

The County Commissioners of Kent County, Maryland

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017



**The County Commissioners of Kent County, Maryland
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

Prepared By:

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

The County Commissioners of Kent County, Maryland

Comprehensive Annual Financial Report

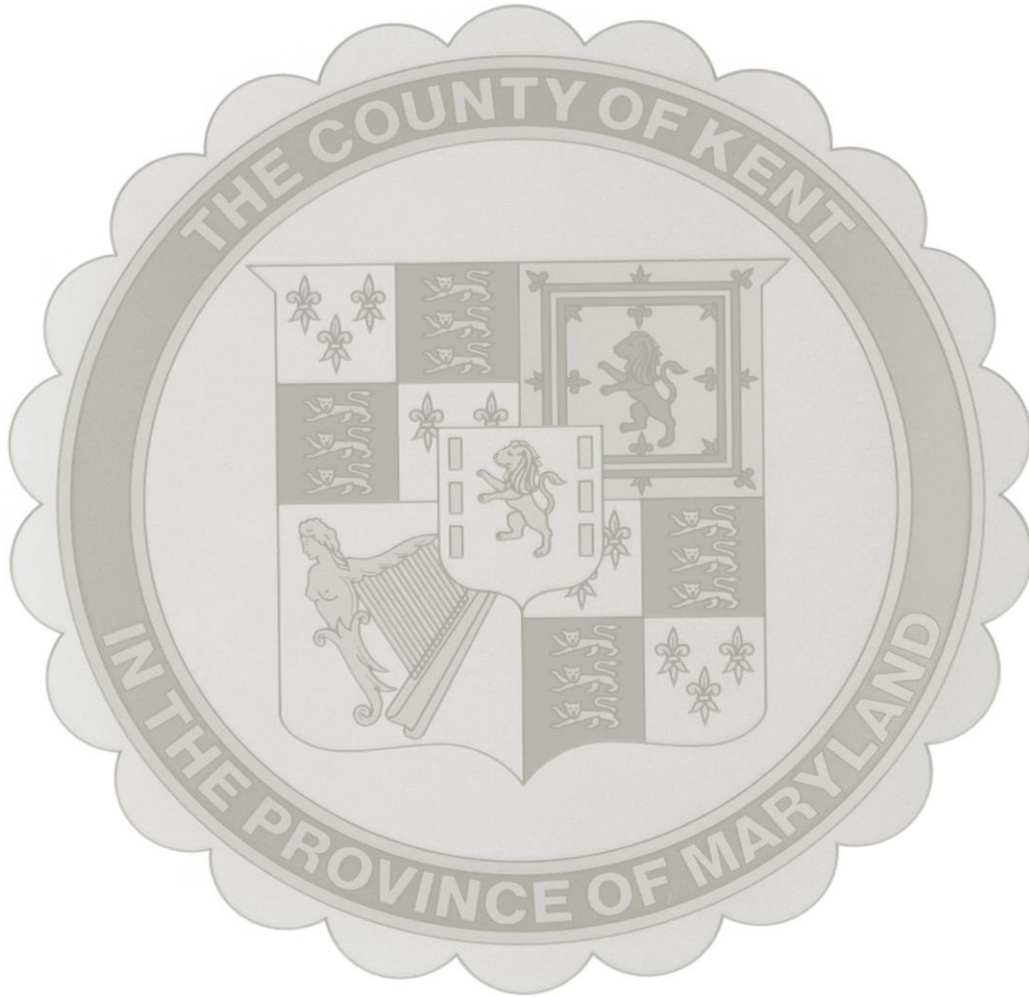
For the Fiscal Year Ended June 30, 2017

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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



October 26, 2017

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, 2017, 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, 2017, 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, 2017, 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, 2017, 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 approximately 20,000 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.

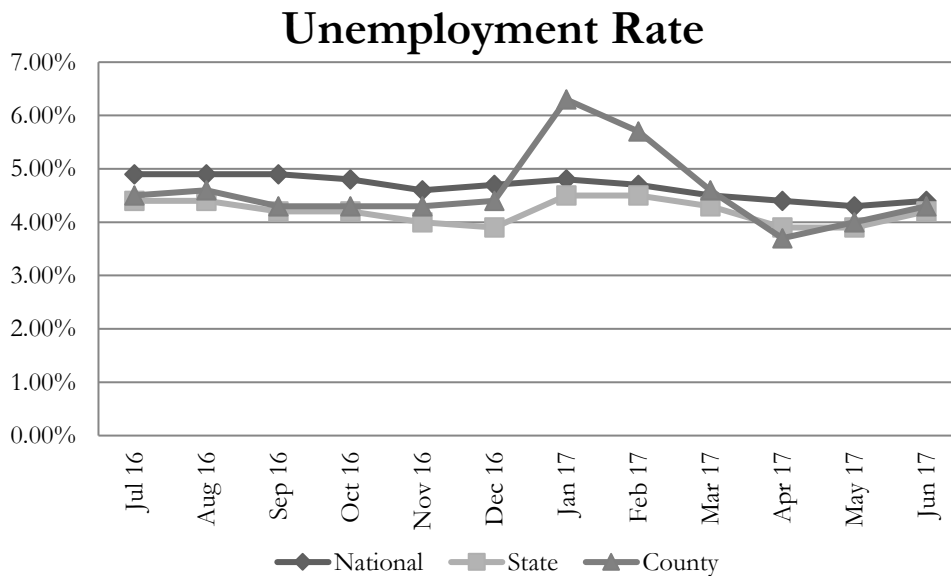
The County operates as a Maryland Code Home Rule County, which enables the Board of County Commissioners to exercise broad local legislative authority. Under code home rule, both legislative and executive functions of the County are vested in the three member Board of County Commissioners. All three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

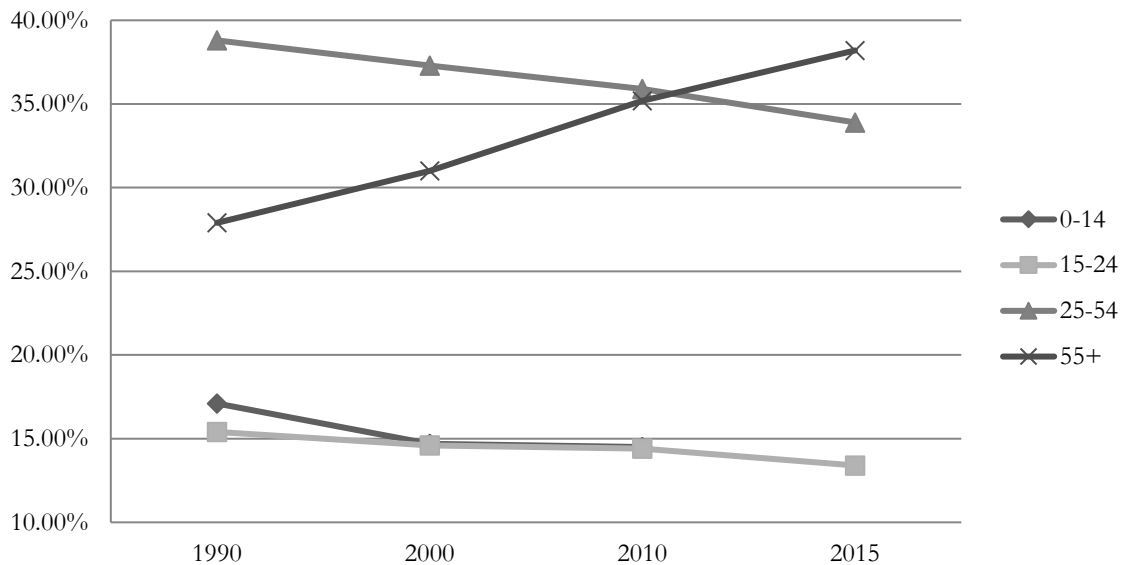


The local employment base is somewhat limited and centers on agriculture, tourism, manufacturing, construction, health services, and education. The largest employers in the County are Washington College and the Shore Regional Health Facility at Chestertown.

Property values throughout the county remain relatively constant. Fiscal year 2018 assessments are expected to show a very slight increase of .2% over fiscal year 2017. 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 19,730 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.

Change in Population Mix by Age Group



Median household incomes within the County are significantly lower than the state as a whole. According to census data, the County median income (2011-2015) was \$58,147, compared to the state median income of \$74,551. Additionally, 14.8% 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. In fiscal year 2017, the County began a \$4,500,000 project to install 110 miles of dark fiber within the County. This project is expected to be completed in fiscal year 2018.

Another priority is education. As the County’s population ages, school enrollment continues to decline. The historical school system structure consisted of small neighborhood schools, all of which were under capacity. This configuration has led to the County having one of the highest per pupil education costs in the state. At the conclusion of fiscal year 2017, the public school system closed two elementary schools, reducing the number of elementary schools in the County from five to three. Several years earlier, the school system consolidated the students of its’ three middle schools into one central facility. The Board of Education is in the process of developing a Facility Strategic Plan for future facility usage and configuration. They formed a Strategic Planning Committee, engaged a consultant and held community meetings to facilitate the development of the plan which they anticipate will be completed in late fiscal year 2018.

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.

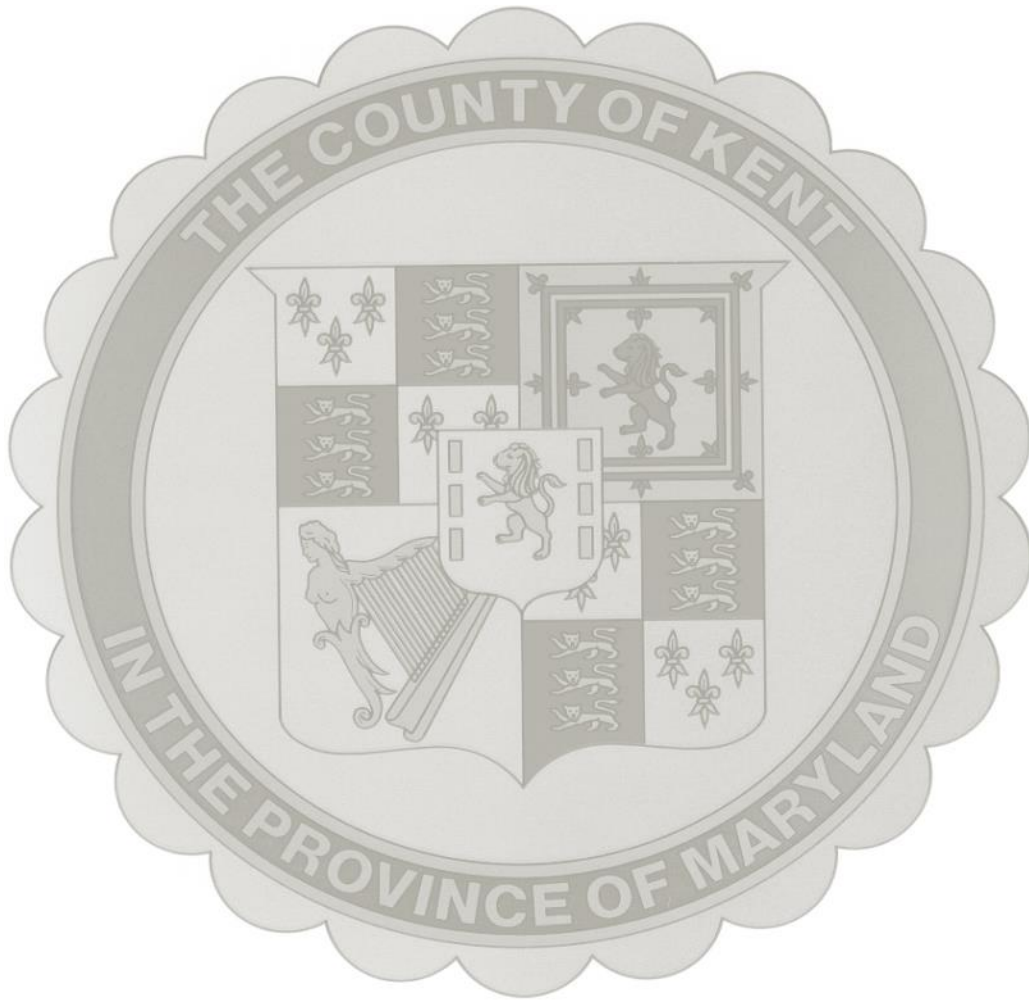
Respectfully submitted,



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



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, 2016

Executive Director/CEO

The County Commissioners of Kent County Maryland
Certain Elected and Other Officials
June 30, 2017

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

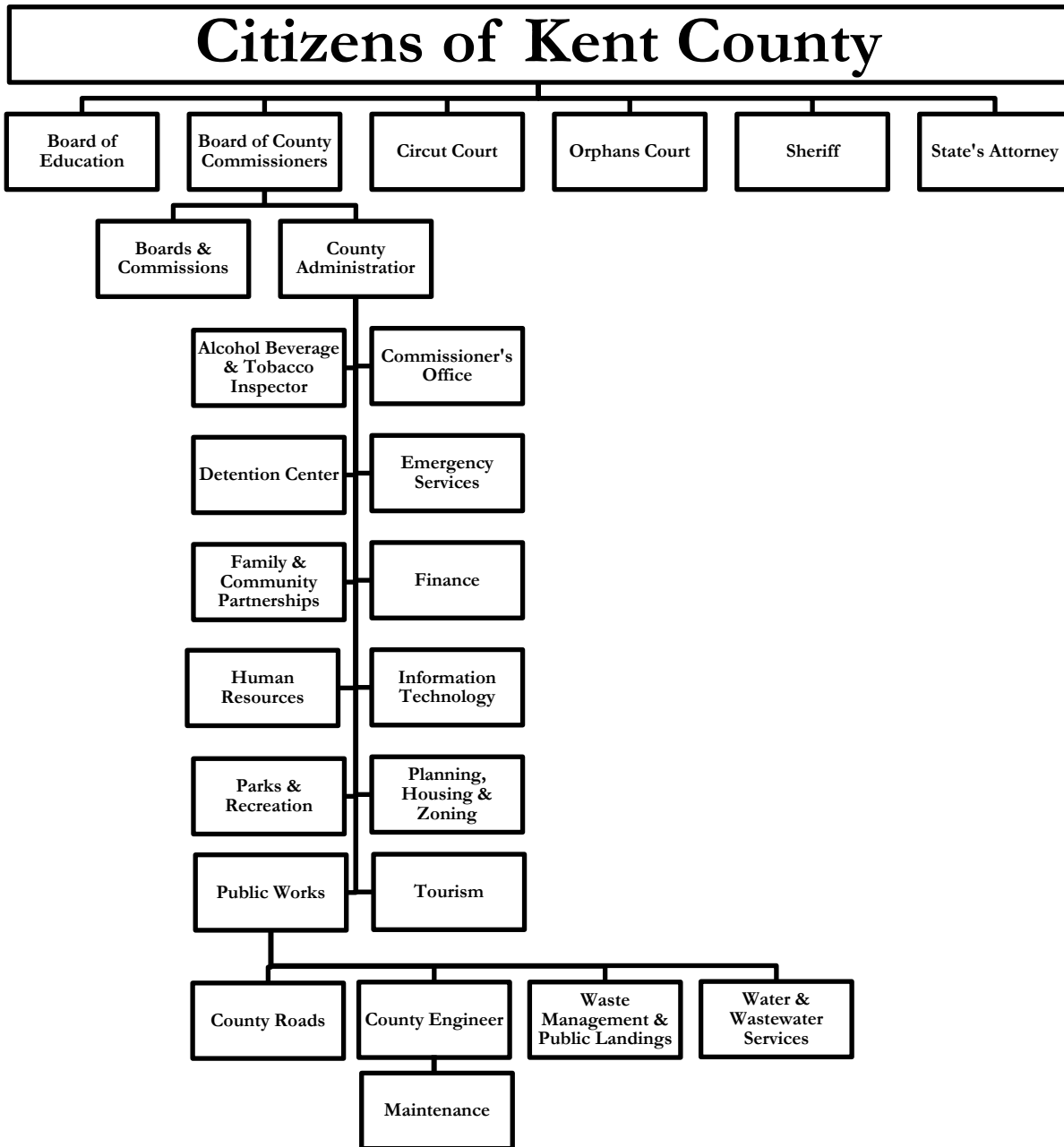
Independent Auditor

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

Bond Counsel

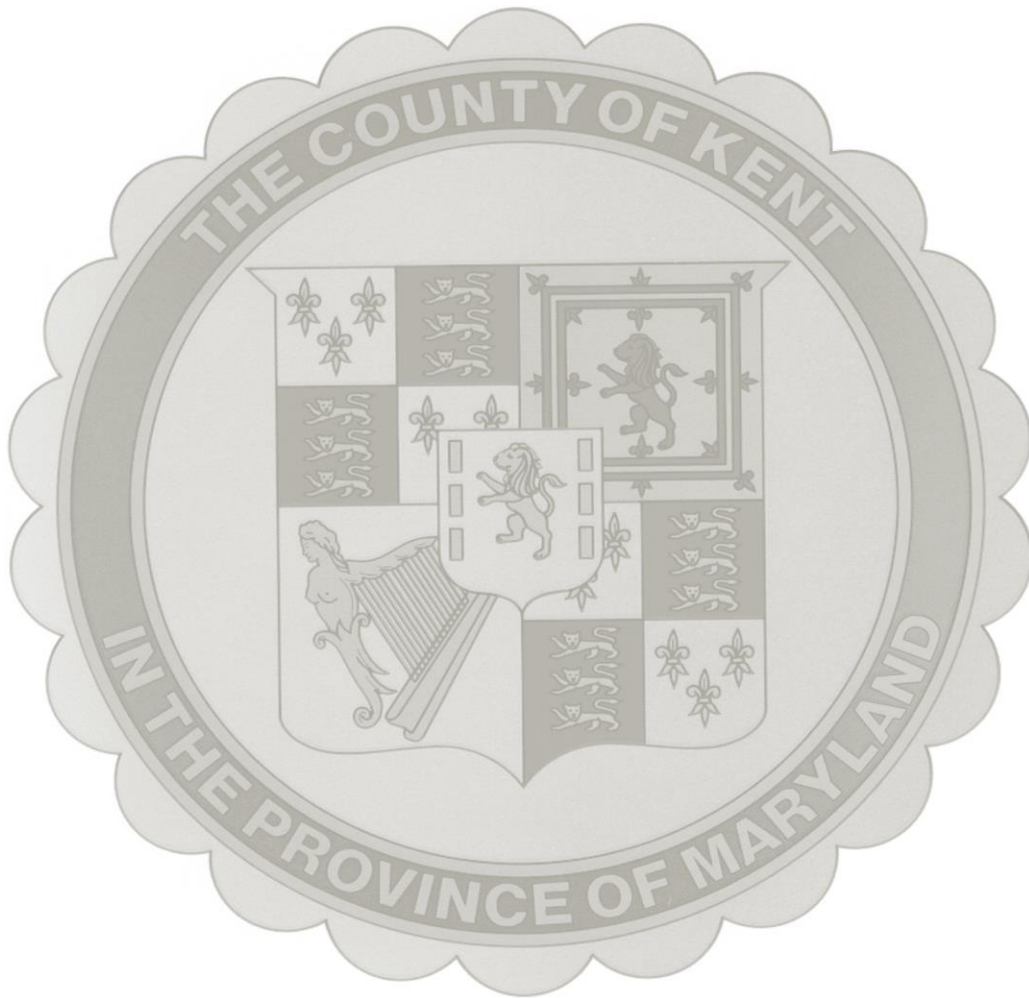
McKennon, Shelton and Henn LLP
Baltimore, Maryland

The County Commissioners of Kent County Maryland
 Kent County, Maryland Government Organizational Chart
 June 30, 2017





Financial Section





S B & COMPANY, LLC
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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, 2017, 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 are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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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, 2017, 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, schedules of funding progress, employer contributions, investment returns, and changes in the County's net OPEB liability and related ratios for other post-employment benefits, schedules of the County's proportionate share of the net pension liability and County contributions, and budgetary comparison information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and introductory and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.



