the risk among participants of the pools. As a result, the County's annual premium requirements will be affected by the loss experience of the various insurance pools in which it participates. Also, the County may be subjected to additional assessments from time to time. These amounts would be recorded as expenditures when they are probable and can be reasonably estimated. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

The County pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. No insurance settlement has exceeded the coverage to date.

The County is fully insured for workers' compensation through Chesapeake Employers Insurance Company. Employees are bonded through LGIT to limit the loss to the County in the event of employees committing acts of embezzlement or theft.

Complete financial statements can be obtained from their administrative offices:

Local Government Insurance Trust

7225 Parkway Drive
Hanover, MD 21076

I. Lease obligations

1. Capital lease

Primary Government

In December, 2011 the County entered into a lease agreement with Motorola Solutions, Inc. for the financing of 700MHz radios for the new public safety communication system, which was placed into service in July 2012. This equipment is valued at \$2,800,000 and has a ten-year estimated useful life. This year \$280,000 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through this capital lease are as follows:

	Governmental Activities	Business-Type Activities	Total
Asset:			
Machinery and Equipment	\$ 2,800,000	\$ -	\$ 2,800,000
Less: Accumulated Depreciation	(1,120,000)	-	(1,120,000)
Total	\$ 1,680,000	\$ -	\$ 1,680,000

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Fiscal Year Ending June 30,</u>	Governmental Activities	Business-Type Activities	Total
2017	\$ 325,071	\$ -	\$ 325,071
2018	325,071	-	325,071
2019	325,071	-	325,071
2020	325,071	-	325,071
2021	325,071	-	325,071
2022	325,070	-	325,070
Total minimum lease payments	1,950,425	-	1,950,425
Less: amount representing interest	(178,135)	-	(178,135)
Present value of minimum lease payments	\$ 1,772,290	\$ -	\$ 1,772,290

2. Operating lease

Primary Government

The County leases buildings for the library, state's attorney, election office, family and community partnerships of Kent County and health department operations. It also leases office and technology equipment. Total costs for operating leases were approximately \$365,779 for the year ended June 30, 2016. Future minimum lease payments under significant non-cancelable operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 371,523
2018	354,918
2019	140,611
2020	23,130
2021 and thereafter	<u>5,783</u>
Total	<u>\$ 895,965</u>

J. Short-term debt

Primary Government

The County maintains a line of credit of \$3,500,000 from a local financial institution with an interest rate of 60% of the prime rate. The outstanding balance at June 30, 2016, was \$0.

Component Units

Public Library

During 2016, the Library renewed a \$25,000 line of credit agreement with PNC Bank for operating needs. The agreement is for a period of one year and is subject to renewal. There has been no activity on the credit line during the year and the balance remains at \$0.

K. Long-term liabilities

General Obligation Bonds, Notes, Other Post-Employment Benefits, Compensated Absences, Landfill Liability

The County issues general obligation bonds and notes payable to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 40 years. General obligation bonds and notes payable outstanding at June 30, 2016, are as follows:

Governmental Activities:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2016
General obligation bonds					
<u>United States Department of Agriculture</u>					
FY11 Nicholson Ground Water Recovery Treatment	12/16/10	\$ 154,000	2.250%	01/16/51	\$ 140,071
<u>Maryland Water Quality Financing</u>					
FY01 Dulin Landfill Closure	04/05/01	689,000	2.200%	02/01/20	135,105
<u>Manufacturers & Traders Trust Company</u>					
FY06 Board of Education Capital Projects	05/02/06	7,130,000	4.210%	05/02/21	2,885,357
<u>SunTrust Bank</u>					
FY09 Community Center	04/03/09	8,500,000	4.450%	04/03/29	6,319,063
FY11 Refinance - FY98 Public Works Complex	05/02/11	784,100	3.820%	05/02/26	569,922
					<u>\$ 10,049,518</u>

Business-type Activities:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2016
General obligation bonds					
<u>Suntrust</u>					
Worton Debt Refinance	05/02/11	\$ 155,300	3.260%	05/02/21	\$ 83,864
<u>Maryland Department of the Environment - Water Quality</u>					
Allen's Lane Sewer Extension	04/23/08	1,152,308	1.000%	02/01/25	620,659
Fairlee/Piney Neck/Tolchester/Spring Cove Debt Refinance	04/28/04	2,027,478	1.000%	02/01/24	859,691
Worton Wastewater Treatment Plant Upgrade	03/19/10	2,700,000	1.000%	02/01/30	2,037,442
<u>United States Department of Agriculture</u>					
Gratitude Sewer Extension	03/01/77	100,000	5.000%	01/01/17	5,655
Kennedyville Sewer	12/15/77	84,000	5.000%	12/15/17	6,724
Worton Water Treatment Plant	01/28/10	338,000	2.375%	01/28/50	303,795
Chesterville Sewer Extension	12/16/10	476,000	2.250%	12/16/50	432,916
Worton Wastewater Treatment Plant	07/15/10	5,367,082	4.000%	07/15/50	5,013,994
Worton Wastewater Treatment Plant	12/16/10	2,253,000	3.750%	12/16/50	2,103,615
Edesville Wastewater Treatment Plant	11/18/10	60,000	2.250%	11/18/50	54,564
Worton Wastewater Treatment Plant	07/01/11	601,000	2.500%	07/01/51	556,783
Quaker Neck Sewer Extension	12/16/11	780,000	2.250%	12/16/51	722,888
					<u>\$ 12,802,590</u>

The debt services requirements for the County's bonds, loans and notes are as follows:

Governmental Activities:

Fiscal Year Ending			Build America Bonds		Total
June 30,	Principal	Interest	Interest		
2017	\$ 988,522	\$ 426,993	\$ (1,095)	\$	1,414,420
2018	1,030,247	385,269	(1,074)		1,414,442
2019	1,073,752	341,764	(1,051)		1,414,465
2020	1,094,948	296,409	(1,032)		1,390,325
2021	1,124,521	247,662	(1,006)		1,371,177
2022 - 2026	2,837,494	793,053	(4,666)		3,625,881
2027 - 2031	1,807,954	173,079	(4,003)		1,977,030
2032 - 2036	19,934	9,326	(3,264)		25,996
2037 - 2041	22,308	6,952	(2,433)		26,827
2042 - 2046	24,957	4,303	(1,506)		27,754
2047 - 2051	24,881	1,358	(477)		25,762
	<u>\$ 10,049,518</u>	<u>\$ 2,686,168</u>	<u>\$ (21,607)</u>	<u>\$</u>	<u>12,714,079</u>

A portion of the interest on loans through the Build America Bond program obtained from the United States Department of Agriculture Rural Development under the American Recovery and Reinvestment Act of 2009 (ARRA) is reimbursed to the County.

Business-type activities:

Fiscal Year Ending			America Bonds		Total
June 30,	Principal	Interest	Interest		
2017	\$ 475,010	\$ 381,367	\$ (101,131)	\$	755,246
2018	475,248	372,364	(99,653)		747,959
2019	481,965	363,554	(98,118)		747,401
2020	490,109	355,408	(96,786)		748,731
2021	500,168	345,350	(94,875)		750,643
2022 - 2026	2,218,556	1,572,554	(447,425)		3,343,685
2027 - 2031	1,672,779	1,312,238	(395,171)		2,589,846
2032 - 2036	1,266,229	1,061,971	(332,017)		1,996,183
2037 - 2041	1,513,600	814,600	(255,073)		2,073,127
2042 - 2046	1,810,396	517,804	(162,009)		2,166,191
2047 - 2051	1,878,759	163,921	(50,258)		1,992,422
2052	19,771	157	-		19,928
	<u>\$ 12,802,590</u>	<u>\$ 7,261,288</u>	<u>\$ (2,132,516)</u>	<u>\$</u>	<u>17,931,362</u>

A portion of the interest on loans through the Build America Bond program obtained from United States Department of Agriculture Rural Development under the American Recovery and Reinvestment Act of 2009 (ARRA) is reimbursed to the County.

Legal Debt Margin

In accordance with Section 3-9.1 of Chapter 3 of the Code of Public Local Laws of Kent County, Maryland, the County's annual debt financing cannot exceed twenty million dollars in any single fiscal year. During fiscal year 2016, the County did not issue any debt.

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 10,998,014	\$ -	\$ (948,496)	\$ 10,049,518	\$ 988,522
Notes payable	-	-	-	-	-
Capital leases	2,040,095	-	(267,805)	1,772,290	275,322
Compensated absences	899,219	691,947	(622,074)	969,092	605,326
Landfill liability	869,840	-	(58,403)	811,437	-
Net other post-employment benefit obligation	2,891,200	783,000	(183,000)	3,491,200	-
Net pension liability	7,468,023	2,060,893	-	9,528,916	-
Governmental activities long-term liabilities	<u>\$ 25,166,391</u>	<u>\$ 3,535,840</u>	<u>\$ (2,079,778)</u>	<u>\$ 26,622,453</u>	<u>\$ 1,869,170</u>

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Business-Type Activities:					
General obligation bonds	\$ 13,268,902	\$ -	\$ (466,312)	\$ 12,802,590	\$ 475,010
Compensated absences	39,808	45,231	(50,340)	34,699	28,280
Business-type activities long-term liabilities	<u>\$ 13,308,710</u>	<u>\$ 45,231</u>	<u>\$ (516,652)</u>	<u>\$ 12,837,289</u>	<u>\$ 503,290</u>

Component Units

Board of Education

A summary of long-term liability activity for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 5,871,306	\$ 1,747,000	\$ 656,063	\$ 6,962,243	\$ -
Other post-employment benefit obligation	2,009,929	526,701	-	2,536,630	-
Net pension liability	<u>\$ 7,881,235</u>	<u>\$ 2,273,701</u>	<u>\$ 656,063</u>	<u>\$ 9,498,873</u>	<u>\$ -</u>

L. Fund balance

Minimum fund balance policy. While the County does not have a formal fund balance policy, it strives to maintain an unassigned general fund balance of at least 7.5% of general fund expenditures to provide fiscal stability when economic downturns and other unexpected events occur. The County's ending unassigned fund balance has been above its target of 7.5% since fiscal year 2006.

Stabilization arrangement. The County maintains a revenue stabilization reserve (“rainy day fund”) in the general fund. Resources equivalent to 0.05% of total general fund revenues are reserved annually. Expenditure of the amounts in the revenue stabilization reserve may occur at the direction of the County Commissioners. Use of these funds are not expected to occur routinely and are intended to be a resource in times of revenue shortfalls. At June 30, 2016, the stabilization reserve is \$161,950.

M. Interfund receivables and payables

Interfund receivables and payables are usually used by the County to cover temporary cash deficits in individual funds until grant or similar resources are received. Occasionally, these receivables and payables are used in lieu of short-term external borrowing for capital projects. The composition of interfund balances as of June 30, 2016, is as follows:

	Due From All Funds	Due To All Funds
General fund	\$ 785,556	\$ 6,029
Capital projects fund	-	8,787
Non-major governmental funds	-	134,067
Enterprise fund - water and wastewater services	6,029	642,702
Total	<u>\$ 791,585</u>	<u>\$ 791,585</u>

N. Interfund transfers

Interfund transfers represent a transfer of resources from one fund to another without expectation of repayment. Usually these transfers are undertaken to enable the receiving entity to provide services that the government has determined to be in the best interest of the County. The composition of interfund transfers for the year ended June 30, 2016, is as follows:

	Transfers In	Transfers Out
General fund	\$ 38,661	\$ (1,635,774)
Capital projects fund	649,403	-
Non-major governmental funds	94,939	(15,376)
Enterprise fund - water and wastewater services	891,432	-
Enterprise fund - bayside landing	-	(23,285)
Total	<u>\$ 1,674,435</u>	<u>\$ (1,674,435)</u>

Significant interfund transfers in 2016 included:

- \$649,403 transfer from the general fund to the capital projects fund for the County’s share of the Kent County Board of Education project at Garnett Elementary School and the Kent County Public Library project.
- \$1,027,565 transfer from the general fund to the water and wastewater services fund to subsidize the cost of operations.

O. Landfill closure and post-closure care costs

Between 1987 and 1992 the County operated Nicholson landfill. This 45.8 acre site was the County’s primary collection facility. In May 1992, the County stopped collecting trash at Nicholson landfill. A two foot cap of cover material, sediment ponds, water testing wells, and methane gas vents were completed during the fall of 1996 in accordance with federal and state regulations. The County is required to provide post-closure maintenance to the landfill for 30 years subsequent to its capping. The County has paid \$2,145,658 in post closure costs in the last twenty

years and estimates the cost to provide post closure care for the remaining ten years at \$811,437. This expenditure is budgeted and funded with general fund resources each year.

