

# The County Commissioners of Kent County, Maryland



2015

Comprehensive Annual Financial Report  
*For the Fiscal Year Ended June 30, 2015*



**The County Commissioners of Kent County, Maryland  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

**Prepared By:**

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



# The County Commissioners of Kent County, Maryland

## Comprehensive Annual Financial Report

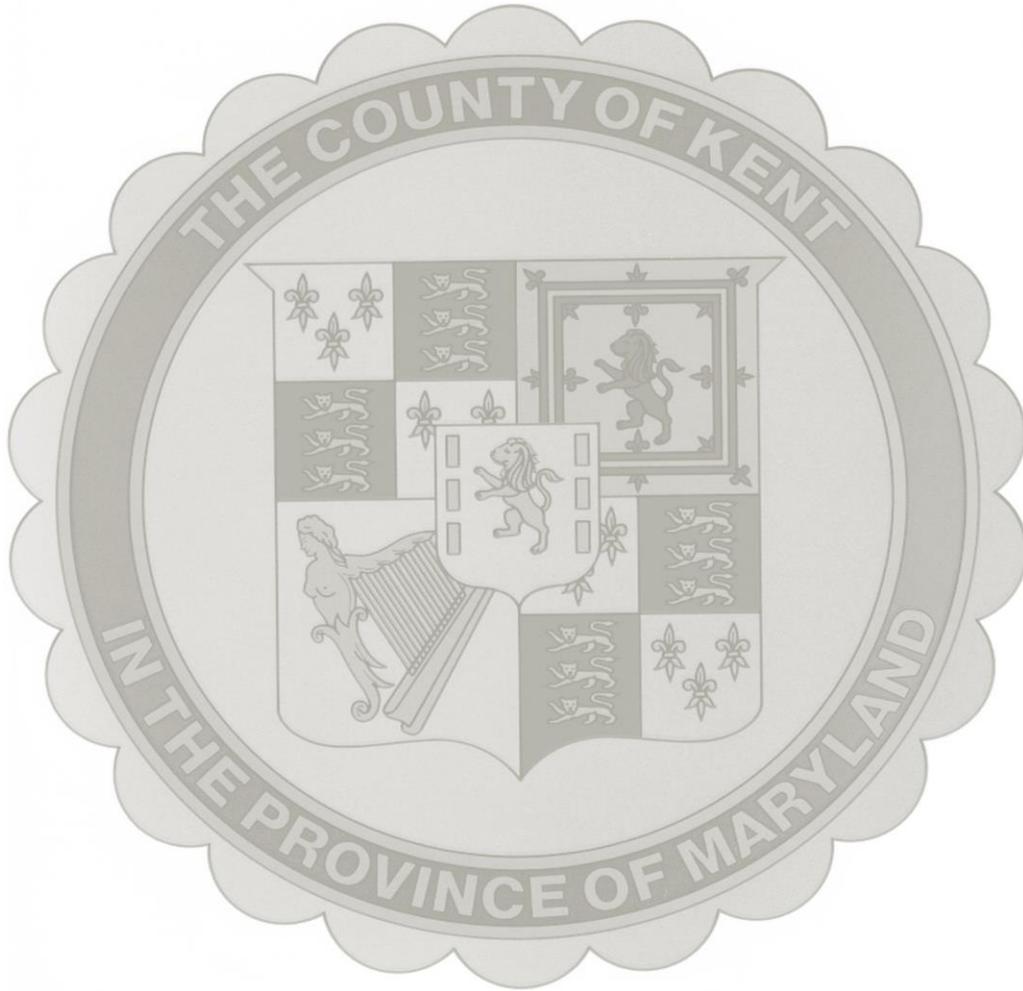
### For the Fiscal Year Ended June 30, 2015

#### Table of Contents

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

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

# Introductory Section



# ***Kent County Office of Finance***

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

---



October 31, 2015

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, 2015 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 fiscal year ended June 30, 2015, the County contracted with SB & Company, LLC of Hunt Valley, Maryland to audit the financial statements. The Independent Auditor's Report 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, 2015, 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, 2015, are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first element of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

## Profile of the Government

Kent County was formed in 1642 as the Isle and County of Kent by the governor and council. It is named for the County of Kent in England. The County is located on the Eastern Shore of Maryland. It is bordered to the north by Cecil County, to the east by the State of Delaware, to the south by Queen Anne's County, and to the west by the Chesapeake Bay. There is no direct access to the Western Shore of Maryland. The County occupies 414 square miles and serves a population of 19,820 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.