SB & COMPANY, LLC
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The accompanying combining and individual fund statements 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical tables 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
October 27, 2017

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, 2017. 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 2017 by \$60,056,202 (*net position*). This amount is net of a (\$4,738,324) 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 \$3,150,260.
- As of the close of fiscal year 2017, the County's governmental funds reported combined ending fund balances of \$10,391,736; a decrease of \$811,152 in comparison with the prior year. Approximately 51% of this amount (\$5,296,459) is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of fiscal year 2017, the unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$9,066,832, or approximately 19% of total general fund expenditures.
- The County's government-wide long-term debt decreased by \$1,263,844 during fiscal year 2017, 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 financial 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 nineteen 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 seventeen 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, schedule of funding progress – other post-employment benefit trust fund, schedule of employer contributions-other post-employment trust fund, schedule of the county’s proportionate share of the net pension liability, and schedule of county contributions 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 \$60,056,202, at the close of the most recent fiscal year.

Kent County, Maryland’s Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 15,758,883	\$ 16,183,310	\$ 1,225,085	\$ 292,977	\$ 16,983,968	\$ 16,476,287
Capital assets, net	45,076,976	46,266,425	40,735,990	41,489,643	85,812,966	87,756,068
Total assets	60,835,859	62,449,735	41,961,075	41,782,620	102,796,934	104,232,355
Deferred outflow of resources	2,749,032	1,732,440	-	-	2,749,032	1,732,440
Long-term liabilities outstanding	27,747,665	26,622,453	14,002,937	12,837,289	41,750,602	39,459,742
Other liabilities	2,809,964	2,677,694	649,010	425,752	3,458,974	3,103,446
Total liabilities	30,557,629	29,300,147	14,651,947	13,263,041	45,209,576	42,563,188
Deferred inflow of resources	280,188	195,145	-	-	280,188	195,145
Net position:						
Net invested in capital assets	36,695,641	37,465,079	26,773,981	28,687,052	63,469,622	66,152,131
Restricted	1,324,904	1,100,385	-	-	1,324,904	1,100,385
Unrestricted	(5,273,471)	(3,878,581)	535,147	(167,473)	(4,738,324)	(4,046,054)
Total net position	\$ 32,747,074	\$ 34,686,883	\$ 27,309,128	\$ 28,519,579	\$ 60,056,202	\$ 63,206,462

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, \$1,324,904 or 2%, 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, agricultural land preservation and reforestation and open space activities.

Unrestricted net position reflects a negative balance of \$4,738,324. 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 \$3,150,260. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

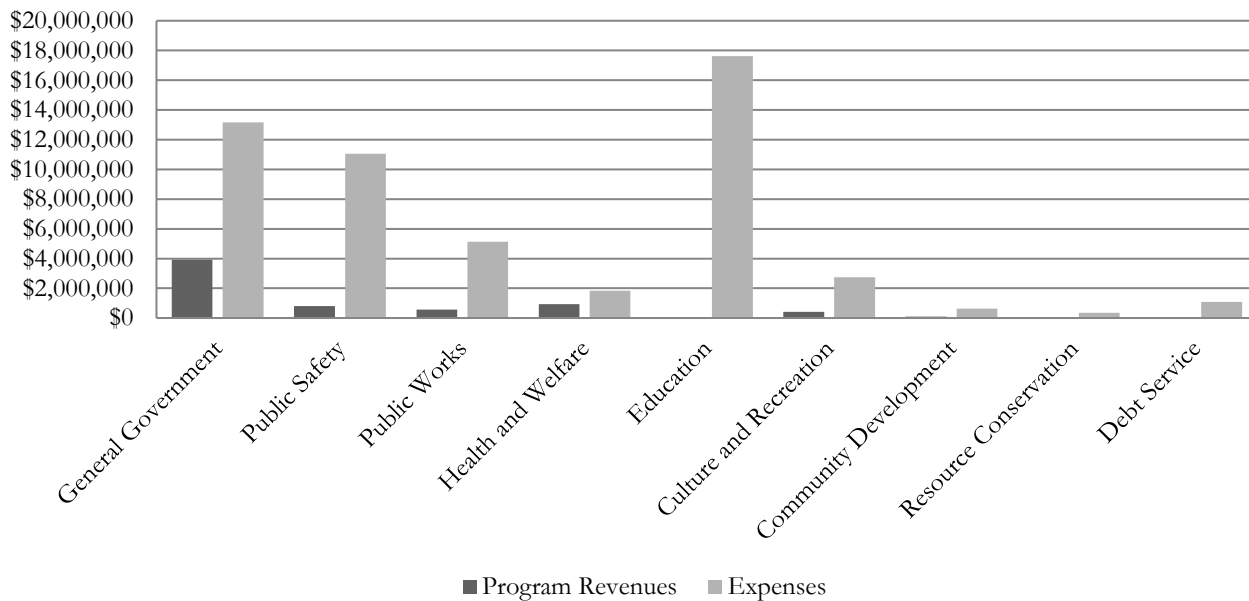
Governmental Activities

During the current fiscal year, the net position for governmental activities decreased \$1,939,809 from the prior fiscal year, which resulted in an ending balance of \$32,747,074. 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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 580,026	\$ 567,624	\$ 2,095,397	\$ 2,124,193	\$ 2,675,423	\$ 2,691,817
Operating grants and contributions	2,159,259	2,321,403	-	2,760	2,159,259	2,324,163
Capital grants and contributions	3,985,217	513,603	810,475	-	4,795,692	513,603
General revenues:						
Property taxes	30,486,484	30,451,731	-	-	30,486,484	30,451,731
Income taxes	12,732,081	12,341,494	-	-	12,732,081	12,341,494
Other taxes	1,949,634	1,965,759	-	-	1,949,634	1,965,759
Other revenues	641,837	673,820	40,703	25,780	682,540	699,600
Total revenues	52,534,538	48,835,434	2,946,575	2,152,733	55,481,113	50,988,167
Expenses:						
General government	13,156,835	6,996,289	-	-	13,156,835	6,996,289
Public safety	11,047,333	10,925,385	-	-	11,047,333	10,925,385
Public works	5,129,235	4,838,919	-	-	5,129,235	4,838,919
Health and social services	1,839,334	2,091,870	-	-	1,839,334	2,091,870
Education	17,624,105	18,454,631	-	-	17,624,105	18,454,631
Culture and recreation	2,750,039	2,597,233	-	-	2,750,039	2,597,233
Community development	625,041	807,887	-	-	625,041	807,887
Resource conservation development	353,331	393,922	-	-	353,331	393,922
Debt service	1,124,064	1,053,398	-	-	1,124,064	1,053,398
Water and wastewater services	-	-	4,952,221	3,668,292	4,952,221	3,668,292
Bayside landing	-	-	29,835	28,759	29,835	28,759
Total expenses	53,649,317	48,159,534	4,982,056	3,697,051	58,631,373	51,856,585
Increase/(decrease) in net position before transfers	(1,114,779)	675,900	(2,035,481)	(1,544,318)	(3,150,260)	(868,418)
Transfers	(825,030)	(868,147)	825,030	868,147	-	-
Increase/(decrease) in net position	(1,939,809)	(192,247)	(1,210,451)	(676,171)	(3,150,260)	(868,418)
Net position beginning	34,686,883	34,879,130	28,519,579	29,195,750	63,206,462	64,074,880
Net position ending	\$ 32,747,074	\$ 34,686,883	\$ 27,309,128	\$ 28,519,579	\$ 60,056,202	\$ 63,206,462

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 \$27,309,198. The total decrease in net position for business-type activities (water and wastewater services and bayside landing funds) was \$1,201,451 or 4.2% 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

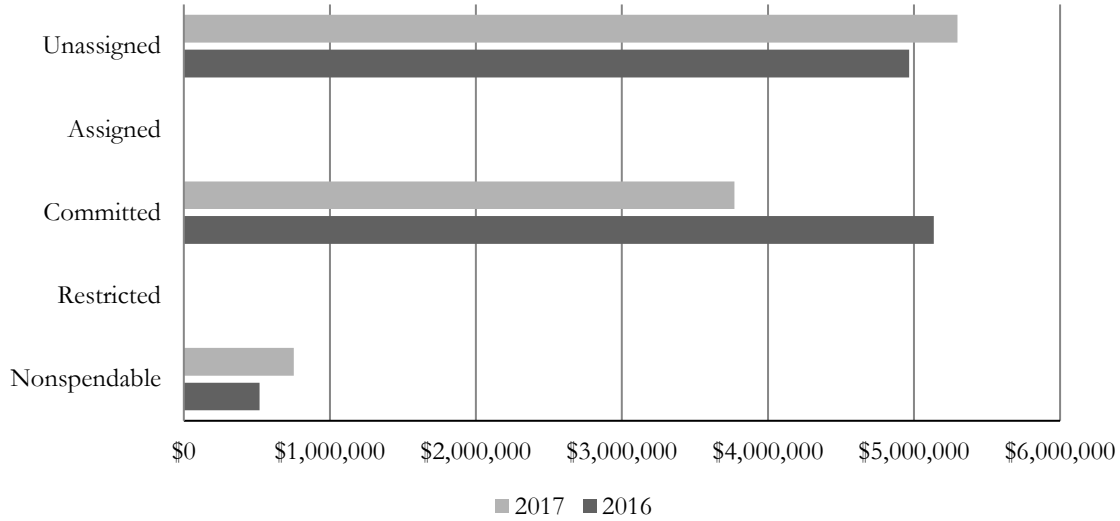
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

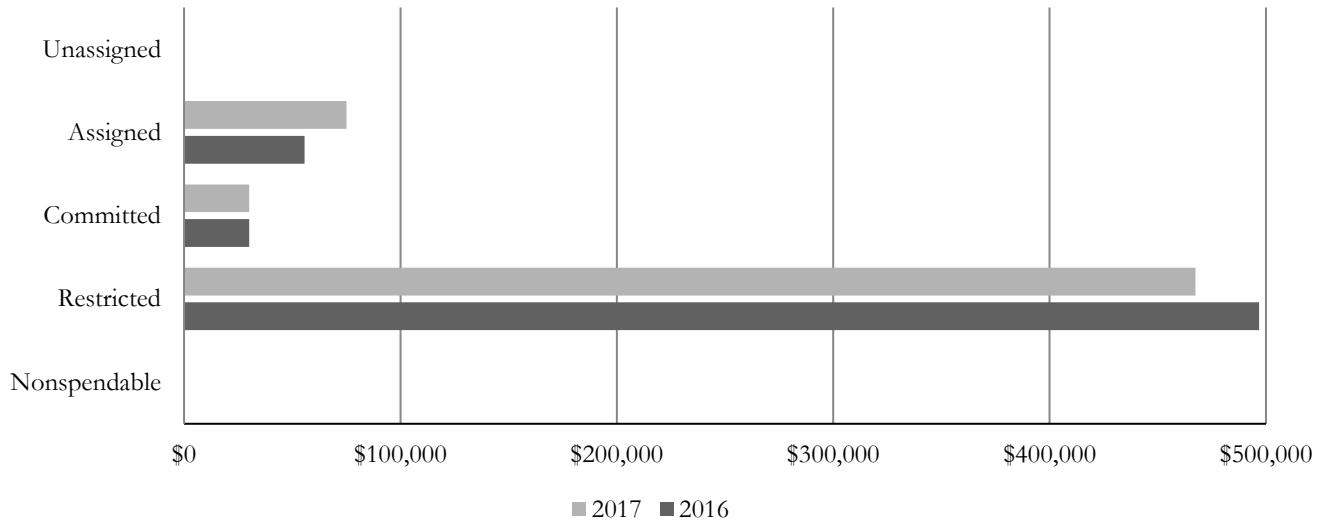
As of the end of the current fiscal year, the County’s *governmental funds* reported combined fund balances of \$10,391,736, a decrease of \$811,152 in comparison with the prior year. Approximately 51% of this amount (\$5,296,459) constitutes *unassigned fund balance*, which is available for spending 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 (\$752,291), 2) restricted for particular purposes (\$467,438), 3) committed for particular purposes (\$3,800,548) or 4) assigned for particular purposes (\$75,000).

**General Fund - Components of Fund Balance
June 30, 2017 and 2016**



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 \$5,296,459, while the total fund balance was \$9,819,123. 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 12% of total expenditures, while total fund balance represents approximately 23% of that same amount.

**Other Governmental Funds - Components of Fund Balance
June 30, 2017 and 2016**



The fund balance of the County’s general fund decreased by \$800,984. This was primarily due to the funding of capital projects.

The County’s other major governmental fund, the capital projects fund, had a fund balance of \$40,000 which remains unchanged from last 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 \$25,844,866. The total decrease in net position was \$1,201,082. 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 \$51,209,953 was amended by (\$1,426,551) to a final general fund expenditure budget of \$49,783,402. The major amendment to the budget was:

- Transfers to the capital projects fund were decreased by \$1,565,000 due to the delay of the broadband expansion and Nicholson landfill remediation projects into fiscal year 2018.

Final budget compared to actual results.

Actual expenditures for the year were \$2,373,556 less than estimated. The most significant differences occurred in the following areas:

- Public safety costs were \$640,036 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.
- General government spending was \$470,461 under estimates. The largest savings were experienced in the building maintenance, elections, planning and zoning and finance departments.
- Miscellaneous spending was \$393,516 less than anticipated. The health insurance pool refund was larger than expected and \$279,523 of contingency funds were not utilized.
- Public works spending was \$391,960 under budget for the year. Position turnover, snow removal and low fuel prices contributed to the majority of the savings.
- Parks and recreation spending was \$171,867 less than estimated. Turnover and position vacancies contributed to the majority of the savings.

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, 2017, amounts to \$85,812,966 (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 2.2%.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 22,677,724	\$ 22,677,724	\$ 1,731,536	\$ 1,731,536	\$ 24,409,260	\$ 24,409,260
Construction in Progress	566,774	566,774	1,191,438	689,595	1,758,212	1,256,369
Buildings	9,692,542	9,987,123	1,478,838	1,514,003	11,171,380	11,501,126
Machinery, Equipment and Vehicles	5,615,905	6,317,795	1,188,371	1,418,081	6,804,276	7,735,876
Improvements	1,606,323	1,676,658	218,927	235,510	1,825,250	1,912,168
Infrastructure	4,917,708	5,040,351	34,926,880	35,900,918	39,844,588	40,941,269
Total	\$ 45,076,976	\$ 46,266,425	\$ 40,735,990	\$ 41,489,643	\$ 85,812,966	\$ 87,756,068

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

- The County acquired \$610,000 of additional governmental assets which included a dump truck, v-plow, field groomer and holding cell (\$159,000) for the highway and recreation departments and the detention cent, vehicles (\$134,500) for the sheriff's office, commissioner's office and recreation department, a computer upgrade and air conditioning unit (\$155,600) for information systems, replaced the Fairlee Creek landing pier (\$58,000), all of which was grant funded by the Department of Natural Resources and extended the multi-purpose athletic fields at Worton Park (\$58,000) 90% of which was also grant funded by the Department of Natural Resources. Grant funds were also used to purchase a fingerprint scanner, data extractor and covert camera system (\$44,500) for the sheriff's office.

Additional information on Kent County's capital assets can be found on pages 49-51 of this report.

Long-term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$23,023,006. The remainder of the County's long-term obligations are capital leases.