P. Joint ventures

The County Commissioners, in conjunction with Talbot, Caroline, and Queen Anne's Counties, created the Midshore Regional Landfill in 1991. Each of the counties in turn, will host a landfill site that will be owned and operated by Maryland Environmental Service to serve the four county area for a twenty year period. The first landfill site was located in Talbot County and stopped accepting waste as of December, 2010. The second landfill site was opened January 2011, in Caroline County. Each county is required to set aside sufficient land to construct a landfill within their borders. The agreement expires when the last of the four landfills is closed.

Each county is required to place its municipal waste in the landfill. The facility is also available to commercial waste disposal firms at the same price per ton as charged to the county governments. Kent County paid \$122,471 in tipping fees to the facility during fiscal year 2016.

The participating counties are contingently liable for closure costs of the landfills. The County's potential share of the liability is \$2,549,103. Maryland Environmental Service is currently putting into place a plan to fund all closure costs from the revenues of the facilities. The project has sufficient revenues and reserves at this time to lead the County to believe that no expenditure of its funds will be required. Audited financial statements for the project can be obtained from:

Maryland Environmental Service
259 Najoles Road
Millersville, MD 21108.

Q. Agreements

The Gratitude sub-district is owned and operated by the Town of Rock Hall, Maryland. The County Water and Wastewater Department borrowed money from the United States Department of Agriculture Rural Development to fund this project for the Town. The County Water and Wastewater Department invoices the Town of Rock Hall, Maryland semi-annually for the debt payments that it has made on this loan.

The County Water and Wastewater Department has also entered into agreements with the towns of Chestertown, Millington, and Rock Hall, Maryland whereby the towns provide water to West Millington and Edesville sub-districts, and accept wastewater from the Quaker Neck, West Millington, and Piney Neck, Spring Cove/Green Lane and Edesville sub-districts, respectively. The County Department maintains and operates the water lines and sewer collection systems.

R. Contingencies

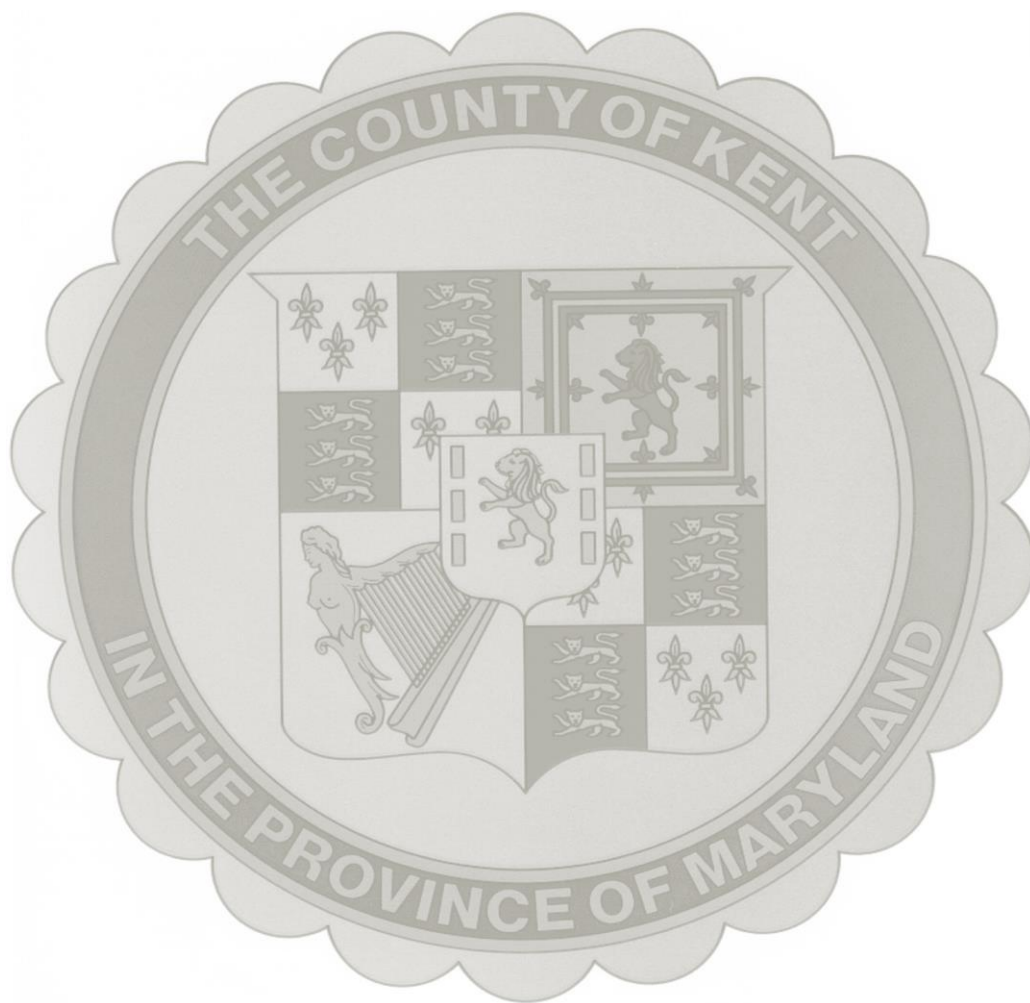
Primary Government

The County and its component units are recipients of various federal and state grant and/or loan programs, which are governed by various rules and regulations of grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. If the County has not complied with the rules and regulations governing the programs, refunds of money received may be required and the collectability of any related receivable may be impaired.

The County has received Community Development Block Grant Program funds for the purpose of rehabilitating homes of low/moderate income households. Upon the completion of the housing improvements, the homeowners enter into a deferred loan agreement with the County whereby the homeowners agree to repay the County for the value of the improvements their homes received if they sell their homes within a specified period of time. As of June 30, 2016, the value of all the deferred loan agreements was \$366,558.



Required Supplementary Information



The County Commissioners of Kent County, Maryland
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget
REVENUES				
Taxes:				
Property	\$ 30,241,483	\$ 30,309,315	\$ 29,951,731	\$ (357,584)
Income	13,000,000	12,200,000	12,232,681	32,681
Other	2,156,523	1,654,480	1,887,866	233,386
State shared	219,326	219,326	228,948	9,622
Licenses and permits	294,592	295,123	325,727	30,604
Intergovernmental	278,412	291,612	355,329	63,717
Charges for services	487,452	518,618	566,523	47,905
Fines and forfeitures	22,663	22,663	14,955	(7,708)
Rental income	110,171	110,171	112,248	2,077
Miscellaneous	27,160	47,993	154,824	106,831
Total Revenues	46,837,782	45,669,301	45,830,832	161,531
EXPENDITURES				
General government				
County commissioners office	527,744	540,211	446,172	94,039
State's attorney's office	565,138	654,211	637,350	16,861
Circuit court	242,913	258,900	232,948	25,952
Orphan's court	43,794	49,550	49,550	-
Election office	538,853	538,853	336,507	202,346
Assessment and taxation	123,148	123,148	118,874	4,274
Finance office	670,034	682,829	628,277	54,552
Legal counsel	40,000	51,519	51,519	-
Human resources	347,686	358,503	333,802	24,701
Planning and zoning	841,680	773,659	688,912	84,747
Information technology	1,107,279	1,112,819	1,005,926	106,893
General services	83,011	76,687	75,468	1,219
Building and grounds	1,399,493	1,443,312	1,118,661	324,651
Insurance and benefit refunds	654,267	398,371	209,363	189,008
Total general government	7,185,040	7,062,572	5,933,329	1,129,243
Public safety				
Sheriff's office	3,063,347	3,037,430	2,840,903	196,527
Volunteer fire company	1,097,081	1,092,954	1,045,421	47,533
Detention center	3,031,592	3,066,238	2,833,684	232,554
Community work program	7,636	7,701	7,701	-
Alcoholic beverage inspection	87,443	87,453	78,040	9,413
Building inspector	25,330	29,588	29,535	53
Emergency management	1,409,433	1,257,444	1,232,852	24,592
Communications division	980,661	987,461	888,735	98,726
Humane society	260,700	261,231	261,231	-
Total public safety	9,963,223	9,827,500	9,218,102	609,398

(Continued)

The County Commissioners of Kent County, Maryland
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget
Public works				
Engineering	\$ 180,117	\$ 180,117	\$ 173,779	\$ 6,338
Highways and streets	4,329,622	4,330,711	3,755,441	575,270
Environmental operations	1,163,985	1,178,006	1,070,208	107,798
Total public works	5,673,724	5,688,834	4,999,428	689,406
Health				
Health department	396,305	396,305	396,305	-
Mosquito control	34,784	35,210	35,210	-
Total health	431,089	431,515	431,515	-
Social services				
Department of social services	21,416	21,416	20,766	650
Mid shore council on family violence	3,000	6,200	6,200	-
Upper shore aging	140,214	140,214	140,214	-
Delmarva community service	114,316	114,316	114,316	-
Commission on aging	3,750	3,750	2,831	919
Community mediation	9,000	9,000	9,000	-
Kent center	55,000	55,000	55,000	-
Saint martin's ministries	8,000	8,000	8,000	-
Total social services	354,696	357,896	356,327	1,569
Education				
Kent county public schools	17,432,020	17,432,020	17,432,020	-
Chesapeake college	588,727	548,453	548,453	-
Kent county learning center	2,500	2,500	2,500	-
Total education	18,023,247	17,982,973	17,982,973	-
Parks, recreation and culture				
Recreation	1,077,704	1,114,841	1,006,597	108,244
Parks	522,513	521,626	456,686	64,940
Culture	15,000	28,131	28,131	-
Total parks, recreation and culture	1,615,217	1,664,598	1,491,414	173,184
Library	611,828	611,828	611,828	-

(Continued)

The County Commissioners of Kent County, Maryland
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget
Resource conservation and development				
Agriculture land preservation	\$ -	\$ -	\$ -	\$ -
Extension office	129,552	129,552	128,050	1,502
Soil conservation service	201,038	201,038	195,857	5,181
Forestry board	1,693	1,693	1,693	-
Clean chesapeake coalition	25,000	25,000	25,000	-
Waterman's association	8,000	8,000	8,000	-
Total resource conservation and development	365,283	365,283	358,600	6,683
Community development				
Housing development	7,803	5,630	5,358	272
Economic and tourism development	694,495	697,495	678,306	19,189
Total community development	702,298	703,125	683,664	19,461
Debt service				
Debt service principal	948,498	948,496	948,496	-
Debt service interest	465,899	465,979	465,979	-
Capital lease principal	267,750	267,805	267,805	-
Capital lease interest	57,320	57,265	57,265	-
Total debt service	1,739,467	1,739,545	1,739,545	-
Total expenditures	46,665,112	46,435,669	43,806,725	2,628,944
Excess (deficiency) of revenues over expenditures	172,670	(766,368)	2,024,107	2,790,475
OTHER FINANCING SOURCES (USES)				
Transfers in	12,044	26,865	38,661	11,796
Transfers out	(4,682,438)	(2,798,171)	(1,635,774)	1,162,397
Total Other Financing Sources (Uses)	(4,670,394)	(2,771,306)	(1,597,113)	1,174,193
Net change in fund balances*	(4,497,724)	(3,537,674)	426,994	3,964,668
Fund balance - beginning			10,193,113	
Fund balance - ending			<u>\$ 10,620,107</u>	

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

The County Commissioners of Kent County, Maryland
Schedule of Funding Progress – Other Post-Employment Benefit (OPEB) Trust Fund

Year Ended June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2014	\$ 156,330	\$ 8,968,000	\$ 8,811,670	1.8%	\$ 10,402,446	84.7%
2015	156,561	8,153,000	7,996,439	1.9%	8,864,273	90.2%
2016	162,000	8,654,000	8,492,000	1.8%	9,140,701	92.9%

Schedule of Employer Contributions
Other Post-Employment Benefit (OPEB) Trust Fund

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 748,000	25.5%
2015	739,000	23.5%
2016	783,000	24.4%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Closed
Remaining amortization factor	22 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Discount rate	3.5%
Projected salary increases	3.0%

The County Commissioners of Kent County, Maryland
Schedule of the County's Proportionate Share of the Net Pension Liability

Employee's Pension Plan

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.0459%	0.04210%
County's proportionate share of the net pension liability	<u>\$ 9,528,916</u>	<u>\$ 7,468,023</u>
Total	<u>\$ 9,528,916</u>	<u>\$ 7,468,023</u>
County's covered payroll	11,115,920	8,149,823
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	85.72%	91.63%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	71.87%