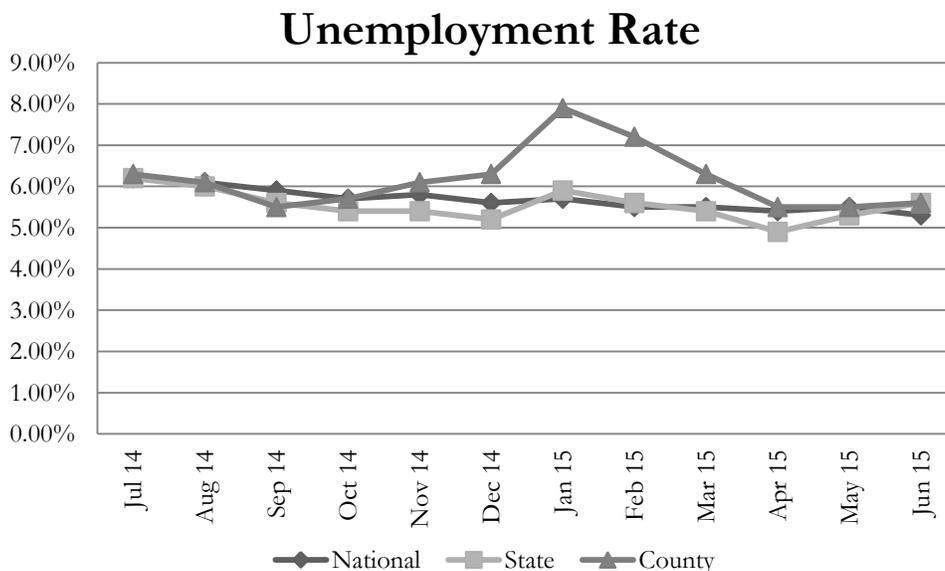
The County operates as a Maryland Code Home Rule county, which enables the Board of County Commissioners to exercise broad local legislative authority. Under code home rule, both legislative and executive functions of the County are vested in the three member Board of County Commissioners. All three 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. For the first six months of the fiscal year, the County's unemployment rate tracked fairly close to the state average, while in the second half of the year, the rate stays higher than the state. This is most likely due to the seasonality of employment in the agricultural and maritime industries. Overall, the county's economic recovery appears to be lagging behind the states.