Kent County, Maryland's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 9,060,997	\$ 10,049,518	\$ 13,962,009	\$ 12,802,590	\$ 23,023,006	\$ 22,852,108
Capital Leases	1,496,967	1,772,290	-	-	1,496,967	1,772,290
Total	\$ 10,557,964	\$ 11,821,808	\$ 13,962,009	\$ 12,802,590	\$ 24,519,973	\$ 24,624,398

During the current fiscal year, the County's total debt decreased by \$104,425. The County's significant debt activities included:

- \$1,263,844 of governmental activities debt was retired.
- The water and wastewater services enterprise fund borrowing totaled \$1,639,000 to assist with the upgrading of Galena's wastewater treatment plant and add the Galena collection system, as well as to extend the Delta Heights water system.
- Water and wastewater services retired \$479,581 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

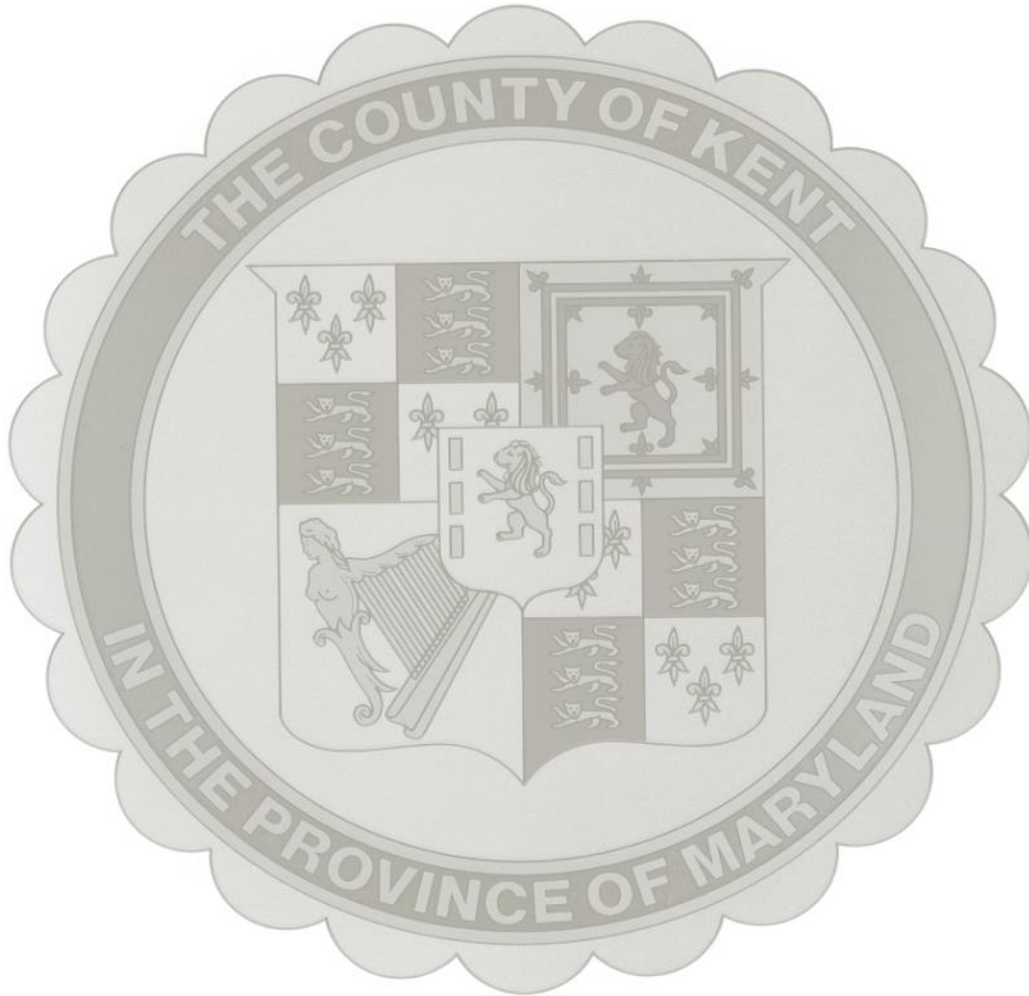
The following economic factors currently affect the County and were considered in developing the 2018 fiscal year budget:

- Revenues are expected to remain relatively constant in fiscal year 2018.
- The County will use \$3,770,000 of fund balance resources in fiscal year 2018 for capital projects and equipment needs. Capital projects include the broadband expansion project, library renovations, public landings repairs, and landfill remediation.
- The fiscal year 2018 property tax rate remains at \$1.022 per \$100 of assessed property value.
- The fiscal year 2018 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, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Board of Education	Public Library
ASSETS					
Cash and cash equivalents	\$ 566,366	\$ 150	\$ 566,516	\$ 4,051,572	\$ 265,066
Equity in pooled cash	5,098,312	3,638	5,101,950	-	-
Property taxes receivable	1,650,644	-	1,650,644	-	-
Intergovernmental receivable	6,917,039	355,464	7,272,503	620,564	-
Other receivables	582,767	780,735	1,363,502	48,020	10,466
Internal balances	186,509	(186,509)	-	-	-
Inventories	395,067	73,904	468,971	79,223	-
Prepays	362,179	6,089	368,268	2,865	17,821
Capital assets, not being depreciated:					
Land	22,677,724	1,731,536	24,409,260	147,475	-
Construction in progress	566,774	1,191,438	1,758,212	11,862	-
Capital assets, net of accumulated depreciation					
Buildings	9,692,542	1,478,838	11,171,380	17,448,107	-
Machinery, equipment and vehicles	5,615,905	1,188,371	6,804,276	99,235	71
Infrastructure	4,917,708	34,926,880	39,844,588	-	-
Improvements	1,606,323	218,927	1,825,250	446,899	8,666
Library collection	-	-	-	-	222,101
Total Assets	<u>60,835,859</u>	<u>41,769,461</u>	<u>102,605,320</u>	<u>22,955,822</u>	<u>524,191</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	<u>2,749,032</u>	<u>-</u>	<u>2,749,032</u>	<u>821,733</u>	<u>-</u>
LIABILITIES					
Accounts payable and other accrued liabilities	2,025,863	196,462	2,222,325	2,306,708	69,412
Accrued interest payable	108,604	60,193	168,797	-	-
Intergovernmental payable	314,812	200,741	515,553	46,016	2,276
Unearned revenues	360,685	-	360,685	305,529	6,391
Noncurrent liabilities:					
Due within one year	1,419,149	484,894	1,904,043	-	-
Due in more than one year	<u>26,328,516</u>	<u>13,518,043</u>	<u>39,846,559</u>	<u>11,084,304</u>	<u>-</u>
Total Liabilities	<u>30,557,629</u>	<u>14,460,333</u>	<u>45,017,962</u>	<u>13,742,557</u>	<u>78,079</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - related to pensions	<u>280,188</u>	<u>-</u>	<u>280,188</u>	<u>183,482</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	36,695,641	26,773,981	63,469,622	18,153,578	230,838
Restricted for:					
Narcotics Task Force	37,049	-	37,049	-	-
Agricultural Land Preservation	150,659	-	150,659	-	-
Platform Tennis	1,884	-	1,884	-	-
Weed Control	10,455	-	10,455	-	-
Post Prom	1,398	-	1,398	-	-
Kent Family Center	672	-	672	-	-
Inmate Welfare	59,348	-	59,348	-	-
Capital Projects	40,000	-	40,000	-	-
Law Library	41,044	-	41,044	-	-
Regional Family Services	591	-	591	-	-
Special Events Overtime	2,587	-	2,587	-	-
Shop with a Cop	708	-	708	-	-
Reforestation & Open Space	226,218	-	226,218	-	-
Other purposes	752,291	-	752,291	224,466	17,821
Unrestricted	<u>(5,273,471)</u>	<u>535,147</u>	<u>(4,738,324)</u>	<u>(8,526,528)</u>	<u>197,453</u>
Total Net Position	<u>\$ 32,747,074</u>	<u>\$ 27,309,128</u>	<u>\$ 60,056,202</u>	<u>\$ 9,851,516</u>	<u>\$ 446,112</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, 2017

	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
Functions/Programs:									
Primary Government:									
Governmental activities:									
General government	\$13,156,835	\$ 115,473	\$ 173,386	\$ 3,630,596	\$ (9,237,380)	\$ -	\$ (9,237,380)	\$ -	\$ -
Public safety	11,047,333	100,752	664,706	42,133	(10,239,742)	-	(10,239,742)	-	-
Public works	5,129,235	161,647	303,315	94,892	(4,569,381)	-	(4,569,381)	-	-
Health and social services	1,839,334	12,582	925,792	-	(900,960)	-	(900,960)	-	-
Education	17,624,105	-	-	-	(17,624,105)	-	(17,624,105)	-	-
Culture and recreation	2,057,603	189,572	4,192	217,596	(1,646,243)	-	(1,646,243)	-	-
Libraries	692,436	-	-	-	(692,436)	-	(692,436)	-	-
Resource conservation	353,331	-	-	-	(353,331)	-	(353,331)	-	-
Community development	625,041	-	87,868	-	(537,173)	-	(537,173)	-	-
Debt service - interest	1,124,064	-	-	-	(1,124,064)	-	(1,124,064)	-	-
Total governmental activities	<u>53,649,317</u>	<u>580,026</u>	<u>2,159,259</u>	<u>3,985,217</u>	<u>(46,924,815)</u>	<u>-</u>	<u>(46,924,815)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and wastewater services	4,952,221	2,052,616	-	810,475	-	(2,089,130)	(2,089,130)	-	-
Bayside landing	29,835	42,781	-	-	-	12,946	12,946	-	-
Total business-type activities	<u>4,982,056</u>	<u>2,095,397</u>	<u>-</u>	<u>810,475</u>	<u>-</u>	<u>(2,076,184)</u>	<u>(2,076,184)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$58,631,373</u>	<u>\$ 2,675,423</u>	<u>\$ 2,159,259</u>	<u>\$ 4,795,692</u>	<u>(46,924,815)</u>	<u>(2,076,184)</u>	<u>(49,000,999)</u>	<u>-</u>	<u>-</u>
Component Units:									
Kent County Board of Education	\$35,241,278	\$ 279,147	\$ 7,488,231	\$ -				(27,473,900)	-
Kent County Public Library	915,042	21,117	162,302	-				-	(731,623)
Total component units	<u>\$36,156,320</u>	<u>\$ 300,264</u>	<u>\$ 7,650,533</u>	<u>\$ -</u>				<u>(27,473,900)</u>	<u>(731,623)</u>
General revenues:									
Property taxes					30,486,484	-	30,486,484	-	-
Income taxes					12,732,081	-	12,732,081	-	-
Other taxes					1,949,634	-	1,949,634	-	-
Other revenues					641,837	40,703	682,540	164,881	44,934
Grants and contributions not restricted to specific programs					-	-	-	23,757,783	719,692
Transfers					(825,030)	825,030	-	-	-
Total general revenues and transfers					<u>44,985,006</u>	<u>865,733</u>	<u>45,850,739</u>	<u>23,922,664</u>	<u>764,626</u>
Change in net position					(1,939,809)	(1,210,451)	(3,150,260)	(3,551,236)	33,003
Net position - beginning					<u>34,686,883</u>	<u>28,519,579</u>	<u>63,206,462</u>	<u>13,402,752</u>	<u>413,109</u>
Net position - ending					<u>\$ 32,747,074</u>	<u>\$27,309,128</u>	<u>\$ 60,056,202</u>	<u>\$ 9,851,516</u>	<u>\$ 446,112</u>

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, 2017

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 30,539	\$ 535,827	\$ -	\$ 566,366
Equity in pooled cash	4,273,629	-	824,683	5,098,312
Property taxes receivable	1,650,644	-	-	1,650,644
Intergovernmental receivable	2,751,625	12,333	4,153,081	6,917,039
Other receivables	577,236	-	5,531	582,767
Due from other funds	4,086,350	-	-	4,086,350
Inventories	395,067	-	-	395,067
Prepaid items	357,224	-	4,955	362,179
Total assets	<u>\$ 14,122,314</u>	<u>\$ 548,160</u>	<u>\$ 4,988,250</u>	<u>\$ 19,658,724</u>
LIABILITIES				
Accounts payable	\$ 812,945	\$ 361,137	\$ 123,594	\$ 1,297,676
Accrued liabilities	684,202	-	43,985	728,187
Intergovernmental payable	135,152	7,023	172,637	314,812
Due to other funds	5,105	-	3,894,736	3,899,841
Unearned revenue	-	140,000	220,685	360,685
Total liabilities	<u>1,637,404</u>	<u>508,160</u>	<u>4,455,637</u>	<u>6,601,201</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	<u>2,665,787</u>	<u>-</u>	<u>-</u>	<u>2,665,787</u>
Total deferred inflows of resources	<u>2,665,787</u>	<u>-</u>	<u>-</u>	<u>2,665,787</u>
FUND BALANCES				
Nonspendable:				
Inventory	395,067	-	-	395,067
Prepaid expenditures	357,224	-	-	357,224
Restricted:				
General government	-	-	41,635	41,635
Public safety	-	-	79,101	79,101
Resource conservation	-	-	346,702	346,702
Committed:				
Resource conservation	-	-	30,175	30,175
Appropriation of fund balance	3,770,373	-	-	3,770,373
Assigned:				
General government	-	40,000	-	40,000
Parks, recreation, and culture	-	-	3,282	3,282
Public safety	-	-	20,591	20,591
Public works	-	-	10,455	10,455
Social Services	-	-	672	672
Unassigned	<u>5,296,459</u>	<u>-</u>	<u>-</u>	<u>5,296,459</u>
Total fund balances	<u>9,819,123</u>	<u>40,000</u>	<u>532,613</u>	<u>10,391,736</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,122,314</u>	<u>\$ 548,160</u>	<u>\$ 4,988,250</u>	<u>\$ 19,658,724</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, 2017

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

Total fund balance - governmental funds (page 28)		\$ 10,391,736
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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	2,590,954	
Machinery and equipment	18,156,724	
Infrastructure	10,530,293	
Total capital assets:	69,293,198	
Less accumulated depreciation	(24,216,222)	45,076,976

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	\$ (9,060,997)	
Capital leases	(1,496,967)	
Landfill liability	(679,137)	
Compensated absences	(906,289)	
Net other post-employment benefits obligation	(4,280,200)	
Net pension liability	(11,324,075)	
Accrued interest payable	(108,604)	(27,856,269)

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

Taxes	\$ 2,665,787	2,665,787
-------	--------------	-----------

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	\$ 435,614	
Net difference between projected and actual earnings on plan investments	1,344,030	
Contributions subsequent to the measurement date	969,388	2,749,032

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	\$ (280,188)	(280,188)
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Net position of governmental activities		\$ 32,747,074
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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, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property	\$ 29,986,484	\$ -	\$ -	\$ 29,986,484
Income	12,986,434	-	-	12,986,434
Other	1,940,611	-	9,023	1,949,634
Licenses and permits	339,840	-	-	339,840
Intergovernmental	481,635	279,465	5,383,376	6,144,476
Charges for services	562,664	-	17,362	580,026
Fines and forfeitures	13,275	-	30,958	44,233
Rental Income	111,046	-	-	111,046
Miscellaneous	136,595	-	47,283	183,878
Total revenues	<u>46,558,584</u>	<u>279,465</u>	<u>5,488,002</u>	<u>52,326,051</u>
EXPENDITURES				
Current:				
General government	5,839,756	-	3,809,666	9,649,422
Public safety	9,191,745	-	670,946	9,862,691
Public works	4,655,262	-	49,052	4,704,314
Health and social services	825,860	-	980,517	1,806,377
Education	17,613,193	-	-	17,613,193
Parks, recreation and culture	1,507,011	-	8,999	1,516,010
Libraries	626,098	-	-	626,098
Resource conservation and development	353,331	-	-	353,331
Community development	543,692	-	59,434	603,126
Intergovernmental	3,576	-	-	3,576
Miscellaneous	134,807	-	-	134,807
Debt service:				
Principal	1,263,844	-	-	1,263,844
Interest	475,722	-	-	475,722
Capital outlay:				
General government	-	3,235,615	-	3,235,615
Public works	-	144,279	-	144,279
Education	-	10,912	-	10,912
Parks, recreation and culture	-	242,518	-	242,518
Libraries	-	66,338	-	66,338
Total expenditures	<u>43,033,897</u>	<u>3,699,662</u>	<u>5,578,614</u>	<u>52,312,173</u>
Excess (deficiency) of revenues over expenditures	<u>3,524,687</u>	<u>(3,420,197)</u>	<u>(90,612)</u>	<u>13,878</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,278	3,420,197	80,444	3,550,919
Transfers out	<u>(4,375,949)</u>	<u>-</u>	<u>-</u>	<u>(4,375,949)</u>
Total other financing sources (uses)	<u>(4,325,671)</u>	<u>3,420,197</u>	<u>80,444</u>	<u>(825,030)</u>
Net change in fund balances	(800,984)	-	(10,168)	(811,152)
Fund balances - beginning	<u>10,620,107</u>	<u>40,000</u>	<u>542,781</u>	<u>11,202,888</u>
Fund balances - ending	<u>\$ 9,819,123</u>	<u>\$ 40,000</u>	<u>\$ 532,613</u>	<u>\$ 10,391,736</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, 2017

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) \$ (811,152)

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	\$ 456,535	
Depreciation expense	<u>(1,645,984)</u>	(1,189,449)

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

Taxes	<u>\$ 246,097</u>	246,097
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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	\$ 275,323	
General obligations bond payable	<u>988,521</u>	1,263,844

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	\$ 132,300	
Accrued interest payable	8,358	
Net other post-employment benefits obligation	(789,000)	
Net pension liability	(1,795,159)	
Accrued compensated absences	<u>62,803</u>	<u>(2,380,698)</u>

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	\$ (122,407)	
Net difference between projected and actual earnings on plan investments	1,117,799	
Change in pension contributions	<u>21,200</u>	1,016,592

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	\$ (85,043)	
		<u>(85,043)</u>

Change in net position of governmental activities \$ (1,939,809)

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, 2017

	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	-	3,638	3,638
Accounts receivable	780,735	-	780,735
Intergovernmental receivable	355,464	-	355,464
Due from other funds	5,105	-	5,105
Inventories	73,904	-	73,904
Prepaid items	6,089	-	6,089
Total current assets	<u>1,221,447</u>	<u>3,638</u>	<u>1,225,085</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	48,586,652	109,500	48,696,152
Construction in progress	1,191,438	-	1,191,438
Machinery, equipment, and vehicles	3,442,964	10,887	3,453,851
Less accumulated depreciation	<u>(16,325,029)</u>	<u>(101,854)</u>	<u>(16,426,883)</u>
Total noncurrent assets	<u>39,271,728</u>	<u>1,464,262</u>	<u>40,735,990</u>
Total assets	<u>40,493,175</u>	<u>1,467,900</u>	<u>41,961,075</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	134,174	523	134,697
Accrued liabilities	53,453	2,087	55,540
Bonds payable	484,319	-	484,319
Customer deposits payable	6,225	-	6,225
Accrued interest payable	60,193	-	60,193
Intergovernmental payable	199,713	1,028	200,741
Due to other funds	191,614	-	191,614
Total current liabilities	<u>1,129,691</u>	<u>3,638</u>	<u>1,133,329</u>
Noncurrent Liabilities:			
Compensated absences	40,928	-	40,928
Bonds payable	13,477,690	-	13,477,690
Total noncurrent liabilities	<u>13,518,618</u>	<u>-</u>	<u>13,518,618</u>
Total liabilities	<u>14,648,309</u>	<u>3,638</u>	<u>14,651,947</u>
NET POSITION			
Net investment in capital assets	25,309,719	1,464,262	26,773,981
Unrestricted	535,147	-	535,147
Total net position	<u>\$ 25,844,866</u>	<u>\$ 1,464,262</u>	<u>\$ 27,309,128</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, 2017