Schedule of County Contributions

Employee's Pension Plan

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 948,188	\$ 983,563
Contributions in relation to the contractually required contribution	<u>(948,188)</u>	<u>(983,563)</u>
Contributions deficiency (excess)	<u>-</u>	<u>-</u>
County's covered payroll	11,115,920	11,163,198
Contributions as a percentage of covered payroll	8.53%	8.81%

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

The County Commissioners of Kent County, Maryland
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2016

	<u>Grants</u>	<u>Agricultural Preservation</u>	<u>Inmate Welfare</u>	<u>Reforestation & Open Space</u>	<u>Law Library</u>	<u>Regional Family Services</u>	<u>Family & Community Partnerships of Kent County</u>
ASSETS							
Equity in pooled cash	\$ -	\$ 140,434	\$ 41,198	\$ 221,277	\$ 36,411	\$ 417	\$ 119,836
Intergovernmental receivable	187,533	-	-	-	2,289	-	281,098
Receivables	810	-	4,475	-	-	-	47
Prepaid	-	-	-	-	-	-	4,755
Total assets	<u>\$ 188,343</u>	<u>\$ 140,434</u>	<u>\$ 45,673</u>	<u>\$ 221,277</u>	<u>\$ 38,700</u>	<u>\$ 417</u>	<u>\$ 405,736</u>
LIABILITIES							
Accounts payable	\$ 54,276	\$ -	\$ 1,183	\$ 1,138	\$ 1,460	\$ -	\$ 155,649
Accrued liabilities	-	-	-	-	-	-	29,046
Intergovernmental payable	-	-	-	-	-	-	166,437
Due to other funds	134,067	-	-	-	-	-	-
Unearned revenue	-	-	-	-	500	-	54,604
Total liabilities	<u>188,343</u>	<u>-</u>	<u>1,183</u>	<u>1,138</u>	<u>1,960</u>	<u>-</u>	<u>405,736</u>
FUND BALANCES							
Restricted	-	140,434	44,490	189,964	36,740	417	-
Assigned	-	-	-	-	-	-	-
Committed	-	-	-	30,175	-	-	-
Total fund balances	<u>-</u>	<u>140,434</u>	<u>44,490</u>	<u>220,139</u>	<u>36,740</u>	<u>417</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 188,343</u>	<u>\$ 140,434</u>	<u>\$ 45,673</u>	<u>\$ 221,277</u>	<u>\$ 38,700</u>	<u>\$ 417</u>	<u>\$ 405,736</u>

The County Commissioners of Kent County, Maryland
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2016

	Kent County Drug Task Force	Sheriff's Forfeitures	Shop With A Cop	Kennedyville Development	Housing & Community Development	Special Events Overtime	Platform Tennis	Nonmajor Governmental Funds
ASSETS								
Equity in pooled cash	\$ 26,556	\$ 80,971	\$ 32	\$ 219,335	\$ -	\$ 1,158	\$ 1,884	\$ 889,509
Intergovernmental receivable	10,684	-	-	-	-	-	-	481,604
Receivables	-	-	-	-	-	935	-	6,267
Prepaid	-	-	-	-	-	-	-	4,755
Total assets	<u>\$ 37,240</u>	<u>\$ 80,971</u>	<u>\$ 32</u>	<u>\$ 219,335</u>	<u>\$ -</u>	<u>\$ 2,093</u>	<u>\$ 1,884</u>	<u>\$ 1,382,135</u>
LIABILITIES								
Accounts payable	\$ 1,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,340
Accrued liabilities	12,121	6,554	-	-	-	-	-	47,721
Intergovernmental payable	-	-	-	-	-	-	-	166,437
Due to other funds	-	-	-	-	-	-	-	134,067
Unearned revenue	1,350	-	-	219,335	-	-	-	275,789
Total liabilities	<u>15,105</u>	<u>6,554</u>	<u>-</u>	<u>219,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>839,354</u>
FUND BALANCES								
Restricted	22,135	62,717	-	-	-	-	-	496,897
Assigned	-	11,700	32	-	-	2,093	1,884	15,709
Committed	-	-	-	-	-	-	-	30,175
Total fund balances	<u>22,135</u>	<u>74,417</u>	<u>32</u>	<u>-</u>	<u>-</u>	<u>2,093</u>	<u>1,884</u>	<u>542,781</u>
Total liabilities and fund balances	<u>\$ 37,240</u>	<u>\$ 80,971</u>	<u>\$ 32</u>	<u>\$ 219,335</u>	<u>\$ -</u>	<u>\$ 2,093</u>	<u>\$ 1,884</u>	<u>\$ 1,382,135</u>

The County Commissioners of Kent County, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Grants	Agricultural Preservation	Inmate Welfare	Reforestation & Open Space	Law Library	Regional Family Services	Family & Community Partnerships of Kent County
REVENUES							
Taxes	\$ -	\$ 77,893	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	872,574	-	-	-	8,825	-	1,155,962
Charges for services	-	-	-	-	-	166	-
Fines and forfeitures	-	-	-	293	-	-	-
Miscellaneous	-	-	41,027	-	-	-	-
Total revenues	<u>872,574</u>	<u>77,893</u>	<u>41,027</u>	<u>293</u>	<u>8,825</u>	<u>166</u>	<u>1,155,962</u>
EXPENDITURES							
Current							
General government	160,489	-	-	1,139	15,142	-	-
Public safety	534,165	-	45,842	-	-	-	-
Public works	65,565	-	-	-	-	-	-
Social services	52,053	-	-	-	-	-	1,230,913
Parks recreation & culture	2,465	-	-	-	-	-	-
Resource conservation & development	-	35,322	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Tourism & economic development	44,357	-	-	-	-	-	-
Total expenditures	<u>859,094</u>	<u>35,322</u>	<u>45,842</u>	<u>1,139</u>	<u>15,142</u>	<u>-</u>	<u>1,230,913</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,480</u>	<u>42,571</u>	<u>(4,815)</u>	<u>(846)</u>	<u>(6,317)</u>	<u>166</u>	<u>(74,951)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	10,386	-	-	13,000	-	71,553
Transfers out	(13,480)	-	-	-	-	-	(1,896)
Total other financing sources (uses)	<u>(13,480)</u>	<u>10,386</u>	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>69,657</u>
Net change in fund balances	-	52,957	(4,815)	(846)	6,683	166	(5,294)
Fund balances - beginning	-	87,477	49,305	220,985	30,057	251	5,294
Fund balances - ending	<u>\$ -</u>	<u>\$ 140,434</u>	<u>\$ 44,490</u>	<u>\$ 220,139</u>	<u>\$ 36,740</u>	<u>\$ 417</u>	<u>\$ -</u>

The County Commissioners of Kent County, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Kent County Drug Task Force	Sheriff's Forfeitures	Shop With A Cop	Kennedyville Development	Housing & Community Development	Special Events Overtime	Platform Tennis	Total Nonmajor Governmental Funds
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,893
Intergovernmental	9,577	-	-	-	51,960	-	-	2,098,898
Charges for services	-	-	-	-	-	935	-	1,101
Fines and forfeitures	3,917	12,244	-	-	-	-	-	16,454
Miscellaneous	12	-	1,322	-	18,197	-	1,884	62,442
Total revenues	<u>13,506</u>	<u>12,244</u>	<u>1,322</u>	<u>-</u>	<u>70,157</u>	<u>935</u>	<u>1,884</u>	<u>2,256,788</u>
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	176,770
Public safety	25,530	20,702	1,800	-	-	771	-	628,810
Public works	-	-	-	-	-	-	-	65,565
Social services	-	-	-	-	-	-	-	1,282,966
Parks recreation & culture	-	-	-	-	-	-	-	2,465
Resource conservation & development	-	-	-	-	-	-	-	35,322
Housing	-	-	-	-	70,157	-	-	70,157
Tourism & economic development	-	-	-	-	-	-	-	44,357
Total expenditures	<u>25,530</u>	<u>20,702</u>	<u>1,800</u>	<u>-</u>	<u>70,157</u>	<u>771</u>	<u>-</u>	<u>2,306,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,024)</u>	<u>(8,458)</u>	<u>(478)</u>	<u>-</u>	<u>-</u>	<u>164</u>	<u>1,884</u>	<u>(49,624)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	94,939
								<u>(15,376)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,563</u>
Net change in fund balances	(12,024)	(8,458)	(478)	-	-	164	1,884	29,939
Fund balances - beginning	34,159	82,875	510	-	-	1,929	-	512,842
Fund balances - ending	<u>\$ 22,135</u>	<u>\$ 74,417</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,093</u>	<u>\$ 1,884</u>	<u>\$ 542,781</u>



Fiduciary Funds

Agency Funds

Agency funds are used to account for short-term custodial collections of resources on behalf of another individual, entity, or government.

The County Commissioners of Kent County, Maryland
Statement of Assets and Liabilities – Agency Funds
June 30, 2016

	State and Town	Millington	Inmate	Motor Vehicle	
	Tax Collections	Public Drainage	Accounts	Administration	Total
		Association			
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 9,172	\$ 10,669	\$ 19,841
Equity in pooled cash	64,670	2,774	-	-	67,444
Receivables	819,076	58	-	-	819,134
Total assets	<u>\$ 883,746</u>	<u>\$ 2,832</u>	<u>\$ 9,172</u>	<u>\$ 10,669</u>	<u>\$ 906,419</u>
LIABILITIES					
Accounts payable	-	-	9,172	-	9,172
Due to other governments	883,746	2,832	-	10,669	897,247
Total liabilities	<u>\$ 883,746</u>	<u>\$ 2,832</u>	<u>\$ 9,172</u>	<u>\$ 10,669</u>	<u>\$ 906,419</u>

The County Commissioners of Kent County, Maryland
Statement of Changes in Assets and Liabilities – Agency Funds
For the Year Ended June 30, 2016

	<u>Cash / Equity in Pooled Cash</u>	<u>Accounts Receivable</u>	<u>Total Assets</u>	<u>Accounts Payable</u>	<u>Due to Other Governments</u>	<u>Total Liabilities</u>
<u>STATE AND TOWN TAX COLLECTIONS</u>						
Balance 07/01/15	\$ 57,184	\$ 784,921	\$ 842,105	\$ -	\$ 842,105	\$ 842,105
Additions	7,409,156	13,695,150	21,104,306	-	18,720,739	18,720,739
Deductions	(7,401,670)	(13,660,995)	(21,062,665)	-	(18,679,098)	(18,679,098)
Balance 06/30/16	<u>\$ 64,670</u>	<u>\$ 819,076</u>	<u>\$ 883,746</u>	<u>\$ -</u>	<u>\$ 883,746</u>	<u>\$ 883,746</u>
<u>MILLINGTON PUBLIC DRAINAGE ASSOCIATION</u>						
Balance 07/01/15	\$ 3,081	\$ 16	\$ 3,097	\$ 365	\$ 2,732	\$ 3,097
Additions	1,528	3,098	4,626	1,470	1,670	3,140
Deductions	(1,835)	(3,056)	(4,891)	(1,835)	(1,570)	(3,405)
Balance 06/30/16	<u>\$ 2,774</u>	<u>\$ 58</u>	<u>\$ 2,832</u>	<u>\$ -</u>	<u>\$ 2,832</u>	<u>\$ 2,832</u>
<u>INMATE ACCOUNTS</u>						
Balance 07/01/15	\$ 6,377	\$ -	\$ 6,377	\$ 6,377	\$ -	\$ 6,377
Additions	131,408	-	131,408	131,408	-	131,408
Deductions	(128,613)	-	(128,613)	(128,613)	-	(128,613)
Balance 06/30/16	<u>\$ 9,172</u>	<u>\$ -</u>	<u>\$ 9,172</u>	<u>\$ 9,172</u>	<u>\$ -</u>	<u>\$ 9,172</u>
<u>MOTOR VEHICLE ADMINISTRATION</u>						
Balance 07/01/15	\$ 22,116	\$ -	\$ 22,116	\$ -	\$ 22,116	\$ 22,116
Additions	338,457	-	338,457	-	338,459	338,459
Deductions	(349,904)	-	(349,904)	-	(349,906)	(349,906)
Balance 06/30/16	<u>\$ 10,669</u>	<u>\$ -</u>	<u>\$ 10,669</u>	<u>\$ -</u>	<u>\$ 10,669</u>	<u>\$ 10,669</u>
<u>TOTAL - ALL AGENCY FUNDS</u>						
Balance 07/01/15	\$ 88,758	\$ 784,937	\$ 873,695	\$ 6,742	\$ 866,953	\$ 873,695
Additions	7,880,549	13,698,248	21,578,797	132,878	19,060,868	19,193,746
Deductions	(7,882,022)	(13,664,051)	(21,546,073)	(130,448)	(19,030,574)	(19,161,022)
Balance 06/30/16	<u>\$ 87,285</u>	<u>\$ 819,134</u>	<u>\$ 906,419</u>	<u>\$ 9,172</u>	<u>\$ 897,247</u>	<u>\$ 906,419</u>