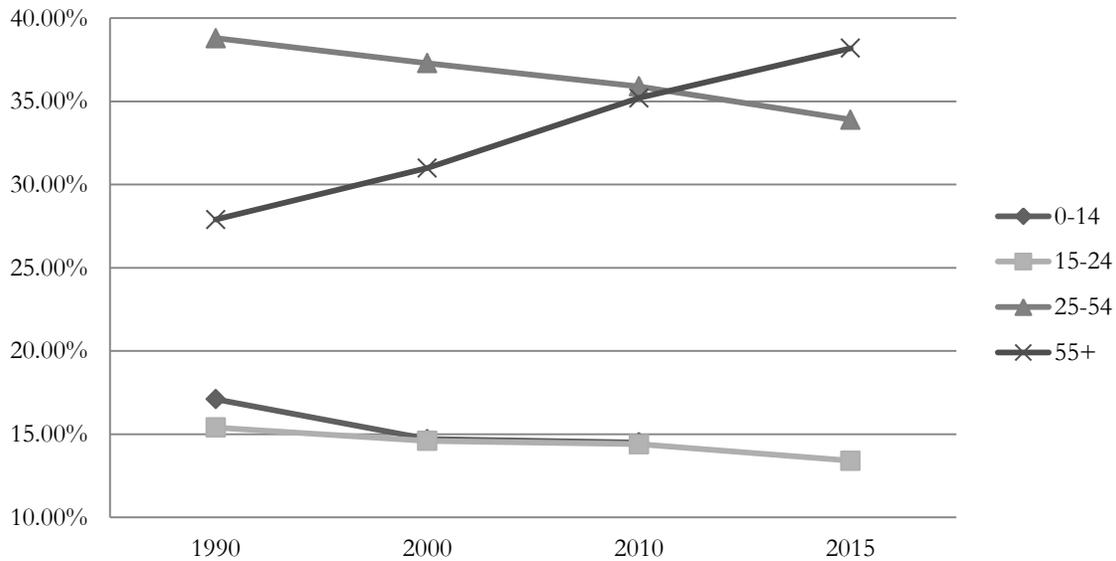


The local employment base is somewhat limited and centers on agriculture, tourism, manufacturing, construction, health services, and education. The largest employers in the County are Washington College and the Shore Regional Health Facility at Chestertown.

Property values throughout the county appear to be stabilizing. While fiscal year 2016 assessments are projected slightly lower than fiscal year 2015, fiscal year 2017 assessments are expected to show very slight growth. Projected changes in significant revenue sources are detailed in the Management’s Discussion and Analysis on page 24.

The County’s population has remained relatively constant, rising slightly from 19,197 in 2000 to 19,820 in 2015. 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 the census data, the County median income (2009-2013) was \$56,259, compared to the state median income of \$73,538. Additionally, 13.2% of the County’s population is below poverty level compared to 9.8% of the State’s population

#### Major Initiatives

Overall, the County’s economic recovery appears to be lagging behind the State’s. And while the County is ending fiscal year 2015 in solid financial shape, the County will be facing challenges on several fronts in the coming years.

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 our ability to attract and retain newly retired residents who choose to live in Kent County. Kent County has included \$5,200,000 in its five year capital budget for broadband expansion.

Another priority is education. As the County’s population ages, school enrollment continues to decline. The current school system structure consists of small neighborhood elementary schools, all of which are under capacity. This configuration has led to the County having one of the highest per pupil education costs in the state. In addition to the operating costs, the average age of the County’s school buildings is 55 years, and maintenance is a concern. The Board of Education has identified \$25,000,000 of needed building renovations at four elementary schools which will need to be addressed in the near future. In the coming years, The Board of County Commissioners will be collaborating with the Board of Education to explore options that provide quality education in a cost effective manner.

**Acknowledgements**

The preparation of this document would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Office. We wish to thank all County departments for their assistance in providing the data necessary to prepare this report and special thanks to Bernadette Bowman, Jen Davis, Jeanne Edwards and Michael Wootten 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.