	Business-type Activities		
	Water and Wastewater Services	Bayside Landing	Total Enterprise Funds
Operating revenues:			
Charges for services:			
Water	\$ 571,263	\$ -	\$ 571,263
Sewer	1,380,935	-	1,380,935
Septic	100,418	-	100,418
Public landings	-	42,781	42,781
Miscellaneous	28,710	-	28,710
Total operating revenues	<u>2,081,326</u>	<u>42,781</u>	<u>2,124,107</u>
Operating expenses:			
Water	339,114	-	339,114
Sewer	2,135,284	-	2,135,284
Septic	102,253	-	102,253
Parks and recreation	-	12,117	12,117
Public landings	-	8,349	8,349
Administration	842,086	-	842,086
Depreciation	1,235,780	9,369	1,245,149
Total operating expenses	<u>4,654,517</u>	<u>29,835</u>	<u>4,684,352</u>
Operating income (loss)	<u>(2,573,191)</u>	<u>12,946</u>	<u>(2,560,245)</u>
Nonoperating revenues (expenses):			
Intergovernmental	810,475	-	810,475
Allocation fees	16,200	-	16,200
Gain/(loss) on disposal of property	(4,482)	-	(4,482)
Gratitude reimbursement	212	-	212
Interest income	-	63	63
Interest expense	(297,704)	-	(297,704)
Total nonoperating revenues (expenses)	<u>524,701</u>	<u>63</u>	<u>524,764</u>
Income (loss) before transfers	<u>(2,048,490)</u>	<u>13,009</u>	<u>(2,035,481)</u>
Transfers in	875,308	-	875,308
Transfers out	(27,900)	(22,378)	(50,278)
Change in net position	(1,201,082)	(9,369)	(1,210,451)
Net position - beginning	27,045,948	1,473,631	28,519,579
Net position - ending	<u>\$ 25,844,866</u>	<u>\$ 1,464,262</u>	<u>\$ 27,309,128</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, 2017

	<u>Business-Type Activities</u>		
	<u>Waste and Wastewater Services</u>	<u>Bayside Landing</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,786,509	\$ 42,781	\$ 1,829,290
Payments to suppliers	(2,502,018)	(8,773)	(2,510,791)
Payments to employees	(905,562)	(10,864)	(916,426)
Net cash provided (used) by operating activities	<u>(1,621,071)</u>	<u>23,144</u>	<u>(1,597,927)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating subsidies and transfers (to) from other funds	371,149	(22,378)	348,771
Net cash provided (used) by noncapital financing activities	<u>371,149</u>	<u>(22,378)</u>	<u>348,771</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of bonds	1,639,000	-	1,639,000
Capital grants	810,475	-	810,475
Purchases of capital assets	(456,299)	-	(456,299)
Principal paid on capital debt	(479,581)	-	(479,581)
Proceeds from sale of assets	(4,482)	-	(4,482)
Interest paid on capital debt	(291,318)	-	(291,318)
Net cash used by capital and related financing activities	<u>1,217,795</u>	<u>-</u>	<u>1,217,795</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	-	63	63
Net cash provided by investing activities	<u>-</u>	<u>63</u>	<u>63</u>
Net increase (decrease) in cash and cash equivalents	(32,127)	829	(31,298)
Balances - beginning of year	<u>32,277</u>	<u>2,809</u>	<u>35,086</u>
Balances - end of year	<u>\$ 150</u>	<u>\$ 3,638</u>	<u>\$ 3,788</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (2,573,191)	\$ 12,946	\$ (2,560,245)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,235,780	9,369	1,245,149
Changes in assets and liabilities:			
Accounts receivable	(15,684)	-	(15,684)
Intergovernmental receivable	(298,654)	-	(298,654)
Prepaid expenses	(3,383)	-	(3,383)
Inventory	(3,907)	-	(3,907)
Due from general fund	924	-	924
Accounts payable and accrued expenses	24,652	545	25,197
Interest payable	6,174	-	6,174
Intergovernmental payable	(2,196)	284	(1,912)
Customer deposits and overpayments	2,185	-	2,185
Compensated absences payable	6,229	-	6,229
Net cash provided by operating activities	<u>\$ (1,621,071)</u>	<u>\$ 23,144</u>	<u>\$ (1,597,927)</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, 2017

	Tax Sale Private Purpose Trust Fund	Agency Funds
	Trust Fund	Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 36,463
Equity in pooled cash	106,638	76,762
Receivables	18,949	739,734
Total assets	125,587	852,959
LIABILITIES		
Accounts payable	125,587	20,610
Due to other governments	-	832,349
Total liabilities	125,587	\$ 852,959
NET POSITION		
Net position held in trust for property owners involved in tax sale transactions	\$ -	

The County Commissioners of Kent County, Maryland
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Tax Sale Private Purpose Trust Fund</u>
ADDITIONS	
Tax sale redemptions	\$ 1,160,847
Tax sale deed executions	956
Total additions	<u>1,161,803</u>
 DEDUCTIONS	
Tax sale redemptions	1,160,847
Tax sale deed executions	956
Total deductions	<u>1,161,803</u>
Change in net position	-
Net position - beginning	-
Net position - ending	<u><u>\$ -</u></u>

Notes to Basic Financial Statements

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The County Commissioners of Kent County, Maryland
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017, 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 acquisition 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	\$ 395,067	Inventory
	357,224	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	\$ 150,659	Tax Property Article 13-306 and contributors
Reforestation & Open Space	196,043	Natural Resources Article 5-1610
Inmate Welfare	59,348	Correctional Services Article 10-502
Law Library	41,044	Courts and Judicial Proceedings Article 13-501
Regional Family Services	591	Courts and Judicial Proceedings Article 7-202
Kent County Drug Task Force	14,606	Kent County Drug Task Force Forfeiture Agreement
Sheriff's Forfeiture	5,147	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	\$ 3,770,373	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	\$ 17,296	Kent County Budget Document
Special Events Overtime	2,587	Kent County Budget Document
Shop with a Cop	708	Kent County Budget Document
Platform Tennis	1,884	Kent County Budget Document
Kent Family Center	672	Kent County Budget Document
Post Prom	1,398	Kent County Budget Document
Weed Control	10,455	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, 2017 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, 2017, a total of \$906,289 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, 2017, 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, 2017, a total of \$28,720 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, 2017, was \$9,862.

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 County adopted Governmental Accounting Standard Board (GASB) Statement No. 73, entitled Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68, and Amendments to certain Provisions of GASB Statements 67 and 68, GASB Statement No. 74, entitled Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans, GASB Statement No. 77, entitled Tax Abatement Disclosures, GASB Statement No. 78 entitled Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, GASB Statement No. 80, entitled Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14 and GASB Statement No. 82, entitled Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. Adoption of these statements did not have a material effect on the financial statements.

During the year ended June 30, 2017, GASB issued Statement No. 75 entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 81 Irrevocable Split-Interest Agreements; GASB Statement No. 84, Fiduciary Activities, GASB Statement No. 85, Omnibus 2017, and GASB Statement No. 87, Leases.

The County has begun analyzing the effects of these pronouncements and plans to implement them by their respective effective dates. While all GASB Statements issued are being reviewed, Statement No. 75 is expected to have a material effect on the County's financial statements once implemented.

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, 2017</u>
Chesapeake Bank and Trust (main operating account)	\$ 6,373,013
PNC Bank (payroll processing)	12,269
Chesapeake Bank and Trust (transitional insurance program)	251

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, 2017, 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, 2017, 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, 2017, the reported amount of the Board's deposits was \$4,189,069, and the bank balance was \$4,493,579. Of the total deposits, \$3,967,396 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, 2017, the carrying amount of the Library's deposits was \$265,066 and the bank balance was \$286,008, \$250,000 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	General Fund	Capital		Nonmajor	Total	Business-type	Total
		Projects	Fund	Governmental	Governmental		
		Fund		Funds	Funds	Funds	
Property Tax	\$ 1,650,644	\$ -	\$ -	\$ -	\$ 1,650,644	\$ -	\$ 1,650,644
Other Accounts:							
Insurance refund	\$ 438,830	\$ -	\$ -	\$ -	\$ 438,830	\$ -	\$ 438,830
Water and sewer fees	-	-	-	-	-	559,401	559,401
Hotel tax	80,185	-	-	-	80,185	-	80,185
Tax sale	-	-	-	-	-	168,986	168,986
Other	58,221	-	5,531	63,752	52,348	116,100	
	\$ 577,236	\$ -	\$ 5,531	\$ 582,767	\$ 780,735	\$ 1,363,502	
Intergovernmental:							
Income taxes	\$ 2,387,051	\$ -	\$ -	\$ 2,387,051	\$ -	\$ 2,387,051	
State highway				3,621,451	3,621,451	-	3,621,451
Recordation tax	72,588	-	-	72,588	-	72,588	
Maryland family network	-	-	167,383	167,383	-	167,383	
Property transfer tax	54,983	-	-	54,983	-	54,983	
Highway user	50,106	-	-	50,106	-	50,106	
Department of Interior	28,434	-	-	28,434	-	28,434	
Governors Office	26,207		175,643	201,850	-	201,850	
Department of Natural Resources	-	12,333	-	12,333	-	12,333	
Water wastewater grants	-	-	-	-	269,438	269,438	
Tourism grant	-	-	59,434	59,434	-	59,434	
Regional family services	-	-	42,501	42,501	-	42,501	
911 fees	30,375	-	-	30,375	-	30,375	
Homeland security	-	-	34,641	34,641	-	34,641	
Other	101,881	-	52,028	153,909	86,026	239,935	
	\$ 2,751,625	\$ 12,333	\$ 4,153,081	\$ 6,917,039	\$ 355,464	\$ 7,272,503	

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 \$2,387,051 of the County's income tax revenue for tax years 2016 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, 2017, was as follows:

	Balance			Balance
	July 1, 2016	Increases	Decreases	June 30, 2017
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 22,677,724	\$ -	\$ -	\$ 22,677,724
Construction in progress	566,774	-	-	566,774
Total capital assets, not being depreciated	23,244,498	-	-	23,244,498
Capital assets, being depreciated:				
Buildings	14,770,729	-	-	14,770,729
Improvements	2,532,712	58,242	-	2,590,954
Machinery and equipment	17,815,121	507,625	166,022	18,156,724
Infrastructure	10,473,603	57,804	1,114	10,530,293
Total capital assets, being depreciated	45,592,165	623,671	167,136	46,048,700
Less accumulated depreciation for:				
Buildings	4,783,606	294,581	-	5,078,187
Improvements	856,054	128,577	-	984,631
Machinery and equipment	11,497,326	1,209,515	166,022	12,540,819
Infrastructure	5,433,252	180,447	1,114	5,612,585
Total accumulated depreciation	22,570,238	1,813,120	167,136	24,216,222
Total capital assets being depreciated, net	23,021,927	(1,189,449)	-	21,832,478
Governmental activities capital assets, net	\$ 46,266,425	\$ (1,189,449)	\$ -	\$ 45,076,976
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,731,536	\$ -	\$ -	\$ 1,731,536
Construction in progress	689,595	501,843	-	1,191,438
Total capital assets, not being depreciated	2,421,131	501,843	-	2,922,974
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	3,499,395	-	45,544	3,453,851
Total capital assets, being depreciated	54,285,443	-	45,544	54,239,899
Less accumulated depreciation for:				
Buildings	244,241	35,165	-	279,406
Improvements	96,142	16,583	-	112,725
Infrastructure	12,795,234	974,038	-	13,769,272
Machinery and equipment	2,081,314	219,364	35,198	2,265,480
Total accumulated depreciation	15,216,931	1,245,150	35,198	16,426,883
Total capital assets, being depreciated, net	39,068,512	(1,245,150)	10,346	37,813,016
Business-type activities capital assets, net	\$ 41,489,643	\$ (743,307)	\$ 10,346	\$ 40,735,990

Depreciation expense for the year ended June 30, 2017, was charged to the functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 261,820
Public safety	802,626
Public works	245,602
Parks, recreation and culture	330,560
Community development	5,376
Total depreciation expense - governmental activities	<u>\$ 1,645,984</u>

Business-type activities:

Water and wastewater services	\$ 1,200,583
Bayside landing	9,369
Total depreciation expense - business-type activities	<u>\$ 1,209,952</u>

Component Units

Board of Education

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Government activities				
Capital assets, not being depreciated:				
Land	\$ 147,475	\$ -	\$ -	\$ 147,475
Construction in progress	111,943	140,071	240,152	11,862
Total capital assets, not being depreciated	<u>259,418</u>	<u>140,071</u>	<u>240,152</u>	<u>159,337</u>
Capital assets, being depreciated:				
Land improvements	726,079	-	-	726,079
Buildings, furniture, fixtures and equipment	55,512,679	314,756	-	55,827,435
Vehicles	382,598	70,299	70,565	382,332
Total capital assets, being depreciated	<u>56,621,356</u>	<u>385,055</u>	<u>70,565</u>	<u>56,935,846</u>
Less accumulated depreciation for:				
Land improvements	241,601	37,579	-	279,180
Buildings, furniture, fixtures and equipment	36,960,127	1,419,201	-	38,379,328
Vehicles	338,204	15,458	70,565	283,097
Total accumulated depreciation	<u>37,539,932</u>	<u>1,472,238</u>	<u>70,565</u>	<u>38,941,605</u>
Total capital assets, being depreciated, net	<u>19,081,424</u>	<u>(1,087,183)</u>	<u>-</u>	<u>17,994,241</u>
Governmental activities capital assets, net	<u>\$ 19,340,842</u>	<u>\$ (947,112)</u>	<u>\$ 240,152</u>	<u>\$ 18,153,578</u>

Public Library

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Computers and equipment	\$ 90,804	\$ -	\$ -	\$ 90,804
Furniture and fixtures	58,476	-	-	58,476
Library improvements	33,614	-	-	33,614
Less accumulated depreciation	173,385	772	-	174,157
Capital assets, net	<u>\$ 9,509</u>	<u>\$ (772)</u>	<u>\$ -</u>	<u>\$ 8,737</u>

Library collections and related accumulated amortization activity for the year ended June 30, 2017, was as follows:

Kent County Public Library - Collections

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets	\$ 877,398	\$ 59,873	\$ 130,839	\$ 806,432
Less accumulated depreciation	651,785	63,385	130,839	584,331
Capital assets, net	<u>\$ 225,613</u>	<u>\$ (3,512)</u>	<u>\$ -</u>	<u>\$ 222,101</u>

D. Accrued liabilities

Accrued liabilities reported by governmental funds at June 30, 2017, were as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 684,202	\$ 25,989	\$ 710,191
Other	-	17,996	17,996
Total accrued liabilities	<u>\$ 684,202</u>	<u>\$ 43,985</u>	<u>\$ 728,187</u>

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, 2017, the County recognized aggregated pension expense of \$1,299,976 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 2017.

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, 2017 is based on salaries for the year ending June 30, 2016. 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, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015
Alternate/Reformed Contributory Pension Systems	\$ 679,403	\$ 640,296	\$ 703,480
LEOPS	289,985	307,892	280,083

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

As of June 30, 2017, the County reported a liability of \$11,324,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the County's proportion was 0.048%.

For the year ended June 30, 2017, the County recognized pension expenses of \$1,299,976. As of June 30, 2017, 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	\$ 435,614	\$ -
County contribution subsequent to the measurement date	969,388	-
Net difference between projected vs actual investment earnings	1,344,030	-
Difference between actual and expected experience	-	280,188
Total	<u>\$ 2,749,032</u>	<u>\$ 280,188</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,	
2018	\$ 344,850
2019	344,850
2020	522,198
2021	312,373
2022	(24,815)

Actuarial Assumptions - The key actuarial assumptions used to perform the June 30, 2017, pension liability calculation are as follows:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.7% general, 3.2% wage
Salary increases	3.45% to 10.7%, 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	\$ 15,554,607	\$ 11,324,075	\$ 7,803,649

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, 2016. 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 who’s 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 2017 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 2017 the County contributed \$190,365 (\$190,365 for pay-as-you-go premiums and \$0 to the trust). Plan members receiving benefits contributed \$23,705.

Investment Policy – The County Commissioners of Queen Anne’s County, County Commissioners of Kent County and Participating Agencies Other Post-Employment Benefit Trust policy in regard to the allocation of invested assets is established and may be amended by the trustees. It is the responsibility of the trustees to ensure investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent investor would use in the administration of a trust of like character and with like aims. The County Commissioners of Queen Anne’s County, County Commissioners of Kent County and Participating Agencies Other Post Employment Trust will be

diversified among horizon, liquidity needs, risk tolerance and investment objectives.

Investment Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of the OPEB plan expense was .19%. The money-weighted rate of return on OPEB plan investments, expresses investment performance, net of the OPEB plan expense, adjusted for the changing amounts actually invested.

Net OPEB Liability as Required by GASB Statement No. 74

The components of the net OPEB liability at June 30, 2017 were as follows:

Total OPEB liability	\$ 12,375,950
Plan fiduciary net position	(157,330)
Net OPEB liability	<u>\$ 12,218,620</u>

Plan fiduciary net position as a percentage of the total OPEB liability	1.27%
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Actuarial Assumptions - The total OPEB liability as of June 30, 2017, was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial assumptions used in the latest actuarial valuation were:

Inflation rate	2.30%
Salary increases	State of Maryland General and LEOPS Retirement and Pension System salary scale assumptions
Investment rate of return	2.30%
Discount rate	3.58%
Bond rate	3.58%
Healthcare cost trend rate	Society of Actuaries Long Run Medical Cost Trend Model
Mortality	<u>Pre-Retirement Healthy Mortality</u> - RP-2014 Blue Collar Mortality Table, fully generational, projected to 2014 as of 2014 using Scale MP-2014
	<u>Post-Retirement Healthy Mortality</u> - RP-2014 Blue Collar Mortality Table, fully generational, projected to 2010 for males and 2012 for females as of 2014 using Scale MP-2014
	<u>Disabled</u> - RP-2014 Disabled Annuitant Mortality Table, not generational, set forward 2 years for males and 3 years for females

An experience study has not been completed for the County Commissioners of Kent County. The demographic assumptions are based on those used by the Maryland State Retirement and Pension System for its actuarial valuation.