Family & Community Partnerships of Kent County

The County Commissioners of Kent County, Maryland
Combining Balance Sheet – Family & Community Partnerships of Kent County
June 30, 2016

	Kent Family Center	Home Visiting	Rural Cares Program	Total Non Community Partnership Agreement	Community Partnership Agreement
ASSETS					
Cash and cash equivalents	\$ (94,323)	\$ (3,201)	\$ 88,374	\$ (9,150)	\$ 82,472
Intergovernmental receivable	123,936	20,770	-	144,706	134,892
Receivables	-	-	-	-	-
Prepaid	3,840	-	-	3,840	915
Total assets	<u>\$ 33,453</u>	<u>\$ 17,569</u>	<u>\$ 88,374</u>	<u>\$ 139,396</u>	<u>\$ 218,279</u>
LIABILITIES					
Accounts payable	\$ 15,560	\$ -	\$ 55,582	\$ 71,142	\$ 77,960
Accrued liabilities	17,693	-	1,604	19,297	-
Intergovernmental payable	200	17,569	5,635	23,404	111,268
Unearned revenue	-	-	25,553	25,553	29,051
Total liabilities	<u>33,453</u>	<u>17,569</u>	<u>88,374</u>	<u>139,396</u>	<u>218,279</u>
FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 33,453</u>	<u>\$ 17,569</u>	<u>\$ 88,374</u>	<u>\$ 139,396</u>	<u>\$ 218,279</u>

The County Commissioners of Kent County, Maryland
Combining Balance Sheet – Family & Community Partnerships of Kent County
June 30, 2016

	Incentive Reinvestment	County Funded Programs	Other Programs	2016 Total
ASSETS				
Cash and cash equivalents	\$ 31,589	\$ 9,749	\$ 5,176	\$ 119,836
Intergovernmental receivable	-	-	1,500	281,098
Receivables	-	47	-	47
Prepaid	-	-	-	4,755
Total assets	<u>\$ 31,589</u>	<u>\$ 9,796</u>	<u>\$ 6,676</u>	<u>\$ 405,736</u>
LIABILITIES				
Accounts payable	\$ -	\$ 47	\$ 6,500	\$ 155,649
Accrued liabilities	-	9,749	-	29,046
Intergovernmental payable	31,589	-	176	166,437
Unearned revenue	-	-	-	54,604
Total liabilities	<u>31,589</u>	<u>9,796</u>	<u>6,676</u>	<u>405,736</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 31,589</u>	<u>\$ 9,796</u>	<u>\$ 6,676</u>	<u>\$ 405,736</u>

The County Commissioners of Kent County, Maryland
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Family & Community Partnerships of Kent County
For the Year Ended June 30, 2016

	Kent Family Center	Home Visiting	Rural Cares Program	Total Non Community Partnership Agreement	Community Partnership Agreement
REVENUES					
Community partnership agreement:					
Earned reinvestment	\$ -	\$ -	\$ -	\$ -	\$ -
Earned reinvestment - other	-	-	-	-	-
Total earned reinvestment	-	-	-	-	-
Children's cabinet	-	-	-	-	332,865
Children's cabinet - not spent/transfer to payable	-	-	-	-	-
Total community partnership agreement	-	-	-	-	332,865
Non-community partnership agreement	-	64,025	-	64,025	-
Other intergovernmental revenue	248,197	-	470,089	718,286	-
Other Revenue	12,567	-	-	12,567	-
Interest	-	-	-	-	-
Interest - transferred to payable	-	-	-	-	-
Total revenues	<u>260,764</u>	<u>64,025</u>	<u>470,089</u>	<u>794,878</u>	<u>332,865</u>
EXPENDITURES					
Administration:					
Salaries	110,675	2,177	18,636	131,488	33,000
Fringe costs	19,241	1,024	2,634	22,899	15,900
Communications	190	-	-	190	706
Data lines	862	-	574	1,436	-
Insurance	162	-	-	162	-
Postage	229	-	-	229	116
Business travel	1,511	-	138	1,649	2,671
Food	2,218	-	153	2,371	-
Training	1,642	-	-	1,642	-
Conferences and conventions	-	-	-	-	1,057
Dues, subscriptions and licenses	169	-	-	169	1,072
Advertising	3,046	-	-	3,046	367
Consultants (other than legal)	24,895	-	-	24,895	1,825
Printing	379	-	-	379	64
Field trips	733	-	-	733	-
Fuel	521	-	-	521	-
Electric	1,901	-	-	1,901	-
Supplies	14,281	-	767	15,048	2,683
Rent	31,899	-	-	31,899	735
Repairs and maintenance	1,111	-	-	1,111	-
Leased equipment	955	-	-	955	-
Fixed assets	38,375	-	3,759	42,134	1,504
Contract services	5,769	-	-	5,769	-
Kids who care awards	-	-	-	-	-
Total administration expenditures	<u>260,764</u>	<u>3,201</u>	<u>26,661</u>	<u>290,626</u>	<u>61,700</u>
Programs:					
Healthy families mid-shore	-	-	-	-	93,814
Breakfast and lunch buddies program	-	-	-	-	1,482
Truancy diversion case manager	-	-	-	-	32,929
Imagination library	-	-	-	-	6,426
Youth orchestra program	-	-	-	-	22,983
Community leadership program	-	-	-	-	40,577
Seeking safety	-	-	-	-	72,954
Home visiting	-	60,824	-	60,824	-
Needs assessment	-	-	-	-	-
CARF accreditation	-	-	75,000	75,000	-
Respite training	-	-	1,500	1,500	-
Practice wise managing & adapting practice	-	-	24,653	24,653	-
Mental health & first aid training	-	-	40,586	40,586	-
Licensed foster care	-	-	16,500	16,500	-
Intensive in home services	-	-	192,837	192,837	-
Family navigation	-	-	71,355	71,355	-
Open table licensing	-	-	958	958	-
Family lead	-	-	20,039	20,039	-
Total program expenditures	<u>-</u>	<u>60,824</u>	<u>443,428</u>	<u>504,252</u>	<u>271,165</u>
Total expenditures	<u>260,764</u>	<u>64,025</u>	<u>470,089</u>	<u>794,878</u>	<u>332,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning					
Fund balances - ending					

The County Commissioners of Kent County, Maryland
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—Family & Community Partnerships of Kent County
For the Year Ended June 30, 2016

	Incentive Reinvestment	County Funded Programs	Other Programs	2016 Total
REVENUES				
Community partnership agreement:				
Earned reinvestment	\$ -	\$ -	\$ -	\$ -
Earned reinvestment - other	-	-	-	-
Total earned reinvestment	-	-	-	-
Children's cabinet	-	-	24,823	357,688
Children's cabinet - not spent/transfer to payable	-	-	-	-
Total community partnership agreement	-	-	24,823	357,688
Non-community partnership agreement	-	-	-	64,025
Other intergovernmental revenue	-	-	3,396	721,682
Other Revenue	-	-	-	12,567
Interest	847	-	-	847
Interest - transferred to payable	(847)	-	-	(847)
Total revenues	-	-	28,219	1,155,962
EXPENDITURES				
Administration:				
Salaries	-	53,584	1,025	219,097
Fringe costs	-	12,450	475	51,724
Communications	-	-	-	896
Data lines	-	-	-	1,436
Insurance	-	-	-	162
Postage	-	-	-	345
Business travel	-	-	-	4,320
Food	-	-	-	2,371
Training	-	-	-	1,642
Conferences and conventions	-	1,695	-	2,752
Dues, subscriptions and licenses	-	-	-	1,241
Advertising	-	-	-	3,413
Consultants (other than legal)	-	-	-	26,720
Printing	-	-	-	443
Field trips	-	-	-	733
Fuel	-	-	-	521
Electric	-	-	-	1,901
Supplies	-	-	-	17,731
Rent	-	7,500	-	40,134
Repairs and maintenance	-	-	-	1,111
Leased equipment	-	-	-	955
Fixed assets	-	-	-	43,638
Contract services	-	-	-	5,769
Kids who care awards	-	1,618	-	1,618
Total administration expenditures	-	76,847	1,500	430,673
Programs:				
Healthy families mid-shore	-	-	-	93,814
Breakfast and lunch buddies program	-	-	-	1,482
Truancy diversion case manager	-	-	-	32,929
Imagination library	-	-	-	6,426
Youth orchestra program	-	-	-	22,983
Community leadership program	-	-	-	40,577
Seeking safety	-	-	-	72,954
Home visiting	-	-	-	60,824
Needs assessment	-	-	24,823	24,823
CARF accreditation	-	-	-	75,000
Respite training	-	-	-	1,500
Practice wise managing & adapting practice	-	-	-	24,653
Mental health & first aid training	-	-	-	40,586
Licensed foster care	-	-	-	16,500
Intensive in home services	-	-	-	192,837
Family navigation	-	-	-	71,355
Open table licensing	-	-	-	958
Family lead	-	-	-	20,039
Total program expenditures	-	-	24,823	800,240
Total expenditures	-	76,847	26,323	1,230,913
Excess (deficiency) of revenues over (under) expenditures	-	(76,847)	1,896	(74,951)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	71,553	-	71,553
Transfers out	-	-	(1,896)	(1,896)
Total other financing sources (uses)	-	71,553	(1,896)	69,657
Net change in fund balances	\$ -	\$ (5,294)	\$ -	\$ (5,294)
Fund balances - beginning				5,294
Fund balances - ending				\$ -



Statistical Section

The Statistical Section fully incorporates information mandated by Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This section presents detailed information for the primary government in the following areas, which provide a context for understanding what the information in the Financial Section says about the County's overall financial health:

FINANCIAL TRENDS - Information to help the reader understand how the County's financial performance and well-being have changed over time.

REVENUE CAPACITY - Information to help the reader assess the County's most significant local revenue sources.

DEBT CAPACITY – Information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION – Indicator to help the reader understand the environment within which the County's financial activities take place.

OPERATING INFORMATION – Service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Many of the tables cover more than two fiscal years and present data from outside the accounting records. Therefore, the Statistical Section is unaudited.

The County Commissioners of Kent County, Maryland
Financial Trends: Net Position by Component – Government Wide
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in										
Capital Assets	\$ 36,935,890	\$ 38,679,124	\$ 35,198,925	\$ 32,394,866	\$ 38,477,969	\$ 37,991,441	\$ 37,586,951	\$ 36,984,619	\$ 37,891,332	\$ 37,465,079
Restricted	4,448,228	3,905,333	6,975,755	3,358,627	2,418,209	2,371,959	1,142,970	1,237,555	969,743	1,100,385
Unrestricted (deficit)	(7,098,060)	(5,586,780)	(7,509,997)	(3,003,225)	(8,395,251)	(6,738,725)	(4,878,061)	536,589	(3,981,945)	(3,878,581)
	<u>34,286,058</u>	<u>36,997,677</u>	<u>34,664,683</u>	<u>32,750,268</u>	<u>32,500,927</u>	<u>33,624,675</u>	<u>33,851,860</u>	<u>38,758,763</u>	<u>34,879,130</u>	<u>34,686,883</u>
Business-Type Activities										
Net Investment in										
Capital Assets	23,528,809	23,954,893	25,827,406	30,491,745	25,639,311	27,796,135	30,340,789	29,509,790	28,871,869	28,687,052
Restricted	32,393	80,105	337,935	366,941	223,731	259,780	-	-	-	-
Unrestricted (deficit)	51,230	(391,297)	(2,733,973)	(6,717,781)	(743,183)	375,461	579,741	590,544	323,881	(167,473)
	<u>23,612,432</u>	<u>23,643,701</u>	<u>23,431,368</u>	<u>24,140,905</u>	<u>25,119,859</u>	<u>28,431,376</u>	<u>30,920,530</u>	<u>30,100,334</u>	<u>29,195,750</u>	<u>28,519,579</u>
Primary Government										
Net Investment in										
Capital Assets	60,464,699	62,634,017	61,026,331	62,886,611	64,117,280	65,787,576	67,927,740	66,494,409	66,763,201	66,152,131
Restricted	4,480,621	3,985,438	7,313,690	3,725,568	2,641,940	2,631,739	1,142,970	1,237,555	969,743	1,100,385
Unrestricted (deficit)	(7,046,830)	(5,978,077)	(10,243,970)	(9,721,006)	(9,138,434)	(6,363,264)	(4,298,320)	1,127,133	(3,658,064)	(4,046,054)
	<u>\$ 57,898,490</u>	<u>\$ 60,641,378</u>	<u>\$ 58,096,051</u>	<u>\$ 56,891,173</u>	<u>\$ 57,620,786</u>	<u>\$ 62,056,051</u>	<u>\$ 64,772,390</u>	<u>\$ 68,859,097</u>	<u>\$ 64,074,880</u>	<u>\$ 63,206,462</u>