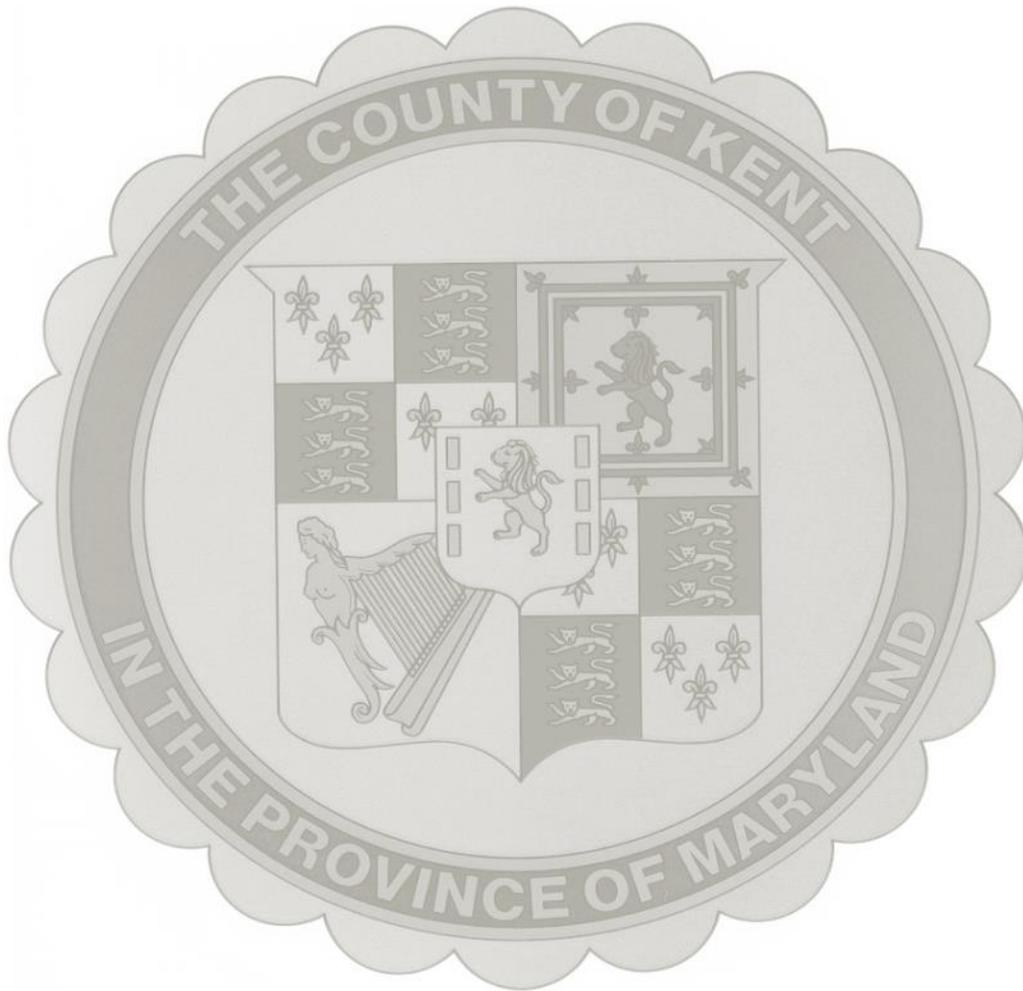
Respectfully submitted,



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, 2014**

Executive Director/CEO

**The County Commissioners of Kent County Maryland  
Certain Elected and Other Officials  
June 30, 2015**

**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 Office  
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 and Economic Development  
Office of Family and Community Partnerships of Kent County  
Warden

Shelley Herman  
Patricia M. Merritt  
Wayne Darrell  
S. Martin Hale  
C. Scott Boone  
Myra Butler  
Amy Moredock  
Bernadette Bowman  
Rebecca Lepter  
Herb Dennis