The long term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 (see the investment policy discussion) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100%	2.30%
Total	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% as of June 30, 2017. The projection of cash flows used to determine the discount rate assume that the County will contribute to the trust at the same level as in recent years. Based on that assumption, the liabilities for the plan will be determined using the June 30, 2017 bond rate of 3.58% as a discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate - the following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Net OPEB liability	\$ 14,970,019	\$ 12,218,620	\$ 10,106,836

Sensitivity of the net OPEB liability to changes in the health care cost trend rates - the following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower (2.90 percent) or 1-percentage-point higher (4.90 percent) than the current health care cost trend rates:

	1% Decrease <u>(2.90%)</u>	Health Care Cost Trend Rates <u>(3.90%)</u>	1% Increase <u>(4.90%)</u>
Net OPEB liability	\$ 9,853,593	\$ 12,218,620	\$ 14,151,947

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:

	2017	2016	2015
Annual required contribution (ARC)	\$ 1,030,000	\$ 819,000	\$ 764,000
Less net OPEB obligation (NOO) amortization	(173,000)	(137,000)	(106,000)
Plus interest on net OPEB obligation (NOO)	122,000	101,000	81,000
Total cost	979,000	783,000	739,000
Contributions made	-	-	-
Benefits paid during fiscal year	(190,000)	(183,000)	(174,000)
Increase in net OPEB obligation	789,000	600,000	565,000
Net OPEB obligation - beginning of year	3,491,200	2,891,200	2,326,200
Net OPEB obligation - end of year	\$ 4,280,200	\$ 3,491,200	\$ 2,891,200
Percentage of annual OPEB contribution	19.4%	23.4%	23.5%

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

For the	Actuarial		Unfunded		UAAAL as a %	
Year	Value of	Accrued	Accrued	Funded Ratio	Covered	of Covered
Ended	Assets	Liability	Liability		Payroll	Payroll
June 30,						
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%
2017	157,033	10,627,000	10,469,967	1.5%	9,779,935	107.1%

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	5.9% decreasing gradually
Remaining amortization period	21 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	\$ 1,928,000
Interest on net OPEB obligation	244,000
Amortization of net OPEB obligation	(344,000)
Annual OPEB cost (expense)	<u>1,828,000</u>
Benefits paid during fiscal year	<u>(644,873)</u>
Increase in net OPEB obligation	1,183,127
Net OPEB obligation - beginning of year	6,962,243
Net OPEB obligation - end of year	<u><u>\$ 8,145,370</u></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	(1,400,000)	-	(1,400,000)
Total	<u>\$ 1,400,000</u>	<u>\$ -</u>	<u>\$ 1,400,000</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Fiscal Year Ending June 30,</u>	Governmental Activities	Business-Type Activities	Total
2018	\$ 325,071	\$ -	\$ 325,071
2019	325,071	-	325,071
2020	325,071	-	325,071
2021	325,071	-	325,071
2022	325,071	-	325,071
Total minimum lease payments	1,625,355	-	1,625,355
Less: amount representing interest	(128,388)	-	(128,388)
Present value of minimum lease payments	<u>\$ 1,496,967</u>	<u>\$ -</u>	<u>\$ 1,496,967</u>

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 \$394,762 for the year ended June 30, 2017. Future minimum lease payments under significant non-cancelable operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 387,158
2019	183,900
2020	50,635
2021	34,936
Total	<u>\$ 656,629</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, 2017, was \$0.

Component Units

Public Library

During 2017, 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, 2017, are as follows:

Governmental Activities:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2017
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	\$ 137,348
<u>Maryland Water Quality Financing</u>					
FY01 Dulin Landfill Closure	04/05/01	689,000	2.200%	02/01/20	96,579
<u>Manufacturers & Traders Trust Company</u>					
FY06 Board of Education Capital Projects	05/02/06	7,130,000	4.210%	05/02/21	2,355,373
<u>SunTrust Bank</u>					
FY09 Community Center	04/03/09	8,500,000	4.450%	04/03/29	5,949,642
FY11 Refinance - FY98 Public Works Complex	05/02/11	784,100	3.820%	05/02/26	522,055
					\$ 9,060,997

Business-type Activities:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2017
General obligation bonds					
<u>SunTrust</u>					
Worton Debt Refinance	05/02/11	\$ 155,300	3.260%	05/02/21	\$ 68,150
<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	551,308
Fairlee/Piney Neck/Tolchester/Spring Cove Debt Refinance	04/28/04	2,027,478	1.000%	02/01/24	755,935
Worton Wastewater Treatment Plant Upgrade	03/19/10	2,700,000	1.000%	02/01/30	1,901,135
<u>United States Department of Agriculture</u>					
Kennedyville Sewer	12/15/77	84,000	5.000%	12/15/17	2,042
Worton Water Treatment Plant	01/28/10	338,000	2.375%	01/28/50	297,841
Chesterville Sewer Extension	12/16/10	476,000	2.250%	12/16/50	424,498
Worton Wastewater Treatment Plant	07/15/10	5,367,082	4.000%	07/15/50	4,943,877
Worton Wastewater Treatment Plant	12/16/10	2,253,000	3.750%	12/16/50	2,073,027
Edesville Wastewater Treatment Plant	11/18/10	60,000	2.250%	11/18/50	53,504
Worton Wastewater Treatment Plant	07/01/11	601,000	2.500%	07/01/51	546,786
Quaker Neck Sewer Extension	12/16/11	780,000	2.250%	12/16/51	709,400
Delta Heights Extension	12/22/16	476,000	1.375%	12/22/56	471,506
Galena Wastewater Treatment Plant Upgrade & Collection Syst	12/22/16	1,163,000	1.375%	12/22/56	1,163,000
					\$ 13,962,009

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

Governmental Activities:

Fiscal Year Ending June 30,	Principal		Build America Bonds Interest		Total
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		520,042		206,067	(982) 725,127
2023 - 2027		2,891,814		669,095	(4,539) 3,556,370
2028 - 2032		1,237,399		93,016	(3,864) 1,326,551
2033 - 2037		20,392		8,868	(3,104) 26,156
2038 - 2042		22,814		6,446	(2,256) 27,004
2043 - 2047		25,523		3,737	(1,308) 27,952
2048 - 2052		19,545		842	(297) 20,090
	\$	9,060,997	\$	2,259,175	\$ (20,513) \$ 11,299,659

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 June 30,	Principal		America Bonds Interest		Total
2018		484,319		391,276	(99,654) 775,941
2019		502,866		393,903	(98,118) 798,651
2020		523,082		377,291	(96,787) 803,586
2021		533,593		366,779	(94,875) 805,497
2022		525,099		356,827	(93,154) 788,772
2023 - 2027		2,252,183		1,615,981	(437,765) 3,430,399
2028 - 2032		1,748,780		1,346,312	(383,662) 2,711,430
2033 - 2037		1,515,131		1,087,349	(317,642) 2,284,838
2038 - 2042		1,785,550		816,930	(237,873) 2,364,607
2043 - 2047		2,108,945		493,535	(141,155) 2,461,325
2048 - 2052		1,744,450		126,725	(30,705) 1,840,470
2053 - 2057		238,011		7,819	- 245,830
	\$	13,962,009	\$	7,380,727	\$ (2,031,390) \$ 19,311,346

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 2017, the County issued debt of \$1,639,000.

Changes in Long-Term Liabilities

Changes in the government’s long-term liabilities for the year ended June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 10,049,518	\$ -	\$ (988,521)	\$ 9,060,997	\$ 1,030,248
Capital leases	1,772,290	-	(275,323)	1,496,967	283,051
Compensated absences	969,092	910,181	(972,984)	906,289	30,390
Landfill liability	811,437	-	(132,300)	679,137	75,460
Net other post-employment benefit obligation	3,491,200	979,000	(190,000)	4,280,200	-
Net pension liability	9,528,916	1,795,159	-	11,324,075	-
Governmental activities long-term liabilities	\$ 26,622,453	\$ 3,684,340	\$ (2,559,128)	\$ 27,747,665	\$ 1,419,149

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Business-Type Activities:					
General obligation bonds	\$ 12,802,590	\$ 1,639,000	\$ (479,581)	\$ 13,962,009	\$ 484,319
Compensated absences	34,699	69,187	(62,958)	40,928	575
Business-type activities long-term liabilities	\$ 12,837,289	\$ 1,708,187	\$ (542,539)	\$ 14,002,937	\$ 484,894

Funding Sources for Other Non-Debt Related Liabilities

Compensated absences liabilities of governmental activities are liquidated by the governmental fund that incurred the personnel cost.

Net pension liabilities, net other post-employment benefit obligations, and landfill liabilities are all liquidated with general fund resources.

Component Units

Board of Education

A summary of long-term liability activity for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 6,962,243	\$ 1,828,000	\$ 644,873	\$ 8,145,370	\$ -
Other post-employment benefit obligation	2,536,630	402,304	-	2,938,934	-
Net pension liability	\$ 9,498,873	\$ 2,230,304	\$ 644,873	\$ 11,084,304	\$ -

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, 2017, the stabilization reserve is \$185,229.

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, 2017, is as follows:

	Due From All Funds	Due To All Funds
General fund	\$ 4,086,350	\$ 5,105
Non-major governmental funds	-	3,894,736
Enterprise fund - water and wastewater services	5,105	191,614
Total	<u>\$ 4,091,455</u>	<u>\$ 4,091,455</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, 2017, is as follows:

	Transfers In	Transfers Out
General fund	\$ 50,278	\$ (4,375,949)
Capital projects fund	3,420,197	-
Non-major governmental funds	80,444	-
Enterprise fund - water and wastewater services	875,308	(27,900)
Enterprise fund - bayside landing	-	(22,378)
Total	<u>\$ 4,426,227</u>	<u>\$ (4,426,227)</u>

Significant interfund transfers in 2017 included:

- \$3,420,197 transfer from the general fund to the capital projects fund for the installation of a fiber network throughout Kent County, the stormwater project at Nicholson, the football field repairs at Kent County High School, the County’s share of several Project Open Space projects at Worton Park and the Kent County Public Library project.
- \$875,308 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 \$2,277,958 in post closure costs in the last twenty-one years and estimates the cost to provide post closure care for the remaining nine years at \$679,137. 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 \$142,778 in tipping fees to the facility during fiscal year 2017.

The participating counties are contingently liable for closure costs of the landfills. The County's potential share of the liability is \$2,403,420. 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

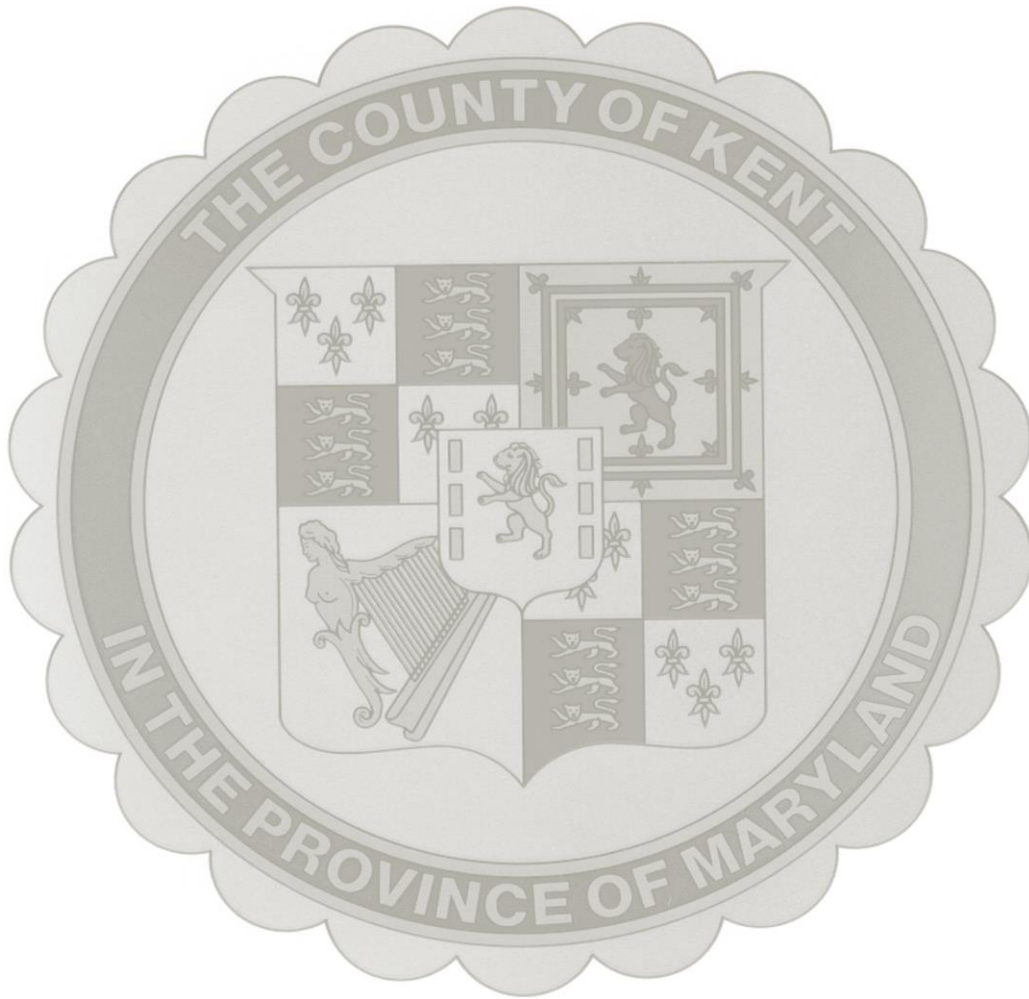
Primary Government

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, 2017, the value of all the deferred loan agreements was \$271,809.43.

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 30,477,131	\$ 30,477,131	\$ 29,986,484	\$ (490,647)
Income	12,386,099	12,830,000	12,986,434	156,434
Other	1,769,336	2,032,124	1,940,611	(91,513)
Licenses and permits	312,170	312,170	339,840	27,670
Intergovernmental	516,792	516,967	481,635	(35,332)
Charges for services	462,562	491,383	562,664	71,281
Fines and forfeitures	9,300	9,300	13,275	3,975
Rental income	110,171	110,171	111,046	875
Miscellaneous	21,805	52,758	136,595	83,837
	<u>46,065,366</u>	<u>46,832,004</u>	<u>46,558,584</u>	<u>(273,420)</u>
EXPENDITURES				
General government				
County commissioners office	392,681	411,881	411,819	62
State's attorney's office	651,201	677,704	656,086	21,618
Circuit court	238,945	238,945	211,312	27,633
Orphan's court	54,593	54,593	49,761	4,832
Election office	498,006	498,006	409,048	88,958
Finance office	677,949	677,949	646,954	30,995
State Department of Assessment & Taxation	116,916	116,916	114,004	2,912
Legal counsel	80,350	80,350	50,595	29,755
Human resources	350,979	354,662	335,495	19,167
Planning and zoning	729,008	722,376	674,237	48,139
Information technology	1,092,123	1,113,010	1,112,807	203
Building Maintenance	1,260,711	1,288,233	1,102,904	185,329
General services	75,592	75,592	64,734	10,858
	<u>6,219,054</u>	<u>6,310,217</u>	<u>5,839,756</u>	<u>470,461</u>
Public safety				
Sheriff's office	2,988,685	2,992,584	2,614,964	377,620
Volunteer fire company	1,101,331	1,101,637	1,101,637	-
Detention center	3,133,811	3,164,347	2,951,796	212,551
Community work program	7,866	7,900	7,900	-
Alcoholic beverage inspection	63,559	63,559	57,135	6,424
Building inspector	27,110	29,256	29,179	77
Emergency management	1,161,845	1,155,018	1,121,307	33,711
Communications division	1,050,140	1,054,440	1,044,807	9,633
Humane society	263,040	263,040	263,020	20
	<u>9,797,387</u>	<u>9,831,781</u>	<u>9,191,745</u>	<u>640,036</u>

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

(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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public works				
Engineering	\$ 183,462	\$ 183,462	\$ 177,213	\$ 6,249
Highways and streets	3,696,002	3,734,506	3,410,451	324,055
Environmental operations	1,085,404	1,129,254	1,067,598	61,656
Total public works	<u>4,964,868</u>	<u>5,047,222</u>	<u>4,655,262</u>	<u>391,960</u>
Health				
Health department	397,675	397,675	397,675	-
Mosquito control	34,784	34,784	33,796	988
Total health	<u>432,459</u>	<u>432,459</u>	<u>431,471</u>	<u>988</u>
Social services				
Department of social services	21,416	21,416	20,766	650
Mid shore council on family violence	13,000	8,175	8,175	-
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	2,918	832
Community mediation	9,000	9,000	9,000	-
Kent center	55,000	76,000	76,000	-
Saint martin's ministries	8,000	8,000	8,000	-
Midshore regional council	-	5,000	5,000	-
Casa	10,000	10,000	10,000	-
Total social services	<u>374,696</u>	<u>395,871</u>	<u>394,389</u>	<u>1,482</u>
Education				
Kent county public schools	17,112,378	17,112,378	17,112,378	-
Chesapeake college	498,315	498,315	498,315	-
Kent county learning center	2,500	2,500	2,500	-
Total education	<u>17,613,193</u>	<u>17,613,193</u>	<u>17,613,193</u>	<u>-</u>
Parks, recreation and culture				
Recreation	1,142,080	1,165,831	1,034,887	130,944
Parks	492,186	498,047	457,124	40,923
Culture	15,000	15,000	15,000	-
Total parks, recreation and culture	<u>1,649,266</u>	<u>1,678,878</u>	<u>1,507,011</u>	<u>171,867</u>
Library	626,098	626,098	626,098	-

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

(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, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Resource conservation and development				
Agriculture land preservation	\$ -	\$ -	\$ -	\$ -
Extension office	132,226	132,226	130,882	1,344
Soil conservation service	185,756	185,756	185,756	-
Forestry board	1,693	1,693	1,693	-
Clean chesapeake coalition	25,000	25,000	25,000	-
Chester river association	10,000	10,000	10,000	-
Total resource conservation and development	<u>354,675</u>	<u>354,675</u>	<u>353,331</u>	<u>1,344</u>
Community development				
Housing development	-	3,000	2,107	893
Economic development	219,229	227,097	129,135	97,962
Tourism	406,505	412,505	412,450	55
Total community development	<u>625,734</u>	<u>642,602</u>	<u>543,692</u>	<u>98,910</u>
Debt service				
Debt service principal	988,522	988,522	988,521	1
Debt service interest	425,898	425,975	425,975	-
Capital lease principal	275,274	275,322	275,323	(1)
Capital lease interest	49,796	49,748	49,747	1
Total debt service	<u>1,739,490</u>	<u>1,739,567</u>	<u>1,739,566</u>	<u>1</u>
Intergovernmental				
Municipalities	3,576	3,576	3,576	-
Total intergovernmental	<u>3,576</u>	<u>3,576</u>	<u>3,576</u>	<u>-</u>
Miscellaneous				
Insurance & non departmental benefits	250,000	248,800	134,807	113,993
Contingencies	400,000	279,523	-	279,523
Total miscellaneous	<u>650,000</u>	<u>528,323</u>	<u>134,807</u>	<u>393,516</u>
Total expenditures	<u>45,050,496</u>	<u>45,204,462</u>	<u>43,033,897</u>	<u>2,170,565</u>
Excess (deficiency) of revenues over expenditures	<u>1,014,870</u>	<u>1,627,542</u>	<u>3,524,687</u>	<u>1,897,145</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,683	9,683	50,278	40,595
Transfers out	(6,159,457)	(4,578,940)	(4,375,949)	202,991
Total Other Financing Sources (Uses)	<u>(6,149,774)</u>	<u>(4,569,257)</u>	<u>(4,325,671)</u>	<u>243,586</u>
Net change in fund balances*	(5,134,904)	(2,941,715)	(800,984)	2,140,731
Fund balance - beginning			10,620,107	
Fund balance - ending			<u>\$ 9,819,123</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
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%
2017	157,033	10,627,000	10,469,967	1.5%	9,779,935	107.1%

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, 2017
Actuarial cost method	Projected unit credit
Amortization method	Closed
Remaining amortization period	21 years
Asset valuation method	Market value of assets
Discount rate	3.5%
Salary growth	3.0%

**The County Commissioners of Kent County, Maryland
 Schedule of Investment Returns for the Retiree Health Benefit Plan
 For the Year Ended June 30, 2017**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Annual money-weighted rate of return net of investment expense	0.19%	0.15%	0.16%	0.14%	0.19%	0.20%	0.22%	0.25%	n/a	n/a

The above schedule is intended to show information for ten years. Additional years' information will be displayed as they become available.