*Accounting Standards require that net assets be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County

The County Commissioners of Kent County, Maryland
Financial Trends: Changes in Net Position – Government Wide
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Primary government										
General government	\$ 4,995,367	\$ 5,270,082	\$ 5,817,579	\$ 5,726,512	\$ 5,257,335	\$ 5,281,932	\$ 5,545,858	\$ 7,975,935	\$ 5,472,627	\$ 6,996,288
Public safety	7,504,010	8,781,113	9,452,858	9,252,249	9,377,712	9,305,524	9,053,031	9,769,705	10,297,034	10,925,385
Public works	4,607,624	4,606,738	4,227,461	4,072,419	4,834,514	4,059,808	3,465,575	3,929,895	4,669,683	4,838,919
Health and social services	1,995,394	2,145,190	2,366,162	2,177,583	2,077,007	1,839,876	1,344,342	1,311,827	1,439,401	2,091,870
Education	17,877,611	18,853,641	19,999,754	19,386,662	18,386,474	17,706,142	17,934,858	18,735,806	18,587,895	18,454,631
Culture and recreation	1,184,376	1,278,381	1,294,570	1,278,549	1,433,196	1,493,210	1,416,562	1,588,880	1,821,506	1,871,969
Libraries	535,204	584,704	1,449,884	569,753	541,266	542,000	542,000	554,018	602,841	725,264
Resource conservation	452,291	337,746	495,801	312,748	407,128	404,578	336,852	347,017	378,754	393,922
Community development	1,017,386	1,061,222	752,226	894,696	946,040	537,809	957,230	791,118	641,490	807,887
Debt service	695,975	620,737	1,923,747	1,190,063	1,091,278	1,302,170	1,148,914	1,202,550	1,089,455	1,053,398
Total governmental activities expense	40,865,238	43,539,554	47,780,042	44,861,234	44,351,950	42,473,049	41,745,222	46,206,751	45,000,686	48,159,533
Business-type activities										
Water and wastewater services	2,446,232	3,215,950	3,346,299	3,541,173	3,468,563	3,788,995	3,660,250	3,848,899	3,990,466	3,668,292
Bayside landing	50,981	41,078	193,625	41,374	30,326	22,367	22,252	22,783	45,942	28,759
Total business-type activities expense	2,497,213	3,257,028	3,539,924	3,582,547	3,498,889	3,811,362	3,682,502	3,871,682	4,036,408	3,697,051
Total Primary Government Expenses	\$ 43,362,451	\$ 46,796,582	\$ 51,319,966	\$ 48,443,781	\$ 47,850,839	\$ 46,284,411	\$ 45,427,724	\$ 50,078,433	\$ 49,037,094	\$ 51,856,584
Program Revenues										
Primary government										
General government										
Charges for services	\$ 79,161	\$ 94,790	\$ 67,264	\$ 103,028	\$ 75,083	\$ 62,781	\$ 103,833	\$ 110,786	\$ 132,700	\$ 117,283
Operating grants and contributions	253,079	168,459	255,694	334,439	275,674	302,319	205,184	403,079	149,743	157,690
Capital grants and contributions	-	66,515	-	113,672	39,735	85,909	4,622	2,490,368	-	15,125
Total revenue	332,240	329,764	322,958	551,139	390,492	451,009	313,639	3,004,233	282,443	290,098
Public safety										
Charges for services	351,479	285,734	380,114	201,802	167,124	132,013	106,284	119,722	64,028	149,570
Operating grants and contributions	562,573	547,814	650,488	659,472	673,353	621,711	610,266	616,730	615,283	797,698
Capital grants and contributions	234,538	882,624	341,106	682,374	186,123	135,819	212,261	58,359	91,293	23,926
Total revenue	1,148,590	1,716,172	1,371,708	1,543,648	1,026,600	889,543	928,811	794,811	770,604	971,194
Public works										
Charges for services	191,490	189,895	175,439	114,533	173,609	219,920	136,352	109,912	109,122	108,899
Operating grants and contributions	22,586	17,600	13,390	131,095	70,863	380,923	55,582	23,768	219,766	96,362
Capital grants and contributions	300,190	123,709	78,406	64,998	182,842	295,918	176,944	64,998	51,107	94,654
Total revenue	514,266	331,204	267,235	310,626	427,314	896,761	368,878	198,678	379,995	299,915

(Continued)

The County Commissioners of Kent County, Maryland
Financial Trends: Changes in Net Position – Government Wide
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Health and social services										
Charges for services	7,541	6,741	9,435	35,559	43,729	23,999	15,559	11,711	14,692	12,458
Operating grants and contributions	1,079,791	1,041,046	764,984	775,498	1,122,776	849,130	342,710	509,937	492,992	1,170,115
Capital grants and contributions	-	-	-	-	-	-	-	-	95,054	1,200
Total revenue	1,087,332	1,047,787	774,419	811,057	1,166,505	873,129	358,269	521,648	602,738	1,183,773
Culture and recreation										
Charges for services	164,002	148,089	142,094	143,674	193,282	211,853	213,773	210,373	165,654	179,414
Operating grants and contributions	28,682	78,212	95,211	46,552	28,985	21,136	12,400	10,580	2,995	26,747
Capital grants and contributions	31,758	684,992	979,393	1,515,987	138,185	-	-	92,222	185,313	97,790
Total revenue	224,442	911,293	1,216,698	1,706,213	360,452	232,989	226,173	313,175	353,962	303,951
Resource and conservation										
Operating grants and contributions	32,835	28,934	28,434	28,434	28,434	28,434	-	-	-	-
Total revenue	32,835	28,934	28,434	28,434	28,434	28,434	-	-	-	-
Community development										
Operating grants and contributions	54,186	66,220	78,690	38,719	56,211	55,358	82,691	74,986	140,597	72,791
Capital grants and contributions	687,621	357,363	40,426	220,000	133,328	19,491	56,749	18,815	19,823	51,960
Total revenue	741,807	423,583	119,116	258,719	189,539	74,849	139,440	93,801	160,420	124,751
Total primary government activities program revenues	4,081,512	4,788,737	4,100,568	5,209,836	3,589,336	3,446,714	2,335,210	4,926,346	2,550,162	3,173,682
Business-type activities program revenue										
Water and wastewater services										
Charges for services	1,831,267	1,759,923	1,898,858	1,913,988	2,010,351	2,107,744	2,169,794	2,095,703	2,033,565	2,081,552
Operating grants and contributions	-	-	-	-	-	-	272,558	20,601	-	2,760
Capital grants and contributions	1,412,029	678,098	295,709	1,443,557	1,604,522	1,227,853	33,615	-	10,809	-
Total revenue	3,243,296	2,438,021	2,194,567	3,357,545	3,614,873	3,335,597	2,475,967	2,116,304	2,044,374	2,084,312
Bayside landing										
Charges for services	42,616	42,091	40,875	41,440	40,729	41,269	41,631	41,210	39,922	42,641
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	18,097	82,948	236,076	7,594	-	-	-	9,811	13,398	-
Total revenue	60,713	125,039	276,951	49,034	40,729	41,269	41,631	51,021	53,320	42,641
Total business-type activities program revenues	3,304,009	2,563,060	2,471,518	3,406,579	3,655,602	3,376,866	2,517,598	2,167,325	2,097,694	2,126,953
Net (Expense) Revenue										
Governmental activities	(36,783,726)	(38,750,817)	(43,679,474)	(39,651,398)	(40,762,614)	(39,026,335)	(39,410,012)	(41,280,405)	(42,450,524)	(44,985,851)
Business-type activities	806,796	(693,968)	(1,068,406)	(175,968)	156,713	(434,496)	(1,164,904)	(1,704,357)	(1,938,714)	(1,570,098)
Total primary government net expense	<u>\$ (35,976,930)</u>	<u>\$ (39,444,785)</u>	<u>\$ (44,747,880)</u>	<u>\$ (39,827,366)</u>	<u>\$ (40,605,901)</u>	<u>\$ (39,460,831)</u>	<u>\$ (40,574,916)</u>	<u>\$ (42,984,762)</u>	<u>\$ (44,389,238)</u>	<u>\$ (46,555,949)</u>

(Continued)

The County Commissioners of Kent County, Maryland
Financial Trends: Changes in Net Position – Government Wide
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues and other changes in net assets										
Government activities										
Property taxes	\$ 20,519,221	\$ 23,105,492	\$ 25,655,349	\$ 27,447,599	\$ 30,680,082	\$ 30,405,080	\$ 30,174,622	\$ 30,212,617	\$ 30,188,083	\$ 30,451,731
County income taxes	11,016,444	12,600,006	11,932,652	7,902,019	8,259,472	9,807,119	10,143,953	14,119,602	13,687,506	12,341,494
State shared	2,281,149	2,182,184	1,898,272	113,492	152,110	113,412	201,738	211,318	222,422	228,948
Other taxes	2,903,209	2,816,114	1,765,341	1,723,138	1,493,242	1,477,379	1,687,666	1,833,864	2,067,843	1,965,759
Licenses and permits	247,157	237,391	208,923	262,030	286,859	321,467	-	-	-	-
Fines and forfeitures	108,817	117,449	102,041	41,279	34,324	68,872	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Other revenues	1,192,507	974,725	622,596	1,027,982	261,166	2,132,585	1,037,126	663,676	659,615	673,819
Capital contributions - developers	-	-	-	-	-	-	-	-	-	-
Transfers	(329,713)	(570,925)	(838,376)	(779,001)	(653,982)	(3,667,989)	(3,600,908)	(848,869)	(1,001,689)	(868,147)
Total governmental activities	37,938,791	41,462,436	41,346,798	37,738,538	40,513,273	40,657,925	39,644,197	46,192,208	45,823,780	44,793,604
Business-type activities										
Investment income	7,417	(16,834)	2,866	(3,392)	(65)	(549)	-	-	-	-
Other revenues	142,440	171,147	28,912	108,341	168,324	74,082	46,150	27,892	32,441	25,780
Transfers	323,297	570,924	823,977	779,001	653,982	3,667,989	3,600,908	851,369	1,001,689	868,147
Total business-type activities	473,154	725,237	855,755	883,950	822,241	3,741,522	3,647,058	879,261	1,034,130	893,927
Total primary government	38,411,945	42,187,673	42,202,553	38,622,488	41,335,514	44,399,447	43,291,255	47,071,469	46,857,910	45,687,531
Change in net position										
Governmental activities	1,155,065	2,711,619	(2,332,676)	(1,912,860)	(249,341)	1,631,590	234,185	4,911,803	3,373,256	(192,247)
Business-type activities	1,279,950	31,269	(212,651)	707,982	978,954	3,307,026	2,482,154	(825,096)	(904,584)	(676,171)
Total primary government	\$ 2,435,015	\$ 2,742,888	\$ (2,545,327)	\$ (1,204,878)	\$ 729,613	\$ 4,938,616	\$ 2,716,339	\$ 4,086,707	\$ 2,468,672	\$ (868,418)

The County Commissioners of Kent County, Maryland
Financial Trends: Fund Balances – Governmental Funds
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 2,039,923	\$ 1,898,252	\$ 1,535,618	\$ 1,596,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated for future year's expenditures	987,555	236,552	791,753	511,619	-	-	-	-	-	-
Undesignated	3,849,634	4,650,733	4,633,030	10,416,815	-	-	-	-	-	-
Nonspendable (1)	-	-	-	-	614,320	732,260	713,988	786,218	436,901	517,604
Restricted (1)	-	-	-	-	156,240	163,010	172,019	-	-	-
Committed (1)	-	-	-	-	611,947	514,570	29,425	-	-	5,134,904
Assigned (1)	-	-	-	-	-	-	-	-	-	-
Unassigned (1)	-	-	-	-	4,254,516	5,240,154	5,233,714	9,643,390	9,756,212	4,967,599
Total General Fund	6,877,112	6,785,537	6,960,401	12,524,639	5,637,023	6,649,994	6,149,146	10,429,608	10,193,113	10,620,107
All Other Governmental Funds										
Reserved	328,972	367,905	358,814	2,500	-	-	-	-	-	-
Unreserved, designated for future year's expenditures	-	-	3,452,894	-	-	-	-	-	-	-
Undesignated, reported in:										
Capital projects	766,692	-	-	-	-	-	-	-	-	-
Special revenue funds	1,312,641	1,402,624	836,676	1,248,303	-	-	-	-	-	-
Nonspendable (1)	-	-	-	-	3,320	798	5,506	4,950	-	-
Restricted (1)	-	-	-	-	1,012,581	516,511	196,001	384,469	463,776	496,897
Committed (1)	-	-	-	-	19,801	10,573	-	30,175	30,175	30,175
Assigned (1)	-	-	-	-	-	-	26,031	31,743	38,891	55,709
Unassigned (1)	-	-	-	-	-	434,237	-	-	-	-
Total All Other Governmental Funds	2,408,305	1,770,529	4,648,384	1,250,803	1,035,702	962,119	227,538	451,337	532,842	582,781
Total All Governmental Funds	\$ 9,285,417	\$ 8,556,066	\$ 11,608,785	\$ 13,775,442	\$ 6,672,725	\$ 7,612,113	\$ 6,376,684	\$ 10,880,945	\$ 10,725,955	\$ 11,202,888

(1) As of June 30, 2011, fund balance classifications changed due to the implementation of GASB 54.

The County Commissioners of Kent County, Maryland
Financial Trends: Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

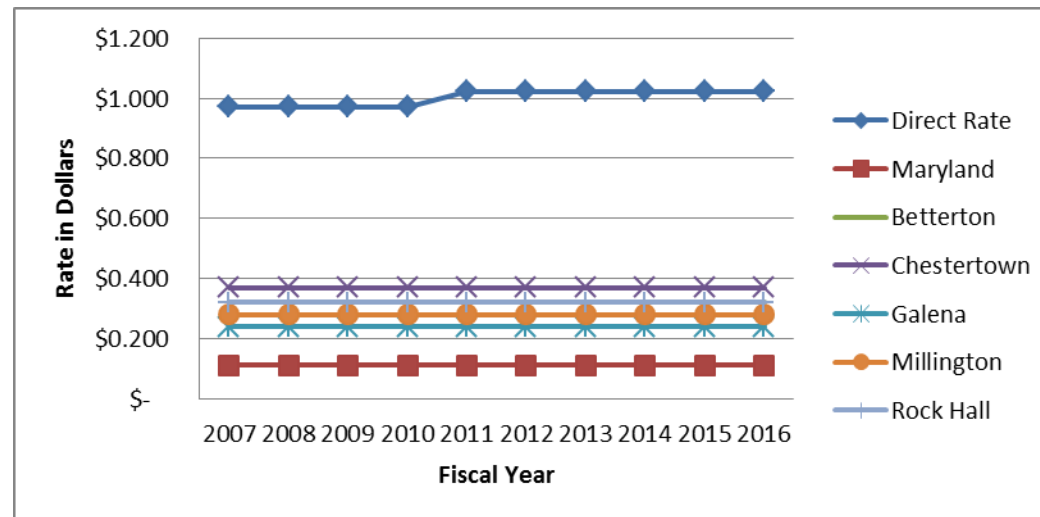
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes										
Property	\$ 20,519,221	\$ 23,105,492	\$ 25,655,349	\$ 27,447,599	\$ 30,680,082	\$ 30,405,080	\$ 30,174,622	\$ 30,212,617	\$ 29,888,083	\$ 29,951,731
Income	11,174,843	12,100,529	12,100,769	9,306,233	8,200,260	10,335,245	11,047,174	13,696,595	12,973,495	12,232,681
Other	2,903,209	2,816,114	1,765,341	1,723,138	1,493,242	1,477,379	1,687,666	1,833,864	2,067,843	1,965,759
State shared	2,281,149	2,182,184	1,898,272	113,492	152,110	113,412	201,738	211,318	222,422	228,948
Licenses and permits	247,157	237,391	208,923	262,030	286,859	321,467	303,533	302,045	318,992	325,727
Intergovernmental revenue	3,503,275	4,012,150	3,503,723	4,619,288	2,963,091	2,555,280	2,014,246	4,363,842	2,063,966	2,606,058
Service charges for current services	793,673	725,249	774,346	576,096	662,825	660,080	578,789	562,504	486,196	567,624
Fines and forfeitures	108,817	117,449	102,041	41,279	34,324	68,422	111,929	53,715	120,636	31,409
Miscellaneous revenue	2,503,993	1,029,273	845,406	1,023,146	483,264	3,902,895	272,794	606,480	255,692	329,514
Total revenues	44,035,337	46,325,831	46,854,170	45,112,301	44,956,057	49,839,260	46,392,491	51,842,980	48,397,325	48,239,451
Expenditures										
General government	4,582,154	4,937,818	5,428,272	5,562,666	4,988,556	6,832,778	5,160,640	7,581,604	5,210,770	5,726,159
Public safety	7,218,345	8,318,517	8,660,036	9,174,023	8,660,969	11,005,069	8,415,445	8,744,978	9,254,576	9,572,291
Public works	4,394,888	4,363,251	3,989,623	4,050,364	4,818,801	4,075,924	3,268,637	3,573,890	4,415,013	4,314,010
Health and social services	1,990,751	2,146,324	2,359,783	2,177,941	2,092,176	1,849,855	1,344,159	1,311,902	1,465,597	2,070,808
Education	17,767,591	18,653,128	19,999,754	19,104,032	18,386,474	17,706,142	17,934,858	18,735,806	18,438,290	18,310,505
Parks, recreation, and culture	1,156,471	2,048,461	6,701,797	5,090,433	1,257,932	1,180,179	1,118,567	1,338,489	1,602,591	1,530,756
Libraries	535,204	584,704	1,449,884	569,753	541,266	542,000	542,000	554,018	602,841	725,264
Resources conservation and development	451,863	336,156	494,260	406,148	407,128	414,878	336,672	347,017	378,754	393,922
Community development	1,435,671	1,064,445	891,386	885,508	941,182	530,249	955,209	774,056	643,137	797,989
Debt service										
Principal	2,604,814	1,520,061	1,354,721	1,753,129	11,491,903	2,104,233	3,818,574	2,092,002	3,615,959	1,216,255
Interest	748,011	658,077	606,010	989,225	961,939	855,907	910,712	769,643	657,775	523,290
Capital outlay	1,215,899	1,853,315	1,127,549	742,481	34,607	95,942	473,339	666,445	1,265,323	1,713,122
Total expenditures	44,101,662	46,484,257	53,063,075	50,505,703	54,582,933	47,193,156	44,278,812	46,489,850	47,550,626	46,894,371
Excess/(deficiency) of revenues over expenditures	(66,325)	(158,426)	(6,208,905)	(5,393,402)	(9,626,876)	2,646,104	2,113,679	5,353,130	846,699	1,345,080
Other financing sources (uses)										
Transfers in	1,745,714	2,084,061	605,276	1,418,730	177,458	596,343	903,768	1,853,579	1,102,976	783,003
Transfers out	(2,075,427)	(2,654,986)	(1,443,652)	(2,197,731)	(831,440)	(4,264,332)	(4,504,676)	(2,702,448)	(2,104,665)	(1,651,150)
Capital contributions - developers	-	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	2,464,624	-	-	-	-
Proceeds from loans and capital leases	-	-	10,100,000	8,339,060	3,178,139	-	251,800	-	-	-
	(329,713)	(570,925)	9,261,624	7,560,059	2,524,157	(1,203,365)	(3,349,108)	(848,869)	(1,001,689)	(868,147)
Net increase (decrease) in fund balance	\$ (396,038)	\$ (729,351)	\$ 3,052,719	\$ 2,166,657	\$ (7,102,719)	\$ 1,442,739	\$ (1,235,429)	\$ 4,504,261	\$ (154,990)	\$ 476,933
Debt service as a percentage of noncapital expenditures	7.82%	4.88%	3.78%	5.51%	22.83%	6.29%	10.80%	6.24%	9.23%	3.85%

The County Commissioners of Kent County, Maryland
Revenue Capacity: Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	County Direct Rate	State of Maryland	Town of Betterton	Town of Chestertown	Town of Galena	Town of Millington	Town of Rock Hall
2007	\$ 0.972	\$ 0.112	\$ 0.320	\$ 0.370	\$ 0.240	\$ 0.280	\$ 0.320
2008	0.972	0.112	0.320	0.370	0.240	0.280	0.320
2009	0.972	0.112	0.320	0.370	0.240	0.280	0.320
2010	0.972	0.112	0.320	0.370	0.240	0.280	0.320
2011	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2012	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2013	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2014	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2015	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2016	1.022	0.112	0.320	0.370	0.240	0.280	0.320

(1) Rates per \$100 of assessed value

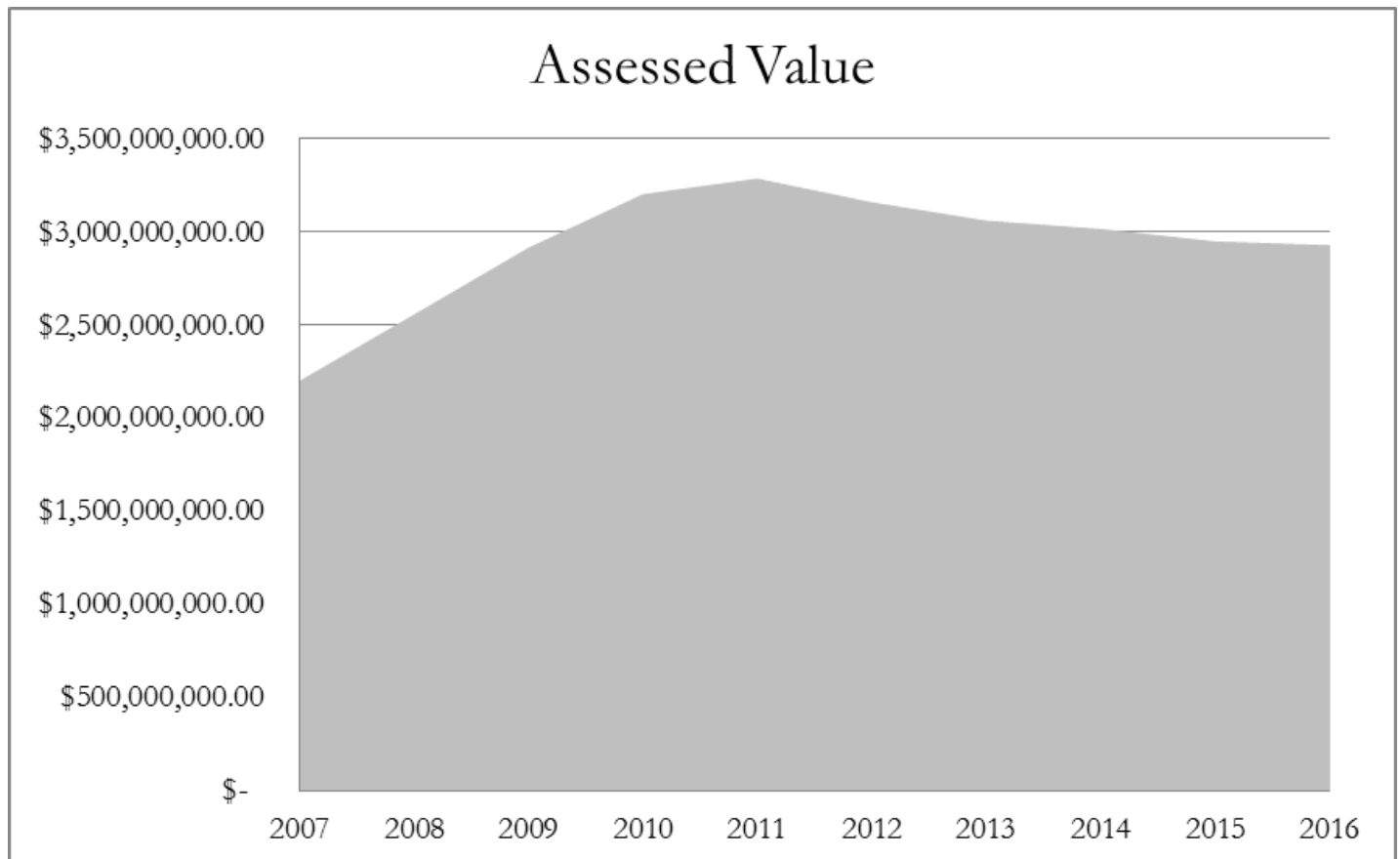
(2) County Direct Rate does not reflect the tax differential for properties located in incorporated towns



The County Commissioners of Kent County, Maryland
Revenue Capacity: Assessed Value of Taxable and Exempt Property
Last Ten Fiscal Years