The County Commissioners of Kent County, Maryland
Schedule of Changes in the County's Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2017

Total OPEB Liability	2017
Service cost	\$ 717,357
Interest cost	380,019
Changes in benefit terms	-
Differences between expected and actual experience	(26,927)
Changes in assumptions	(1,933,327)
Benefit payments	<u>(190,365)</u>
Net change in total OPEB liability	(1,053,243)
Total OPEB liability - beginning of year	<u>13,429,193</u>
Total OPEB liability - ending of year	<u><u>\$ 12,375,950</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 190,365
Net investment income	297
Benefit payments	<u>(190,365)</u>
Net change in fiduciary net position	297
Fiduciary net position - beginning of year	<u>157,033</u>
Fiduciary net position - ending of year	<u><u>\$ 157,330</u></u>
Net OPEB liability	<u>\$ 12,218,620</u>
Fiduciary net position as a % of total OPEB liability	<u>1.27%</u>
Covered-employee payroll 1)	
Net OPEB liability as a % of payroll 1)	

Notes to Schedule:

Benefits changes: none

Changes in assumptions: none

<u>Discount rate:</u>	
6/30/2016	2.85%
6/30/2017	3.58%

1) Because this OPEB plan does not depend on salary, we do not have salary information

The above schedule is intended to show information for ten years. Additional years' information will be displayed as they become available.

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

Employee's Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.4800%	0.0459%	4.2100%
County's proportionate share of the net pension liability	<u>\$ 11,324,075</u>	<u>\$ 9,528,916</u>	<u>\$ 7,468,023</u>
Total	<u>\$ 11,324,075</u>	<u>\$ 9,528,916</u>	<u>\$ 7,468,023</u>
County's covered payroll	\$ 8,894,900	\$ 7,544,607	\$ 8,149,823
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	127.31%	126.30%	91.63%
Plan fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

Schedule of County Contributions

Employee's Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 969,388	\$ 948,188	\$ 983,563
Contributions in relation to the contractually required contribution	<u>(969,388)</u>	<u>(948,188)</u>	<u>(983,563)</u>
Contributions deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 8,894,900	\$ 7,544,607	\$ 8,149,823
Contributions as a percentage of covered payroll	10.90%	12.57%	12.07%

The above schedules are intended to show information for ten years. Additional years' information will be displayed as they become available.

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, 2017

	Grants	Agricultural Preservation	Inmate Welfare	Reforestation & Open Space	Law Library	Regional Family Services	Weed Control	Kent Family Center	Family & Community Partnerships of Kent County
ASSETS									
Equity in pooled cash	\$ 621	\$ 151,875	\$ 55,270	\$ 226,218	\$ 40,804	\$ 591	\$ -	\$ -	\$ 43,076
Intergovernmental receivable	3,783,467	-	-	-	406	-	14,025	179,541	175,642
Receivables	-	-	5,531	-	-	-	-	-	-
Prepaid	-	-	-	-	-	-	-	4,040	915
Total assets	<u>\$ 3,784,088</u>	<u>\$ 151,875</u>	<u>\$ 60,801</u>	<u>\$ 226,218</u>	<u>\$ 41,210</u>	<u>\$ 591</u>	<u>\$ 14,025</u>	<u>\$ 183,581</u>	<u>\$ 219,633</u>
LIABILITIES									
Accounts payable	\$ 48,912	\$ -	\$ 1,453	\$ -	\$ 166	\$ -	\$ 452	\$ 9,821	\$ 60,844
Accrued liabilities	-	-	-	-	-	-	1,553	15,093	9,343
Intergovernmental payable	-	1,216	-	-	-	-	-	-	149,446
Due to other funds	3,735,176	-	-	-	-	-	1,565	157,995	-
Unearned revenue	-	-	-	-	-	-	-	-	-
Total liabilities	<u>3,784,088</u>	<u>1,216</u>	<u>1,453</u>	<u>-</u>	<u>166</u>	<u>-</u>	<u>3,570</u>	<u>182,909</u>	<u>219,633</u>
FUND BALANCES									
Restricted	-	150,659	59,348	196,043	41,044	591	-	-	-
Assigned	-	-	-	-	-	-	10,455	672	-
Committed	-	-	-	30,175	-	-	-	-	-
Total fund balances	<u>-</u>	<u>150,659</u>	<u>59,348</u>	<u>226,218</u>	<u>41,044</u>	<u>591</u>	<u>10,455</u>	<u>672</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,784,088</u>	<u>\$ 151,875</u>	<u>\$ 60,801</u>	<u>\$ 226,218</u>	<u>\$ 41,210</u>	<u>\$ 591</u>	<u>\$ 14,025</u>	<u>\$ 183,581</u>	<u>\$ 219,633</u>

The County Commissioners of Kent County, Maryland
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2017

	<u>Kent County Drug Task Force</u>	<u>Sheriff's Forfeitures</u>	<u>Shop With A Cop</u>	<u>Kennedyville Development</u>	<u>Housing & Community Development</u>	<u>Special Events Overtime</u>	<u>Platform Tennis</u>	<u>Post Prom</u>	<u>Nonmajor Governmental Funds</u>
ASSETS									
Equity in pooled cash	\$ 25,403	\$ 32,760	\$ 708	\$ 219,335	\$ 21,975	\$ 2,587	\$ 1,884	\$ 1,576	\$ 824,683
Intergovernmental receivable	-	-	-	-	-	-	-	-	4,153,081
Receivables	-	-	-	-	-	-	-	-	5,531
Prepaid	-	-	-	-	-	-	-	-	4,955
Total assets	<u>\$ 25,403</u>	<u>\$ 32,760</u>	<u>\$ 708</u>	<u>\$ 219,335</u>	<u>\$ 21,975</u>	<u>\$ 2,587</u>	<u>\$ 1,884</u>	<u>\$ 1,576</u>	<u>\$ 4,988,250</u>
LIABILITIES									
Accounts payable	\$ 1,573	\$ 195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178	\$ 123,594
Accrued liabilities	7,874	10,122	-	-	-	-	-	-	43,985
Intergovernmental payable	-	-	-	-	21,975	-	-	-	172,637
Due to other funds	-	-	-	-	-	-	-	-	3,894,736
Unearned revenue	1,350	-	-	219,335	-	-	-	-	220,685
Total liabilities	<u>10,797</u>	<u>10,317</u>	<u>-</u>	<u>219,335</u>	<u>21,975</u>	<u>-</u>	<u>-</u>	<u>178</u>	<u>4,455,637</u>
FUND BALANCES									
Restricted	14,606	5,147	-	-	-	-	-	-	467,438
Assigned	-	17,296	708	-	-	2,587	1,884	1,398	35,000
Committed	-	-	-	-	-	-	-	-	30,175
Total fund balances	<u>14,606</u>	<u>22,443</u>	<u>708</u>	<u>-</u>	<u>-</u>	<u>2,587</u>	<u>1,884</u>	<u>1,398</u>	<u>532,613</u>
Total liabilities and fund balances	<u>\$ 25,403</u>	<u>\$ 32,760</u>	<u>\$ 708</u>	<u>\$ 219,335</u>	<u>\$ 21,975</u>	<u>\$ 2,587</u>	<u>\$ 1,884</u>	<u>\$ 1,576</u>	<u>\$ 4,988,250</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, 2017

	<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>Weed Control</u>	<u>Kent Family Center</u>	<u>Family & Community Partnerships of Kent County</u>
REVENUES									
Taxes	\$ -	\$ 9,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,494,579	-	-	-	8,030	-	-	365,431	514,536
Charges for services	-	-	-	-	-	174	14,025	-	-
Fines and forfeitures	12,331	-	-	6,079	500	-	-	-	-
Miscellaneous	-	-	41,030	-	-	-	-	-	-
Total revenues	<u>4,506,910</u>	<u>9,023</u>	<u>41,030</u>	<u>6,079</u>	<u>8,530</u>	<u>174</u>	<u>14,025</u>	<u>365,431</u>	<u>514,536</u>
EXPENDITURES									
Current									
General government	3,792,440	-	-	-	17,226	-	-	-	-
Public safety	568,554	-	26,172	-	-	-	-	-	-
Public works	45,482	-	-	-	-	-	3,570	-	-
Social services	40,000	-	-	-	-	-	-	375,908	564,609
Parks recreation & culture	1,000	-	-	-	-	-	-	-	-
Resource conservation & development	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Tourism & economic development	59,434	-	-	-	-	-	-	-	-
Total expenditures	<u>4,506,910</u>	<u>-</u>	<u>26,172</u>	<u>-</u>	<u>17,226</u>	<u>-</u>	<u>3,570</u>	<u>375,908</u>	<u>564,609</u>
Excess (deficiency) of revenues over (under) expenditures	-	9,023	14,858	6,079	(8,696)	174	10,455	(10,477)	(50,073)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	1,202	-	-	13,000	-	-	11,149	50,073
Total other financing sources (uses)	<u>-</u>	<u>1,202</u>	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>11,149</u>	<u>50,073</u>
Net change in fund balances	-	10,225	14,858	6,079	4,304	174	10,455	672	-
Fund balances - beginning	-	140,434	44,490	220,139	36,740	417	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 150,659</u>	<u>\$ 59,348</u>	<u>\$ 226,218</u>	<u>\$ 41,044</u>	<u>\$ 591</u>	<u>\$ 10,455</u>	<u>\$ 672</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, 2017

	Kent County Drug Task Force	Sheriff's Forfeitures	Shop With A Cop	Kennedyville Development	Housing & Community Development	Special Events Overtime	Platform Tennis	Post Prom	Total Nonmajor Governmental Funds
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,023
Intergovernmental	-	-	-	-	-	-	-	800	5,383,376
Charges for services	-	-	-	-	-	3,163	-	-	17,362
Fines and forfeitures	5,027	7,021	-	-	-	-	-	-	30,958
Miscellaneous	-	-	2,676	-	-	-	-	3,577	47,283
Total revenues	<u>5,027</u>	<u>7,021</u>	<u>2,676</u>	<u>-</u>	<u>-</u>	<u>3,163</u>	<u>-</u>	<u>4,377</u>	<u>5,488,002</u>
EXPENDITURES									
Current									
General government	-	-	-	-	-	-	-	-	3,809,666
Public safety	12,556	58,995	2,000	-	-	2,669	-	-	670,946
Public works	-	-	-	-	-	-	-	-	49,052
Social services	-	-	-	-	-	-	-	-	980,517
Parks recreation & culture	-	-	-	-	-	-	-	7,999	8,999
Resource conservation & development	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Tourism & economic development	-	-	-	-	-	-	-	-	59,434
Total expenditures	<u>12,556</u>	<u>58,995</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,669</u>	<u>-</u>	<u>7,999</u>	<u>5,578,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,529)</u>	<u>(51,974)</u>	<u>676</u>	<u>-</u>	<u>-</u>	<u>494</u>	<u>-</u>	<u>(3,622)</u>	<u>(90,612)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	5,020	80,444
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,020</u>	<u>80,444</u>
Net change in fund balances	(7,529)	(51,974)	676	-	-	494	-	1,398	(10,168)
Fund balances - beginning	22,135	74,417	32	-	-	2,093	1,884	-	542,781
Fund balances - ending	<u>\$ 14,606</u>	<u>\$ 22,443</u>	<u>\$ 708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,587</u>	<u>\$ 1,884</u>	<u>\$ 1,398</u>	<u>\$ 532,613</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, 2017

	State and Town	Millington	Inmate	Motor Vehicle	
	Tax Collections	Public Drainage	Accounts	Administration	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 20,610	\$ 15,853	\$ 36,463
Equity in pooled cash	74,331	2,431	-	-	76,762
Receivables	739,699	35	-	-	739,734
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 814,030</u>	<u>\$ 2,466</u>	<u>\$ 20,610</u>	<u>\$ 15,853</u>	<u>\$ 852,959</u>
LIABILITIES					
Accounts payable	-	-	20,610	-	20,610
Due to other governments	814,030	2,466	-	15,853	832,349
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 814,030</u>	<u>\$ 2,466</u>	<u>\$ 20,610</u>	<u>\$ 15,853</u>	<u>\$ 852,959</u>

The County Commissioners of Kent County, Maryland
Statement of Changes in Assets and Liabilities – Agency Funds
For the Year Ended June 30, 2017

	<u>Cash and Cash Equivalents</u>	<u>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 07/01/16	\$ -	\$ 64,670	\$ 819,076	\$ 883,746	\$ -	\$ 883,746	\$ 883,746
Additions	-	7,338,191	13,605,198	20,943,389	-	18,170,748	18,170,748
Deductions	-	(7,328,530)	(13,684,575)	(21,013,105)	-	(18,240,464)	(18,240,464)
Balance 06/30/17	<u>\$ -</u>	<u>\$ 74,331</u>	<u>\$ 739,699</u>	<u>\$ 814,030</u>	<u>\$ -</u>	<u>\$ 814,030</u>	<u>\$ 814,030</u>
<u>MILLINGTON PUBLIC DRAINAGE ASSOCIATION</u>							
Balance 07/01/16	\$ -	\$ 2,774	\$ 58	\$ 2,832	\$ -	\$ 2,832	\$ 2,832
Additions	-	1,507	1,484	2,991	1,850	1,484	3,334
Deductions	-	(1,850)	(1,507)	(3,357)	(1,850)	(1,850)	(3,700)
Balance 06/30/17	<u>\$ -</u>	<u>\$ 2,431</u>	<u>\$ 35</u>	<u>\$ 2,466</u>	<u>\$ -</u>	<u>\$ 2,466</u>	<u>\$ 2,466</u>
<u>INMATE ACCOUNTS</u>							
Balance 07/01/16	\$ 9,172	\$ -	\$ -	\$ 9,172	\$ 9,172	\$ -	\$ 9,172
Additions	131,873	-	-	131,873	131,873	-	131,873
Deductions	(120,435)	-	-	(120,435)	(120,435)	-	(120,435)
Balance 06/30/17	<u>\$ 20,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,610</u>	<u>\$ 20,610</u>	<u>\$ -</u>	<u>\$ 20,610</u>
<u>MOTOR VEHICLE ADMINISTRATION</u>							
Balance 07/01/16	\$ 10,669	\$ -	\$ -	\$ 10,669	\$ -	\$ 10,669	\$ 10,669
Additions	341,487	-	-	341,487	-	341,519	341,519
Deductions	(336,303)	-	-	(336,303)	-	(336,335)	(336,335)
Balance 06/30/17	<u>\$ 15,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,853</u>	<u>\$ -</u>	<u>\$ 15,853</u>	<u>\$ 15,853</u>
<u>TOTAL - ALL AGENCY FUNDS</u>							
Balance 07/01/16	\$ 19,841	\$ 67,444	\$ 819,134	\$ 906,419	\$ 9,172	\$ 897,247	\$ 906,419
Additions	473,360	7,339,698	13,606,682	21,419,740	133,723	18,513,751	18,647,474
Deductions	(456,738)	(7,330,380)	(13,686,082)	(21,473,200)	(122,285)	(18,578,649)	(18,700,934)
Balance 06/30/17	<u>\$ 36,463</u>	<u>\$ 76,762</u>	<u>\$ 739,734</u>	<u>\$ 852,959</u>	<u>\$ 20,610</u>	<u>\$ 832,349</u>	<u>\$ 852,959</u>



Family & Community Partnerships of Kent County

County Commissioners of Kent County, Maryland
Combining Balance Sheet – Family & Community Partnerships of Kent County
June 30, 2017

	<u>Home Visiting</u>	<u>Rural Cares Program</u>	<u>Total Non Community Partnership Agreement</u>	<u>Community Partnership Agreement</u>
ASSETS				
Cash and cash equivalents	\$ (46,179)	\$ -	\$ (46,179)	\$ 57,626
Intergovernmental receivable	64,303	-	64,303	111,339
Receivables	-	-	-	-
Prepaid	-	-	-	915
Total assets	<u>\$ 18,124</u>	<u>\$ -</u>	<u>\$ 18,124</u>	<u>\$ 169,880</u>
LIABILITIES				
Accounts payable	\$ 1,199	\$ -	\$ 1,199	\$ 59,605
Accrued liabilities	-	-	-	9,343
Intergovernmental payable	16,925	-	16,925	100,932
Unearned revenue	-	-	-	-
Total liabilities	<u>18,124</u>	<u>-</u>	<u>18,124</u>	<u>169,880</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Prepaid	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 18,124</u>	<u>\$ -</u>	<u>\$ 18,124</u>	<u>\$ 169,880</u>

The County Commissioners of Kent County, Maryland
Combining Balance Sheet – Family & Community Partnerships of Kent County
June 30, 2017

	<u>Incentive Reinvestment</u>	<u>County Funded Programs</u>	<u>Other Programs</u>	<u>2017 Total</u>
ASSETS				
Cash and cash equivalents	\$ 31,589	\$ 40	\$ -	\$ 43,076
Intergovernmental receivable	-	-	-	175,642
Receivables	-	-	-	-
Prepaid	-	-	-	915
Total assets	<u>\$ 31,589</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 219,633</u>
LIABILITIES				
Accounts payable	\$ -	\$ 40	\$ -	\$ 60,844
Accrued liabilities	-	-	-	9,343
Intergovernmental payable	31,589	-	-	149,446
Unearned revenue	-	-	-	-
Total liabilities	<u>31,589</u>	<u>40</u>	<u>-</u>	<u>219,633</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Prepaid	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 31,589</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 219,633</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, 2017

	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	-	-	-	374,385
Children's cabinet - not spent/transfer to payable	-	-	-	-
Total community partnership agreement	-	-	-	374,385
Non-community partnership agreement	64,304	-	64,304	-
Other intergovernmental revenue	-	75,847	75,847	-
Other Revenue	-	-	-	-
Interest	-	-	-	-
Interest - transferred to payable	-	-	-	-
Total revenues	<u>64,304</u>	<u>75,847</u>	<u>140,151</u>	<u>374,385</u>
EXPENDITURES				
Administration:				
Salaries	-	964	964	46,339
Fringe costs	-	-	-	20,465
Communications	-	-	-	516
Data lines	-	-	-	540
Postage	-	-	-	41
Business travel	717	-	717	720
Conferences and conventions	-	-	-	90
Dues, subscriptions and licenses	-	-	-	828
Consultants (other than legal)	-	-	-	300
Supplies	1,455	-	1,455	-
Rent	1,000	-	1,000	10,172
Contract services	-	-	-	-
Total administration expenditures	<u>3,172</u>	<u>964</u>	<u>4,136</u>	<u>80,011</u>
Programs:				
Healthy families mid-shore	-	-	-	105,000
Parenting While Incarcerated	-	-	-	48,740
Disconnected Youth	-	-	-	72,533
Seeking safety	-	-	-	68,099
Home visiting	61,132	-	61,132	-
Administration	-	120	120	-
Mental health & first aid training	-	25,085	25,085	-
Licensed foster care	-	33,000	33,000	-
Family navigation	-	2,037	2,037	-
Family lead	-	14,643	14,643	-
Total program expenditures	<u>61,132</u>	<u>74,885</u>	<u>136,017</u>	<u>294,372</u>
Total expenditures	<u>64,304</u>	<u>75,849</u>	<u>140,153</u>	<u>374,383</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	<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, 2017

	<u>Incentive Reinvestment</u>	<u>County Funded Programs</u>	<u>Other Programs</u>	<u>2017 Total</u>
REVENUES				
Community partnership agreement:				
Earned reinvestment	\$ -	\$ -	\$ -	\$ -
Earned reinvestment - other	-	-	-	-
Total earned reinvestment	-	-	-	-
Children's cabinet	-	-	-	374,385
Children's cabinet - not spent/transfer to payable	-	-	-	-
Total community partnership agreement	-	-	-	374,385
Non-community partnership agreement	-	-	-	64,304
Other intergovernmental revenue	-	-	-	75,847
Other Revenue	-	-	-	-
Interest	945	-	-	945
Interest - transferred to payable	(945)	-	-	(945)
Total revenues	-	-	-	514,536
EXPENDITURES				
Administration:				
Salaries	-	39,140	-	86,443
Fringe costs	-	10,892	-	31,357
Communications	-	-	-	516
Data lines	-	-	-	540
Postage	-	-	-	41
Business travel	-	-	-	1,437
Conferences and conventions	-	-	-	90
Dues, subscriptions and licenses	-	-	-	828
Consultants (other than legal)	-	-	-	300
Supplies	-	-	-	1,455
Rent	-	-	-	11,172
Contract services	-	41	-	41
Total administration expenditures	-	50,073	-	134,220
Programs:				
Healthy families mid-shore	-	-	-	105,000
Parenting While Incarcerated	-	-	-	48,740
Disconnected Youth	-	-	-	72,533
Seeking safety	-	-	-	68,099
Home visiting	-	-	-	61,132
Administration	-	-	-	120
Mental health & first aid training	-	-	-	25,085
Licensed foster care	-	-	-	33,000
Family navigation	-	-	-	2,037
Family lead	-	-	-	14,643
Total program expenditures	-	-	-	430,389
Total expenditures	-	50,073	-	564,609
Excess (deficiency) of revenues over (under) expenditures	-	(50,073)	-	(50,073)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	50,073	-	50,073
Transfers out	-	-	-	-
Total other financing sources (uses)	-	50,073	-	50,073
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning				-
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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in										
Capital Assets	\$ 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	\$ 36,695,641
Restricted	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	1,324,904
Unrestricted (deficit)	(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)	(5,273,471)
	<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>	<u>32,747,074</u>
Business-Type Activities										
Net Investment in										
Capital Assets	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	26,773,981
Restricted	80,105	337,935	366,941	223,731	259,780	-	-	-	-	-
Unrestricted (deficit)	(391,297)	(2,733,973)	(6,717,781)	(743,183)	375,461	579,741	590,544	323,881	(167,473)	535,147
	<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>	<u>27,309,128</u>
Primary Government										
Net Investment in										
Capital Assets	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	63,469,622
Restricted	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	1,324,904
Unrestricted (deficit)	(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)	(4,738,324)
	<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>	<u>\$ 60,056,202</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Primary government										
General government	\$ 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	\$ 13,156,835
Public safety	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	11,047,333
Public works	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	5,129,235
Health and social services	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	1,839,334
Education	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	17,624,105
Culture and recreation	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	2,057,603
Libraries	584,704	1,449,884	569,753	541,266	542,000	542,000	554,018	602,841	725,264	692,436
Resource conservation	337,746	495,801	312,748	407,128	404,578	336,852	347,017	378,754	393,922	353,331
Community development	1,061,222	752,226	894,696	946,040	537,809	957,230	791,118	641,490	807,887	625,041
Debt service	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	1,124,064
Total governmental activities expense	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	53,649,317
Business-type activities										
Water and wastewater services	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	4,952,221
Bayside landing	41,078	193,625	41,374	30,326	22,367	22,252	22,783	45,942	28,759	29,835
Total business-type activities expense	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	4,982,056
Total Primary Government Expenses	\$ 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	\$ 58,631,373
Program Revenues										
Primary government										
General government										
Charges for services	\$ 94,790	\$ 67,264	\$ 103,028	\$ 75,083	\$ 62,781	\$ 103,833	\$ 110,786	\$ 132,700	\$ 117,283	\$ 115,473
Operating grants and contributions	168,459	255,694	334,439	275,674	302,319	205,184	403,079	149,743	157,690	173,386
Capital grants and contributions	66,515	-	113,672	39,735	85,909	4,622	2,490,368	-	15,125	3,630,596
Total revenue	329,764	322,958	551,139	390,492	451,009	313,639	3,004,233	282,443	290,098	3,919,455
Public safety										
Charges for services	285,734	380,114	201,802	167,124	132,013	106,284	119,722	64,028	149,570	100,752
Operating grants and contributions	547,814	650,488	659,472	673,353	621,711	610,266	616,730	615,283	797,698	664,706
Capital grants and contributions	882,624	341,106	682,374	186,123	135,819	212,261	58,359	91,293	23,926	42,133
Total revenue	1,716,172	1,371,708	1,543,648	1,026,600	889,543	928,811	794,811	770,604	971,194	807,591
Public works										
Charges for services	189,895	175,439	114,533	173,609	219,920	136,352	109,912	109,122	108,899	161,647
Operating grants and contributions	2,199,784	1,911,662	244,587	222,973	494,335	257,320	235,086	442,188	325,310	303,315
Capital grants and contributions	123,709	78,406	64,998	182,842	295,918	176,944	64,998	51,107	94,654	94,892
Total revenue	2,513,388	2,165,507	424,118	579,424	1,010,173	570,616	409,996	602,417	528,863	559,854

(Continued)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Health and social services										
Charges for services	6,741	9,435	35,559	43,729	23,999	15,559	11,711	14,692	12,458	12,582
Operating grants and contributions	1,041,046	764,984	775,498	1,122,776	849,130	342,710	509,937	492,992	1,170,115	925,792
Capital grants and contributions	-	-	-	-	-	-	-	95,054	1,200	-
Total revenue	1,047,787	774,419	811,057	1,166,505	873,129	358,269	521,648	602,738	1,183,773	938,374
Culture and recreation										
Charges for services	148,089	142,094	143,674	193,282	211,853	213,773	210,373	165,654	179,414	189,572
Operating grants and contributions	78,212	95,211	46,552	28,985	21,136	12,400	10,580	2,995	26,747	4,192
Capital grants and contributions	684,992	979,393	1,515,987	138,185	-	-	92,222	185,313	97,790	217,596
Total revenue	911,293	1,216,698	1,706,213	360,452	232,989	226,173	313,175	353,962	303,951	411,360
Resource and conservation										
Operating grants and contributions	28,934	28,434	28,434	28,434	28,434	-	-	-	-	-
Total revenue	28,934	28,434	28,434	28,434	28,434	-	-	-	-	-
Community development										
Operating grants and contributions	66,220	78,690	38,719	56,211	55,358	82,691	74,986	140,597	72,791	87,868
Capital grants and contributions	357,363	40,426	220,000	133,328	19,491	56,749	18,815	19,823	51,960	-
Total revenue	423,583	119,116	258,719	189,539	74,849	139,440	93,801	160,420	124,751	87,868
Total primary government activities program revenues	6,970,921	5,998,840	5,323,328	3,741,446	3,560,126	2,536,948	5,137,664	2,772,584	3,402,630	6,724,502
Business-type activities program revenue										
Water and wastewater services										
Charges for services	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	2,052,616
Operating grants and contributions	-	-	-	-	-	272,558	20,601	-	2,760	-
Capital grants and contributions	678,098	295,709	1,443,557	1,604,522	1,227,853	33,615	-	10,809	-	810,475
Total revenue	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	2,863,091
Bayside landing										
Charges for services	42,091	40,875	41,440	40,729	41,269	41,631	41,210	39,922	42,641	42,781
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	82,948	236,076	7,594	-	-	-	9,811	13,398	-	-
Total revenue	125,039	276,951	49,034	40,729	41,269	41,631	51,021	53,320	42,641	42,781
Total business-type activities program revenues	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	2,905,872
Net (Expense) Revenue										
Governmental activities	(36,568,633)	(41,781,202)	(39,537,906)	(40,610,504)	(38,912,923)	(39,208,274)	(41,069,087)	(42,228,102)	(44,756,903)	(46,924,815)
Business-type activities	(693,968)	(1,068,406)	(175,968)	156,713	(434,496)	(1,164,904)	(1,704,357)	(1,938,714)	(1,570,098)	(2,076,184)
Total primary government net expense	<u>\$(37,262,601)</u>	<u>\$(42,849,608)</u>	<u>\$(39,713,874)</u>	<u>\$(40,453,791)</u>	<u>\$(39,347,419)</u>	<u>\$(40,373,178)</u>	<u>\$(42,773,444)</u>	<u>\$(44,166,816)</u>	<u>\$(46,327,001)</u>	<u>\$(49,000,999)</u>

(Continued)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net assets										
Government activities										
Property taxes	\$ 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	\$ 30,486,484
County income taxes	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	12,732,081
Other taxes	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	1,949,634
Licenses and permits	237,391	208,923	262,030	286,859	321,467	-	-	-	-	-
Fines and forfeitures	117,449	102,041	41,279	34,324	68,872	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Other revenues	974,725	622,596	1,027,982	261,166	2,132,585	1,037,126	663,676	659,615	673,819	641,837
Capital contributions - developers	-	-	-	-	-	-	-	-	-	-
Transfers	(570,925)	(838,376)	(779,001)	(653,982)	(3,667,989)	(3,600,908)	(848,869)	(1,001,689)	(868,147)	(825,030)
Total governmental activities	39,280,252	39,448,526	37,625,046	40,361,163	40,544,513	39,442,459	45,980,890	45,601,358	44,564,656	44,985,006
Business-type activities										
Investment income	(16,834)	2,866	(3,392)	(65)	(549)	-	-	-	-	-
Other revenues	171,147	28,912	108,341	168,324	74,082	46,150	27,892	32,441	25,780	40,703
Transfers	570,924	823,977	779,001	653,982	3,667,989	3,600,908	851,369	1,001,689	868,147	825,030
Total business-type activities	725,237	855,755	883,950	822,241	3,741,522	3,647,058	879,261	1,034,130	893,927	865,733
Total primary government	40,005,489	40,304,281	38,508,996	41,183,404	44,286,035	43,089,517	46,860,151	46,635,488	45,458,583	45,850,739
Change in net position										
Governmental activities	2,711,619	(2,332,676)	(1,912,860)	(249,341)	1,631,590	234,185	4,911,803	3,373,256	(192,247)	(1,939,809)
Business-type activities	31,269	(212,651)	707,982	978,954	3,307,026	2,482,154	(825,096)	(904,584)	(676,171)	(1,210,451)
Total primary government	\$ 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)	\$ (3,150,260)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,898,252	\$ 1,535,618	\$ 1,596,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated for future year's expenditures	236,552	791,753	511,619	-	-	-	-	-	-	-
Undesignated	4,650,733	4,633,030	10,416,815	-	-	-	-	-	-	-
Nonspendable (1)	-	-	-	614,320	732,260	713,988	786,218	436,901	517,604	752,291
Restricted (1)	-	-	-	156,240	163,010	172,019	-	-	-	-
Committed (1)	-	-	-	611,947	514,570	29,425	-	-	5,134,904	3,770,373
Assigned (1)	-	-	-	-	-	-	-	-	-	-
Unassigned (1)	-	-	-	4,254,516	5,240,154	5,233,714	9,643,390	9,756,212	4,967,599	5,296,459
Total General Fund	<u>6,785,537</u>	<u>6,960,401</u>	<u>12,524,639</u>	<u>5,637,023</u>	<u>6,649,994</u>	<u>6,149,146</u>	<u>10,429,608</u>	<u>10,193,113</u>	<u>10,620,107</u>	<u>9,819,123</u>
All Other Governmental Funds										
Reserved	367,905	358,814	2,500	-	-	-	-	-	-	-
Unreserved, designated for future year's expenditures	-	3,452,894	-	-	-	-	-	-	-	-
Undesignated, reported in:										
Capital projects	-	-	-	-	-	-	-	-	-	-
Special revenue funds	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	467,438
Committed (1)	-	-	-	19,801	10,573	-	30,175	30,175	30,175	30,175
Assigned (1)	-	-	-	-	-	26,031	31,743	38,891	55,709	75,000
Unassigned (1)	-	-	-	-	434,237	-	-	-	-	-
Total All Other Governmental Funds	<u>1,770,529</u>	<u>4,648,384</u>	<u>1,250,803</u>	<u>1,035,702</u>	<u>962,119</u>	<u>227,538</u>	<u>451,337</u>	<u>532,842</u>	<u>582,781</u>	<u>572,613</u>
Total All Governmental Funds	<u>\$ 8,556,066</u>	<u>\$ 11,608,785</u>	<u>\$ 13,775,442</u>	<u>\$ 6,672,725</u>	<u>\$ 7,612,113</u>	<u>\$ 6,376,684</u>	<u>\$ 10,880,945</u>	<u>\$ 10,725,955</u>	<u>\$ 11,202,888</u>	<u>\$ 10,391,736</u>

(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

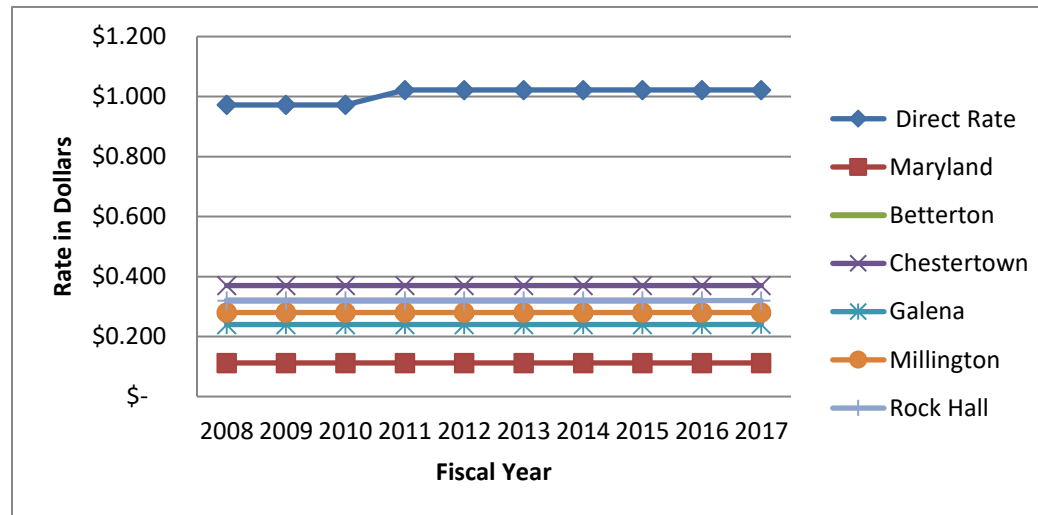
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes										
Property	\$ 23,105,492	\$ 25,655,349	\$ 27,447,599	\$ 30,680,082	\$ 30,405,080	\$ 30,174,622	\$ 30,212,617	\$ 29,888,083	\$ 29,951,731	\$ 29,986,484
Income	12,100,529	12,100,769	9,306,233	8,200,260	10,335,245	11,047,174	13,696,595	12,973,495	12,232,681	12,986,434
Other	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	1,949,634
State shared	2,182,184	1,898,272	113,492	152,110	113,412	201,738	211,318	222,422	228,948	224,873
Licenses and permits	237,391	208,923	262,030	286,859	321,467	303,533	302,045	318,992	325,727	339,840
Intergovernmental revenue	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	5,919,603
Service charges for current services	725,249	774,346	576,096	662,825	660,080	578,789	562,504	486,196	567,624	580,026
Fines and forfeitures	117,449	102,041	41,279	34,324	68,422	111,929	53,715	120,636	31,409	44,233
Miscellaneous revenue	1,029,273	845,406	1,023,146	483,264	3,902,895	272,794	606,480	255,692	329,514	294,924
Total revenues	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	52,326,051
Expenditures										
General government	4,905,332	5,360,492	5,356,693	4,988,556	4,904,035	5,363,134	7,777,559	5,664,787	6,110,099	9,787,805
Public safety	8,010,741	8,614,187	9,174,023	8,660,969	8,540,445	8,722,860	8,947,991	9,501,735	9,846,912	9,862,691
Public works	4,098,589	3,934,099	3,606,415	4,163,704	3,616,118	3,231,618	3,784,820	4,598,055	5,064,993	4,704,314
Health and social services	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	1,806,377
Education	16,776,543	18,292,447	17,878,178	17,773,673	16,706,142	17,934,858	17,721,320	17,759,230	17,982,973	17,613,193
Parks, recreation, and culture	1,149,077	1,192,976	1,116,406	1,142,849	1,180,179	1,118,836	1,275,957	1,449,062	1,493,879	1,516,010
Libraries	560,614	595,495	569,753	541,266	542,000	542,000	554,018	596,027	611,828	626,098
Resources conservation and development	336,156	494,260	406,148	407,128	414,878	336,852	347,017	378,754	393,922	353,331
Community development	1,063,007	891,386	885,508	941,182	530,249	955,209	513,246	648,410	798,178	603,126
Debt service										
Principal	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	1,263,843
Interest	658,077	606,010	989,225	961,939	855,907	910,712	769,643	657,775	523,290	475,723
Capital outlay	5,259,736	9,367,219	6,592,284	1,417,588	5,949,115	-	1,394,375	1,215,235	781,234	3,699,662
Total expenditures	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	52,312,173
Excess/(deficiency) of revenues over expenditures	(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	13,878
Other financing sources (uses)										
Transfers in	2,084,061	605,276	1,418,730	177,458	596,343	903,768	1,853,579	1,102,976	783,003	3,550,919
Transfers out	(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)	(4,375,949)
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	-	-	-	-
	(570,925)	9,261,624	7,560,059	2,524,157	(1,203,365)	(3,349,108)	(848,869)	(1,001,689)	(868,147)	(825,030)
Net increase (decrease) in fund balance	\$ (729,351)	\$ 3,052,719	\$ 2,166,657	\$ (7,102,719)	\$ 1,442,739	\$ (1,235,429)	\$ 4,504,261	\$ (154,990)	\$ 476,933	\$ (811,152)
Debt service as a percentage of noncapital expenditures	4.96%	4.22%	6.11%	23.00%	6.97%	10.83%	6.24%	9.21%	3.83%	3.35%