Fiscal Year	Real Property Assessed Value	Exempt-Homestead Credit	Total Assessed Value	Direct Tax Rate	Public Utility Operating Property	Taxable & Exempt Assessed Value
2007	\$ 2,159,124,553	\$ 155,536,331	\$ 2,003,588,222	\$ 0.972	\$ 37,997,580	\$ 2,197,122,133
2008	2,516,102,607	248,261,384	2,267,841,223	0.972	36,870,430	2,552,973,037
2009	2,874,970,705	352,096,591	2,522,874,114	0.972	36,828,490	2,911,799,195
2010	3,176,535,019	430,315,526	2,746,219,493	0.972	22,524,020	3,199,059,039
2011	3,247,911,464	399,620,285	2,848,291,179	1.022	35,483,440	3,283,394,904
2012	3,119,862,537	270,928,884	2,848,933,653	1.022	36,210,250	3,156,072,787
2013	3,020,454,365	194,526,863	2,825,927,502	1.022	37,126,710	3,057,581,075
2014	2,975,066,005	142,063,007	2,833,002,998	1.022	37,514,800	3,012,580,805
2015	2,905,026,301	78,538,367	2,826,487,934	1.022	40,834,410	2,945,860,711
2016	2,906,711,725	60,881,252	2,845,830,473	1.022	18,888,010	2,925,599,735

Source: Maryland State Department of Assessment and Taxation



The County Commissioners of Kent County, Maryland
Revenue Capacity: Ten Highest Property Tax Payers
Current and Nine Years Ago

For the Fiscal Year Ended June 30, 2016

<u>Taxpayer</u>	<u>Tax Billed</u>	<u>% of Levy</u>
Delmarva Power and Light	\$ 680,416	2.26%
PUMH of Maryland, Inc	408,282	1.36%
Choptank Electric Co-op, Inc	201,930	0.67%
Verizon-MD	200,340	0.67%
Kent Research and Mfg, Inc	194,807	0.65%
SGM Realty LLC	152,933	0.51%
Kent Plaza Associates	126,509	0.42%
415 Morgnec Road LLC	116,531	0.39%
Kent Crossing	115,355	0.38%
Brawner Company, Inc	89,274	0.30%

For the Fiscal Year Ended June 30, 2007

<u>Taxpayer</u>	<u>Tax Billed</u>	<u>% of Levy</u>
Delmarva Power and Light	\$ 436,678	2.16%
Verizon-MD	408,372	2.02%
PUMH of Maryland, Inc	314,197	1.55%
Kent Crossing	146,772	0.73%
SGM Realty LLC	126,313	0.62%
Kent Research and Mfg, Inc	115,526	0.57%
Kent Plaza Associates	107,694	0.53%
Choptank Electric Co-op, Inc	103,703	0.51%
Great Oak Landing, LP	66,722	0.33%
Chesapeake Meadows Limited	65,189	0.32%

The County Commissioners of Kent County, Maryland
Revenue Capacity: Property Tax Levies and Collections
Last Ten Fiscal Years

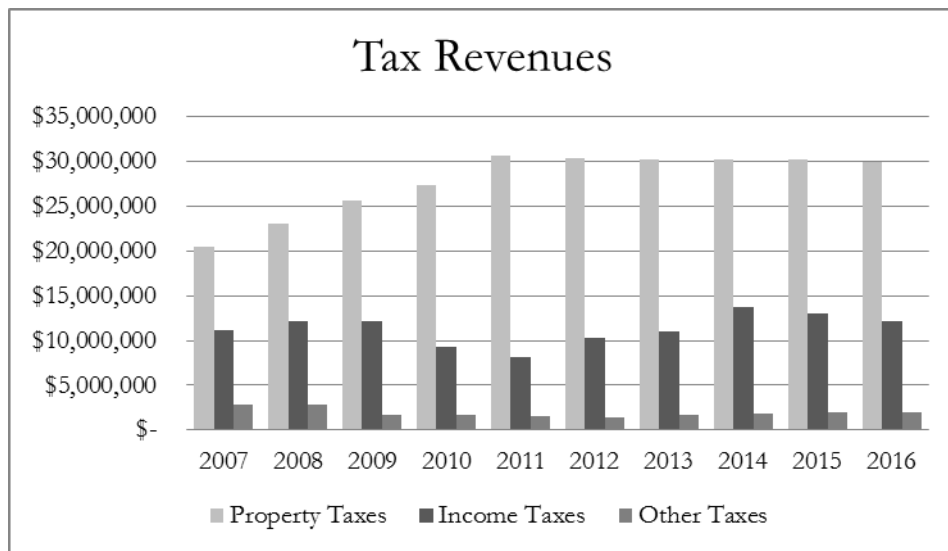
Fiscal Year	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2007	\$	20,239,415	\$ 19,470,498	96.20%	\$ 768,910	\$ 20,239,408	100.00%
2008		22,733,630	21,847,667	96.10%	883,879	22,731,546	99.99%
2009		25,303,211	24,002,446	94.86%	1,296,975	25,299,421	99.99%
2010		27,507,814	25,808,857	93.82%	1,693,855	27,502,712	99.98%
2011		29,930,941	28,367,186	94.78%	1,542,945	29,910,131	99.93%
2012		29,992,561	28,439,362	94.82%	1,511,224	29,950,586	99.86%
2013		29,794,618	28,276,920	94.91%	1,448,532	29,725,452	99.77%
2014		29,881,782	28,460,998	95.25%	1,352,063	29,813,061	99.77%
2015		29,891,994	28,612,997	95.72%	1,205,583	29,818,580	99.75%
2016		30,125,879	28,783,368	95.54%	n/a	28,783,368	95.54%

*n/a data not readily available or not available in a manner consistent with this display

The County Commissioners of Kent County, Maryland
Revenue Capacity: Local General Tax Revenues
Last Ten Fiscal Years

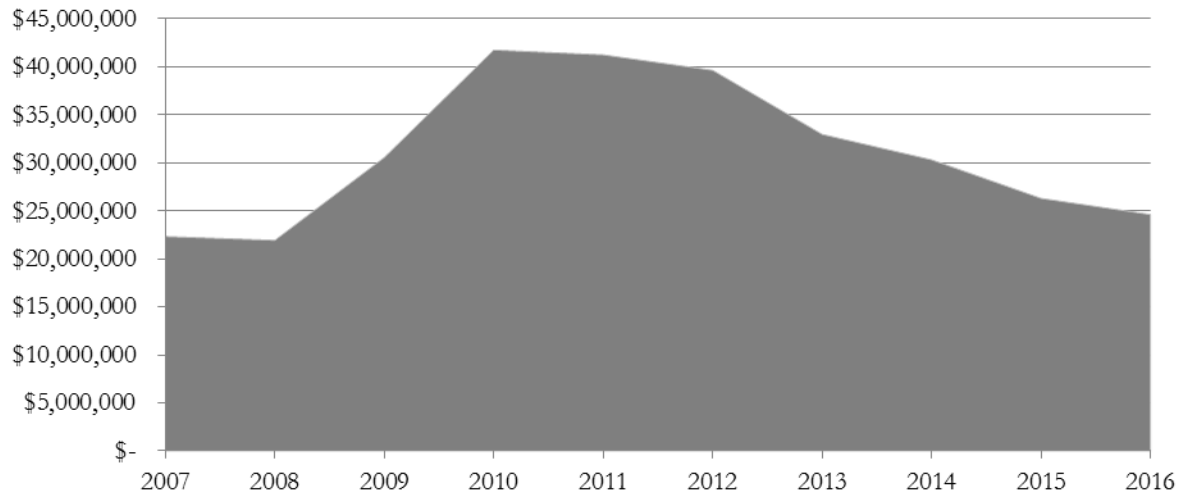
Local General Tax Revenues

	Property Taxes	Income Taxes	Other Taxes	Total Taxes
2007	\$ 20,519,221	\$ 11,174,843	\$ 2,903,209	\$ 34,597,273
2008	23,105,492	12,100,529	2,816,114	38,022,135
2009	25,655,349	12,100,769	1,765,341	39,521,459
2010	27,447,599	9,306,233	1,723,138	38,476,970
2011	30,680,082	8,200,260	1,493,242	40,373,584
2012	30,405,080	10,335,245	1,477,379	42,217,704
2013	30,174,622	11,047,174	1,687,366	42,909,162
2014	30,212,617	13,696,595	1,789,859	45,699,071
2015	30,188,083	12,973,495	2,029,337	45,190,915
2016	29,951,731	12,232,681	1,965,759	44,150,171



The County Commissioners of Kent County, Maryland
Debt Capacity: Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Government				Business Type Activities			Total Primary Government	Fiscal Year	Ratios	
	General Obligation Bonds	Notes Payable	Capital Leases	Total	General Obligation Bonds	Notes Payable	Total			Debt to Personal Income	Total Debt per Capita
2007	\$ 15,727,591	\$ 359,723	\$ -	\$ 16,087,314	\$ 6,088,710	\$ 163,026	\$ 6,251,736	\$ 22,339,050	2007	2.56%	1,129.03
2008	14,233,450	335,164	-	14,568,614	7,270,883	108,706	7,379,589	21,948,203	2008	2.46%	1,108.44
2009	23,018,128	353,741	-	23,371,869	7,102,321	93,624	7,195,945	30,567,814	2009	3.33%	1,517.01
2010	29,600,773	319,472	-	29,920,245	9,051,116	2,779,940	11,831,056	41,751,301	2010	4.85%	2,073.88
2011	21,368,121	279,001	-	21,647,122	19,537,450	67,295	19,604,745	41,251,867	2011	4.80%	2,041.77
2012	19,271,251	273,301	2,464,624	22,009,176	17,581,206	53,959	17,635,165	39,644,341	2012	4.41%	1,962.20
2013	16,045,136	197,538	2,553,968	18,796,642	14,176,039	-	14,176,039	32,972,681	2013	3.48%	1,633.04
2014	14,200,087	153,452	2,240,000	16,593,539	13,726,642	-	13,726,642	30,320,181	2014	3.07%	1,501.67
2015	10,998,014	-	2,040,095	13,038,109	13,268,902	-	13,268,902	26,307,011	2015	2.63%	1,327.30
2016	10,049,518	-	1,772,290	11,821,808	12,802,590	-	12,802,590	24,624,398	2016	n/a	1,244.47



- (1) Total of General Obligation Bonds for general government and business-type activities
- (2) See Assessed Value of Taxable and Exempt property page 92
- (3) See Demographic Statistics on page 100

*n/a data not readily available or not available in a manner consistent with this display

The County Commissioners of Kent County, Maryland
Debt Capacity: Ratios of Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt (1)	Percentage of Total Taxable Assessable Base (2)	Per Capita(3)
2007	21,816,301	1.069%	1,102.61
2008	21,504,333	0.933%	1,086.02
2009	30,120,449	1.177%	1,494.81
2010	38,651,889	1.396%	1,919.92
2011	40,905,571	1.418%	2,024.63
2012	36,852,457	1.277%	1,824.02
2013	30,221,175	1.056%	1,496.76
2014	27,926,729	0.973%	1,400.26
2015	24,266,916	0.846%	1,224.37
2016	22,852,108	0.798%	1,154.91

*General Bonded Debt includes all general obligation debt, regardless of purpose or repayment source, and other bonded debt financed with general government resources. Other debt is excluded because it is not in the form of bonds.

(1) General bonded debt is comprised of both governmental and business-type activities from the previous table.