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
2008	\$ 0.972	\$ 0.112	\$ 0.320	\$ 0.370	\$ 0.2400	\$ 0.280	\$ 0.320
2009	0.972	0.112	0.320	0.370	0.2400	0.280	0.320
2010	0.972	0.112	0.320	0.370	0.2400	0.280	0.320
2011	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2012	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2013	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2014	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2015	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2016	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2017	1.022	0.112	0.320	0.370	0.2403	0.280	0.320

(1) Rates per \$100 of assessed value

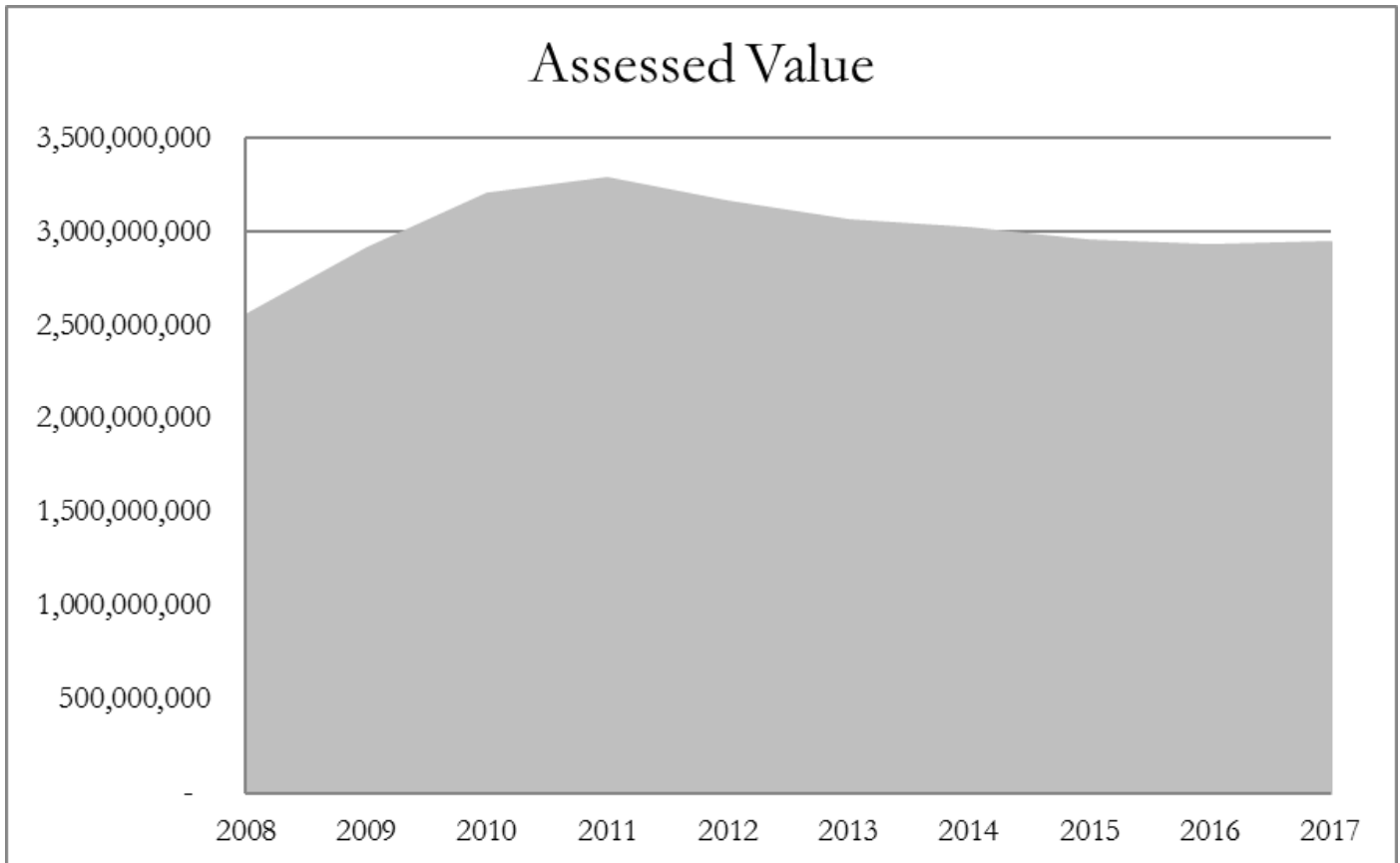
(2) County Direct Rate does not reflect the tax differential for properties located in incorporated towns



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
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
2017	2,896,170,648	44,108,770	2,852,061,878	1.022	43,656,410	2,939,827,058

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, 2017

Taxpayer	Tax Billed	% of Levy
Delmarva Power and Light	\$ 715,277	2.37%
PUMH of Maryland, Inc	406,282	1.34%
Choptank Electric Co-op, Inc	205,041	0.68%
Verizon-MD	200,814	0.66%
Kent Research and Mfg, Inc	194,807	0.64%
SGM Realty LLC	152,933	0.51%
Kent Plaza Associates	126,809	0.42%
415 Morgnec Road LLC	116,532	0.39%
Kent Crossing	115,355	0.38%
Brawner Company, Inc	89,274	0.30%

For the Fiscal Year Ended June 30, 2008

Taxpayer	Tax Billed	% of Levy
Delmarva Power and Light	\$ 417,648	1.84%
Verizon-MD	398,466	1.75%
PUMH of Maryland, Inc	380,775	1.67%
Kent Crossing	162,593	0.72%
SGM Realty LLC	136,299	0.60%
Kent Research and Mfg, Inc	120,850	0.53%
Kent Plaza Associates	107,931	0.47%
Choptank Electric Co-op, Inc	104,012	0.46%
Great Oak Landing, LP	76,838	0.34%
Brawner Company, Inc	72,763	0.32%

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

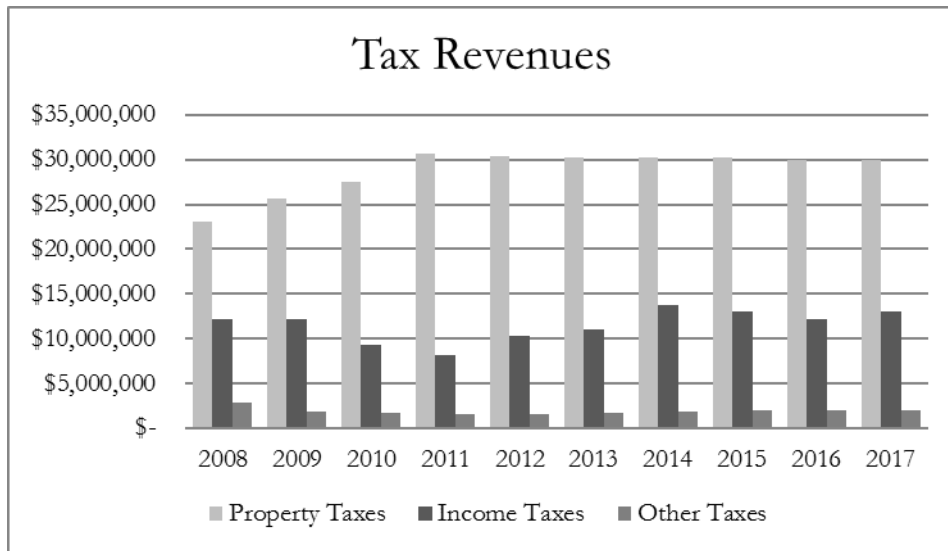
Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2008	\$ 22,733,630	\$ 21,847,667	96.10%	\$ 883,904	\$ 22,731,571	99.99%
2009	25,303,211	24,002,446	94.86%	1,297,014	25,299,460	99.99%
2010	27,507,814	25,808,857	93.82%	1,693,951	27,502,808	99.98%
2011	29,930,941	28,367,186	94.78%	1,543,077	29,910,263	99.93%
2012	29,992,561	28,439,362	94.82%	1,511,740	29,951,102	99.86%
2013	29,794,618	28,276,920	94.91%	1,457,761	29,734,681	99.80%
2014	29,881,782	28,460,998	95.25%	1,352,870	29,813,868	99.77%
2015	29,891,994	28,612,997	95.72%	1,216,362	29,829,359	99.79%
2016	30,125,879	28,783,368	95.54%	1,209,614	29,992,982	99.56%
2017	30,232,217	28,922,743	95.67%	n/a	28,922,743	95.67%

*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

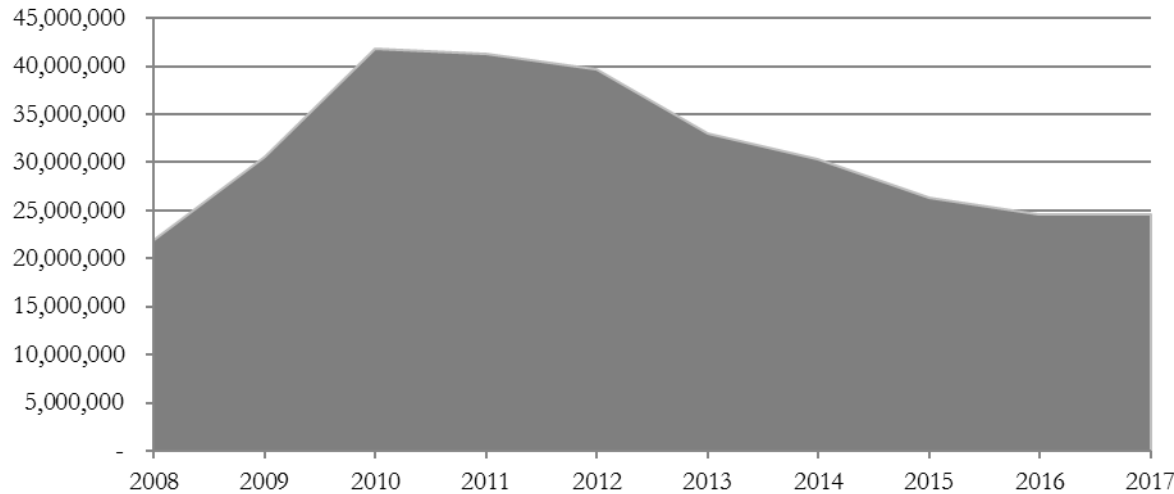
Local General Tax Revenues

	Property Taxes	Income Taxes	Other Taxes	Total Taxes
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
2017	29,986,484	12,986,434	1,949,634	44,922,552



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
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%	2,042.47
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	2.42%	1,244.47
2017	9,060,997	-	1,496,967	10,557,964	13,962,009	-	13,962,009	24,519,973	2017	n/a	1,242.78



- (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)
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%	2,025.33
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
2017	23,023,006	0.795%	1,166.90

*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, 2017

Name of Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Towns (2)			
Betterton	\$ 305,514	100%	\$ 305,514
Chestertown (3)	n/a	100%	n/a
Galena	-	100%	-
Millington	-	95%	-
Rock Hall	329,612	100%	<u>329,612</u>
Subtotal overlapping debt			635,126
Kent County Government direct debt (1)			<u>10,557,964</u>
Total direct and overlapping debt			<u><u>\$ 11,193,090</u></u>

- (1) Net direct debt of the County includes general obligation bonds, notes payable and capital leases. See Debt by Type on page 103.
- (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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	1,402,308	10,267,940	13,242,000	11,822,782	3,845,624	281,800	-	-	-	1,639,000
Legal Debt Margin	\$ 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	\$ 18,361,000

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)
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	20,197	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	1,019,350	30,081	5.40%
2016	19,730	n/a	n/a	4.40%

(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, 2016

Employer	Employees	Rank
Washington College	625	1
University of MD Shore Regional Health	346	2
Dixon Valve & Coupling Co.	334	3
LaMotte Industries	316	4
Kent County Board of Education	306	5
David A. Bramble, Inc.	239	6
Kent County Government	203	7
Heron Point of Chestertown	210	8
Angelica Nurseries	175	9
YMCA Camp Tockwogh	140	10

For the Calendar Year Ended December 31, 2007

Employer	Employees	Rank
Chester River Hospital	631	1
Washington College	495	2
Dixon Valve & Coupling Co.	355	3
Kent County Board of Education	355	3
David A. Bramble, Inc.	290	5
Angelica Nurseries	221	6
Kent County Government	214	7
Heron Point	190	8
LaMotte Chemical Products	138	9
Waterman's Crab House	110	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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Part time positions (FTE)	19	22	23	22	20	20	21	21	26	27
Exempt	37	37	38	35	34	29	28	29	30	37
Full Time Employees	192	192	180	173	168	163	165	169	173	166
Total County Government Employees	248	251	241	230	222	212	214	219	229	230

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Commissioner's Office (1)	6	6	6	4	4	4	4	4	4	4
Planning, Housing & Zoning	11	12	11	10	9	8	8	9	9	9
Human Resources	3	3	3	3	3	3	3	3	3	3
Finance	9	9	9	8	8	7	7	7	7	7
Information Technology	6	6	5	5	5	5	5	6	6	6
Tourism & Economic Development	4	4	2	3	3	3	3	3	4	4
State's Attorney's Office (2)	5	5	5	5	5	5	5	5	6	6
Circuit Court (2)	3	3	3	3	3	3	3	3	3	3
Soil Conservation Service (2)	4	5	5	5	5	0	0	0	0	0
Family & Community Partnerships	5	5	4	2	2	2	2	2	3	3
Weed Control (3)	1	1	1	1	0	0	0	0	0	0
PUBLIC SAFETY										
Sheriff's Office (2)	27	27	27	26	26	26	28	28	27	27
Detention Center	33	33	32	32	29	28	27	28	29	29
Office of Emergency Services	24	25	26	25	25	24	25	26	26	26
PUBLIC WORKS										
Administration	4	4	4	4	4	3	2	2	2	2
County Roads	30	28	28	30	30	30	29	29	29	29
Waste Management	17	17	13	8	7	7	8	8	8	8
Public Landings	1	1	1	1	1	1	1	1	1	1
Buildings & Grounds (4)	9	8	11	11	11	11	13	13	13	13
LEISURE SERVICES										
Parks & Recreation	6	6	6	6	6	6	6	6	8	8
Shop (4)	4	4	0	0	0	0	0	0	0	0
BUSINESS-TYPE ACTIVITIES										
Water & Wastewater Services	17	17	16	16	16	16	15	15	15	15
	229	229	218	208	202	192	194	198	203	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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	11	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	5	5	5	5	5	5	3
Middle Schools	3	3	3	1	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	271.04	272.11	272.11	272.11	272.23	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	3	4	4	4	4	4	4	4	4	4
Wastewater Treatment Plants	3	3	3	3	3	3	3	3	3	3
Lagoons	1	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	27	27	26	27	27	24	27	27	26	28

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
General Government										
Planning & Zoning (1)										
Number of Permits Issued for:										
Accessory Buildings/Garages/Carports	130	105	61	73	79	75	70	77	87	89
Agricultural Buildings	32	28	14	18	32	26	23	23	16	21
Boat Lift	-	-	-	-	-	-	-	3	3	-
Commercial Addition/Alteration	7	8	6	10	12	11	7	13	9	8
Deck/Porch	51	33	25	34	27	28	31	23	41	27
New Commercial Building	3	3	4	3	1	2	1	7	6	7
New Single Family Residence	94	61	38	21	35	21	33	44	18	23
Other	32	30	15	28	33	33	28	46	25	
Pier	22	23	20	9	25	19	21	14	19	22
Residential Addition/Alteration/Attached Garage	71	73	59	77	55	48	53	53	63	84
Sediment Control	63	39	34	21	30	45	20	29	36	21
Sign	11	5	4	7	11	7	12	7	4	8
Solar Panels	-	-	-	-	-	-	-	34	69	51
Swimming Pool	36	33	11	12	5	13	9	13	16	12
Bulkhead/Retaining Wall	10	13	6	7	12	5	5	7	13	4
Demolition	70	57	51	38	50	56	72	98	68	77
Logging	9	8	7	10	23	14	18	22	15	9
Use Permit	18	12	11	9	11	9	12	19	11	24
Total Permits Issued	659	531	366	377	441	412	415	532	519	487
Public Safety										
Alcohol Beverage Control										
Number of Licenses Issued	63	64	60	65	63	59	64	67	69	72
Number of Violations	4	5	2	2	11	2	6	2	-	2
Sheriff's Office (1)										
Number of Physical Arrests	1,149	1,208	1,015	996	1,279	1,380	1,557	596	436	575
Traffic Violations	1,486	2,383	2,204	3,044	3,787	3,902	3,678	3,580	3,711	4,212
Public Works										
Total Water Treated Annually (millions of gallons)	53	50	47	48	49	44	46	51	49	53
Total Wastewater Treated Annually (millions of gallons)	61	55	73	66	60	41	82	76	57	49

(Continued)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Education										
Number of Personnel										
Teachers	179	177	179	185	175	152	164	156	161	158
Administrators	23	27	26	28	25	26	21	19	23	21
Support	84	82	81	78	78	72	118	123	111	115
Other	69	68	67	63	60	59	18	16	13	12
Number of Students	2274	2219	2184	2183	2162	2130	2117	2106	2030	1895
Number of High School Graduates	179	162	162	145	165	160	142	161	126	133

(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**