(2) See Assessed Value of Taxable and Exempt Property on page 95

(3) See Demographic Statistics for population data on page 103

The County Commissioners of Kent County, Maryland
Debt Capacity: Computation of Net Direct and Overlapping Debt
June 30, 2016

Name of Jurisdiction	Governmental Type Activities	Business Type Activities	Gross Debt
Kent County			
County Government			
Total Net Direct Debt (1)	11,821,808	12,802,590	<u>\$ 24,624,398.00</u>
Towns (2)			
Betterton	n/a	n/a	n/a
Chestertown	596,996	4,329,471	4,926,467
Galena	-	4,767,116	4,767,116
Millington	-	1,208,684	1,208,684
Rock Hall	293,301	2,113,663	<u>2,406,964</u>
Total Net Overlapping Debt			<u>13,309,231</u>
Total Net Direct and Overlapping Debt			<u><u>\$ 37,933,629.00</u></u>

- (1) Net direct debt of the County includes general obligation bonds, notes payable and capital leases. See Debt by Type on page 99.
- (2) All entities are wholly located in Kent County with the exception of the Town of Millington which has 95% of the town located in the County. Debt information reported by municipalities.
- (3) n/a data not readily available or not available in a manner consistent with this display

The County Commissioners of Kent County, Maryland
Debt Capacity: Computation of Legal Debt Margin
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Authorized Annual Borrowing under 3-9.1 CPLL	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
New General Obligations Issued	180,700	1,402,308	10,267,940	13,242,000	11,822,782	3,845,624	281,800	-	-	-
Legal Debt Margin	\$ 19,819,300	\$ 18,597,692	\$ 9,732,060	\$ 6,758,000	\$ 8,177,218	\$ 16,154,376	\$ 19,718,200	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000

The County Commissioners of Kent County, Maryland
Demographic and Economic Information: Demographic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (in thousands) (1)	Per Capita Income (1)	Unemployment Rate (2)
2006	\$ 19,786	\$ 873,776	\$ 44,161	3.80%
2007	19,801	893,938	45,146	3.60%
2008	20,150	918,703	45,593	5.00%
2009	20,132	861,001	42,768	7.70%
2010	20,204	860,025	42,567	8.30%
2011	20,204	898,852	44,489	7.60%
2012	20,191	948,016	32,579	7.50%
2013	19,944	987,134	31,502	7.10%
2014	19,820	999,301	28,411	6.50%
2015	19,787	n/a	n/a	5.40%

(1) US Census Bureau

(2) Maryland Department of Labor Licensing & Regulation

n/a - Data not readily available or not available in a manner consistent with this display

The County Commissioners of Kent County, Maryland
Demographic and Economic Information: Major Employers
Current and Nine Years Ago

For the Calendar Year Ended December 31, 2015

Employer	Employees	Rank
Washington College	525	1
University of MD Shore Regional Health	429	2
Dixon Valve & Coupling Co.	366	3
Kent County Board of Education	308	4
David A. Bramble, Inc.	224	5
Kent County Government	203	6
Heron Point of Chestertown	200	7
LaMotte Industries	182	8
Angelica Nurseries	175	9
Living at Home Health Services	175	9

For the Calendar Year Ended December 31, 2006

Employer	Employees	Rank
Chester River Hospital	655	1
Washington College	450	2
Dixon Valve & Coupling Co.	342	3
Kent County Board of Education	341	4
David A. Bramble, Inc.	300	5
Chestertown Foods	299	6
Kent County Government	236	7
Angelica Nurseries	223	8
Heron Point	185	9
LaMotte Chemical Products	138	10

Source: Department of Economic Development

The County Commissioners of Kent County, Maryland
Operating Information: County Government Employees – Full Time Equivalents
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Part time positions (FTE)	22	19	22	23	22	20	20	21	21	25
Exempt	33	37	37	38	35	34	29	28	29	30
Full Time Employees	181	192	192	180	173	168	163	165	169	173
Total County Government Employees	236	248	251	241	230	222	212	214	219	228

Source: Department of Human Resources

The County Commissioners of Kent County, Maryland
Operating Information: County Government Employees – Full Time Only By Function
Last Ten Fiscal Years

GENERAL GOVERNMENT	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Commissioner's Office (1)	6	6	6	6	4	4	4	4	4	4
Planning, Housing & Zoning	11	11	12	11	10	9	8	8	9	9
Human Resources	2	3	3	3	3	3	3	3	3	3
Finance	10	9	9	9	8	8	7	7	7	7
Information Technology	5	6	6	5	5	5	5	5	6	6
Tourism & Economic Development	4	4	4	2	3	3	3	3	3	4
State's Attorney's Office (2)	6	5	5	5	5	5	5	5	5	6
Circuit Court (2)	3	3	3	3	3	3	3	3	3	3
Soil Conservation Service (2)	4	4	5	5	5	5	0	0	0	0
Family & Community Partnerships	5	5	5	4	2	2	2	2	2	3
Weed Control (3)	1	1	1	1	1	0	0	0	0	0
PUBLIC SAFETY										
Sheriff's Office (2)	25	27	27	27	26	26	26	28	28	27
Detention Center	31	33	33	32	32	29	28	27	28	29
Office of Emergency Services	20	24	25	26	25	25	24	25	26	26
PUBLIC WORKS										
Administration	4	4	4	4	4	4	3	2	2	2
County Roads	31	30	28	28	30	30	30	29	29	29
Waste Management	16	17	17	13	8	7	7	8	8	8
Public Landings	1	1	1	1	1	1	1	1	1	1
Buildings & Grounds (4)	5	9	8	11	11	11	11	13	13	13
LEISURE SERVICES										
Parks & Recreation	5	6	6	6	6	6	6	6	6	8
Shop (4)	4	4	4	0	0	0	0	0	0	0
BUSINESS-TYPE ACTIVITIES										
Water & Wastewater Services	15	17	17	16	16	16	16	15	15	15
	214	229	229	218	208	202	192	194	198	203

(1) Includes Liquor Inspector

(2) County Funded State Positions

(3) Combined with County Roads in FY12

(4) In FY10 the Buildings and Shop divisions were merged into Buildings & Grounds under the Department of Public Works

County employees do not include employees of discretely presented component units such as the Kent County Board of Education or the Kent County Library.

The County Commissioners of Kent County, Maryland
Operating Information: Capital Asset Statistics by Function
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Facilities										
Police Stations in County	3	3	3	3	3	3	3	3	3	3
Fire & Rescue Stations	7	7	7	7	7	7	7	7	7	7
Parks/Recreation Facilities	10	10	11	11	11	11	11	11	11	11
Senior Centers										
Libraries	3	3	3	3	3	3	3	3	3	3
Public Schools										
Elementary Schools	4	4	4	4	5	5	5	5	5	5
Middle Schools	3	3	3	3	1	1	1	1	1	1
High Schools	1	1	1	1	1	1	1	1	1	1
Department of Public Works										
Miles of County Maintained Paved Roads	270.38	271.04	272.11	272.11	272.11	272.23	272.23	272.23	272.23	272.23
Water Treatment Plants	4	4	4	4	4	4	4	4	4	4
Water Towers	2	3	4	4	4	4	4	4	4	4
Wastewater Treatment Plants	3	3	3	3	3	3	3	3	3	3
Lagoons	2	1	1	1	1	1	1	1	1	1
Pump Stations	24	24	24	24	24	24	24	24	24	24
Shared Septic Systems	2	2	2	2	2	2	2	2	2	2
Meters/Meter Vaults	2	2	2	2	2	2	2	2	2	2
Kent County Sheriff Department										
Vehicles in Service	26	27	27	26	27	27	24	27	27	26

Source: County Departments, Component Units, and Outside Agencies

The County Commissioners of Kent County, Maryland
Operating Information: Operating Indicators by Function
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
General Government										
Planning & Zoning (1)										
Number of Permits Issued for:										
Accessory Buildings/Garages/Carports	106	130	105	61	73	79	75	70	77	87
Agricultural Buildings	36	32	28	14	18	32	26	23	23	16
Boat Lift	-	-	-	-	-	-	-	-	3	3
Commercial Addition/Alteration	11	7	8	6	10	12	11	7	13	9
Deck/Porch	29	51	33	25	34	27	28	31	23	41
New Commercial Building	1	3	3	4	3	1	2	1	7	6
New Single Family Residence	89	94	61	38	21	35	21	33	44	18
Other	40	32	30	15	28	33	33	28	46	25
Pier	19	22	23	20	9	25	19	21	14	19
Residential Addition/Alteration/Attached Garage	76	71	73	59	77	55	48	53	53	63
Sediment Control	31	63	39	34	21	30	45	20	29	36
Sign	7	11	5	4	7	11	7	12	7	4
Solar Panels	-	-	-	-	-	-	-	-	34	69
Swimming Pool	24	36	33	11	12	5	13	9	13	16
Bulkhead/Retaining Wall	17	10	13	6	7	12	5	5	7	13
Demolition	59	70	57	51	38	50	56	72	98	68
Logging	8	9	8	7	10	23	14	18	22	15
Use Permit	16	18	12	11	9	11	9	12	19	11
Total Permits Issued	569	659	531	366	377	441	412	415	532	519
Public Safety										
Alcohol Beverage Control										
Number of Licenses Issued	65	63	64	60	65	63	59	64	67	69
Number of Violations	8	4	5	2	2	11	2	6	2	-
Sheriff's Office (1)										
Number of Physical Arrests	732	1,149	1,208	1,015	996	1,279	1,380	1,557	596	436
Traffic Violations	1,137	1,486	2,383	2,204	3,044	3,787	3,902	3,678	3,580	3,711
Public Works										
Total Water Treated Annually (millions of gallons)	52	53	50	47	48	49	44	46	51	49
Total Wastewater Treated Annually (millions of gallons)	65	61	55	73	66	60	41	82	76	57

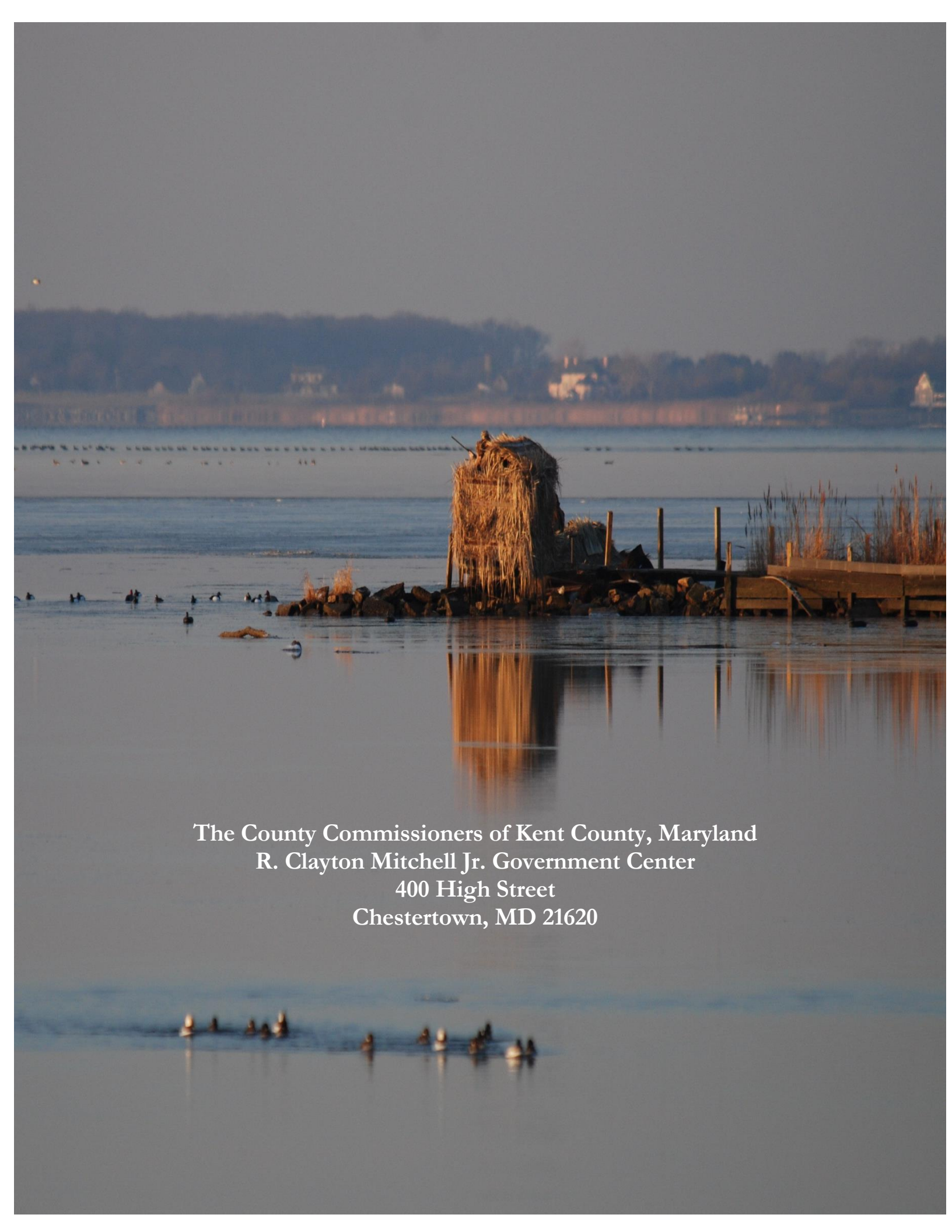
(Continued)

The County Commissioners of Kent County, Maryland
Operating Information: Operating Indicators by Function
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Education										
Number of Personnel										
Teachers	176	179	177	179	185	175	152	164	156	161
Administrators	20	23	27	26	28	25	26	21	19	23
Support	81	84	82	81	78	78	72	118	123	111
Other	64	69	68	67	63	60	59	18	16	13
Number of Students	2356	2274	2219	2184	2183	2162	2130	2117	2106	2030
Number of High School Graduates	164	179	162	162	145	165	160	142	161	126

(1) Denotes information that is tracked on a calendar year basis

Source: County Departments, Component Units, and Outside Agencies



The County Commissioners of Kent County, Maryland
R. Clayton Mitchell Jr. Government Center
400 High Street
Chestertown, MD 21620