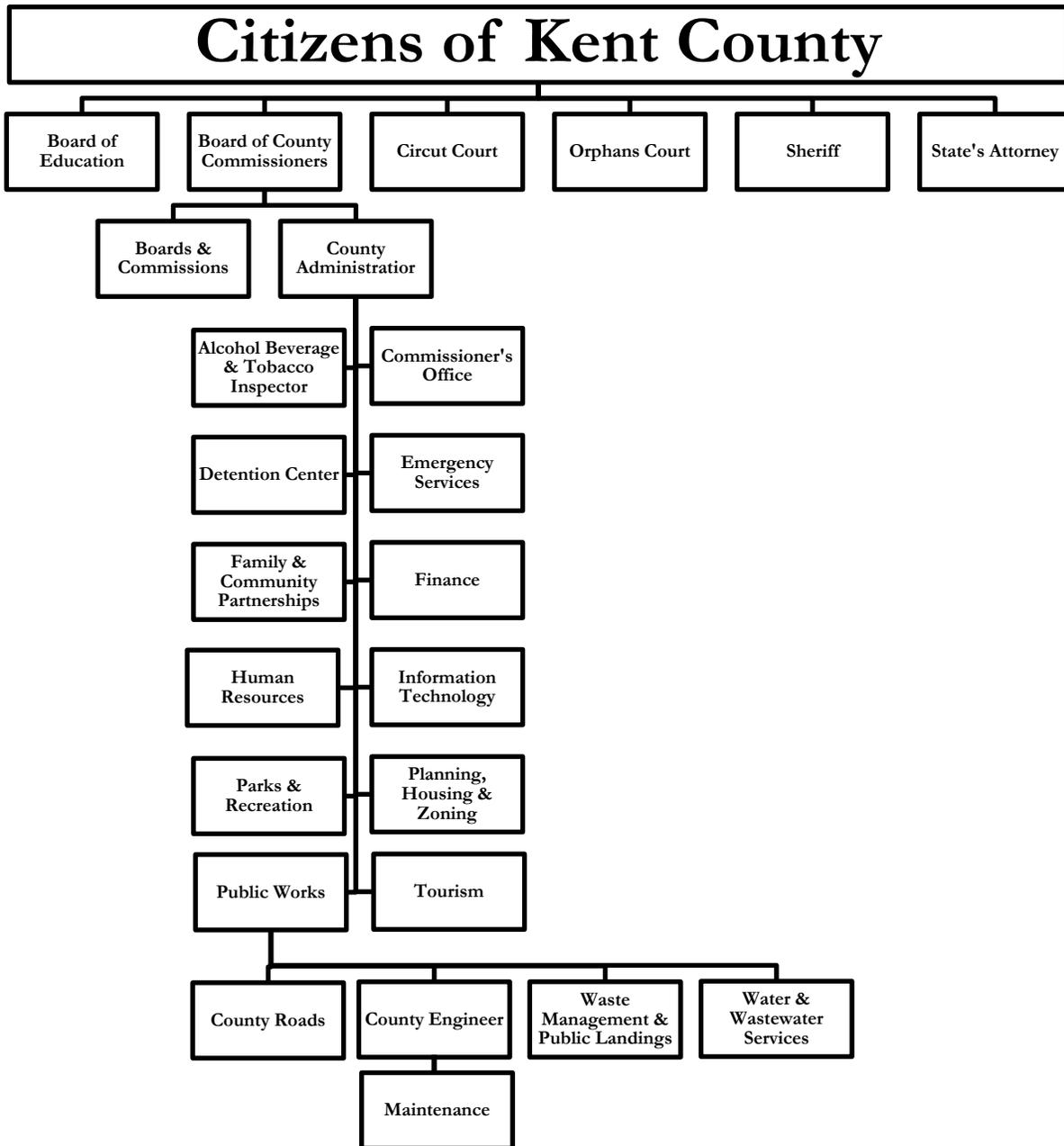
**Independent Auditor**

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

**Bond Counsel**

McKennon, Shelton and Henn LLP  
Baltimore, Maryland

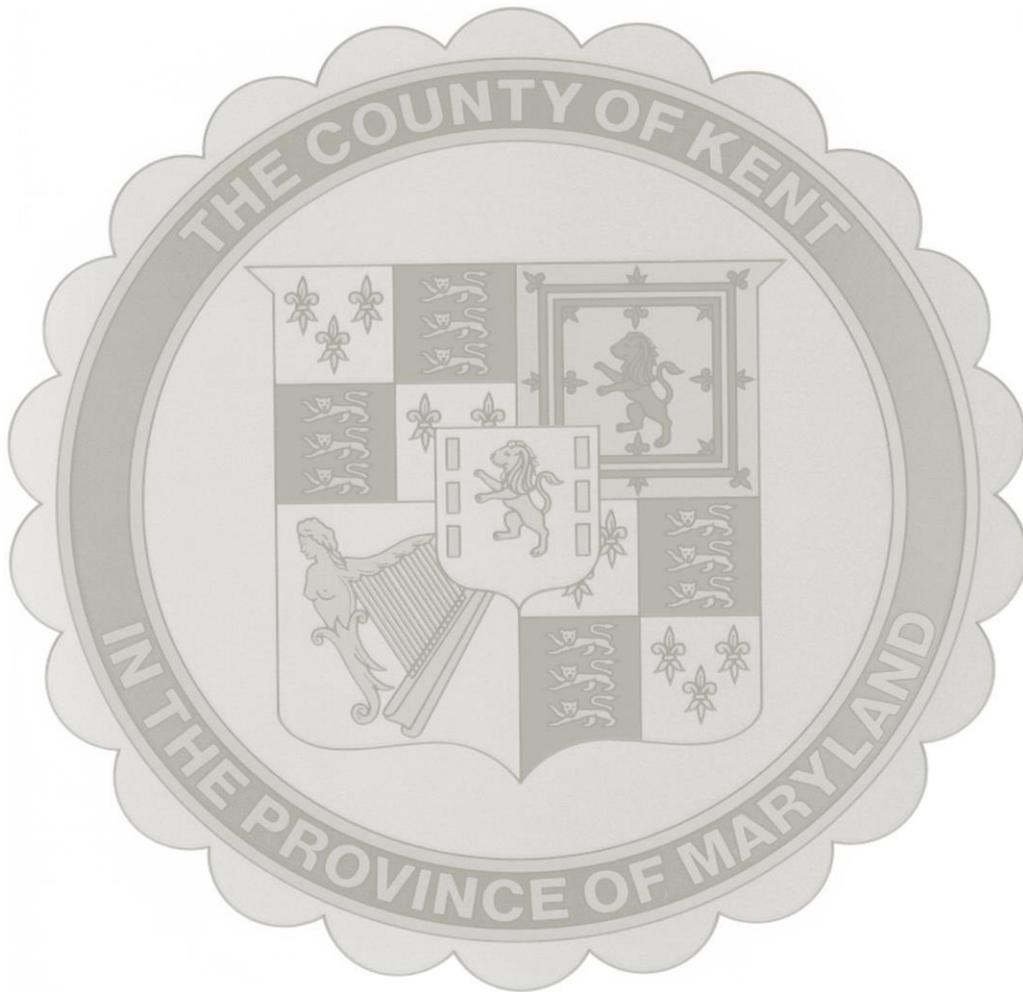
The County Commissioners of Kent County Maryland  
 Kent County, Maryland Government Organizational Chart  
 June 30, 2015





*Photo Credit: Jeanne Edwards*

# Financial Section





**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

## **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, 2015, 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.

200 International Circle • Suite 5500 • Hunt Valley • Maryland 21030 • P 410.584.0060 • F 410.584.0061



### ***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, 2015, 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.

### ***Emphasis of Matter***

As discussed in Note I.J. to the financial statements, during the year ended June 30, 2015, the County adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and employer contributions for other post employment benefits, schedules of the County's proportionate share of the net pension liability and County contributions, 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**  
EXPERIENCE • QUALITY • CLIENT SERVICE

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, 2015

*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, 2015. 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 2015 by \$64,074,880 (*net position*). This amount is net of a (\$3,658,064) 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 \$4,784,217. This includes a \$2,468,672 increase in net position for fiscal year 2015 activities and a \$7,252,889 decrease in net position for a prior period adjustment related to the implementation of GASB 68.
- As of the close of fiscal year 2015, the County's governmental funds reported combined ending fund balances of \$10,725,955; a decrease of \$154,990 in comparison with the prior year. Approximately 91% of this amount (\$9,756,212) is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of fiscal year 2015, the unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$9,756,212, or approximately 20.9% of total general fund expenditures.
- The County's government-wide long-term debt decreased by \$4,073,754 during fiscal year 2015, as detailed on page 23.

## **Overview of the Financial Statements**

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

## **Government-wide Financial Statements**

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

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (i.e.: uncollected taxes and earned but unused vacation time).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general

government, public safety, public works, health and social services, culture and recreation, community development, education, and others. The business-type activities of the County include water and wastewater services and bayside landing.

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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

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

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

### **Proprietary Funds**

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

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

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

### **Fiduciary Funds**

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

The County maintains two different types of fiduciary funds. The County has one *Private-purpose trust fund* that is used to report resources held in trust for property owners involved in tax sale transactions. The *Agency fund* reports resources held by the County in a custodial capacity for individuals, private organizations and other governments. The County has four agency funds: state and town tax collections, Millington public drainage association, inmate accounts, and motor vehicle administration.

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

### Notes to the Financial Statements

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

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

### Other Information

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

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

### Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$64,074,880, at the close of the most recent fiscal year.

### Kent County, Maryland’s Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 15,334,254	\$ 13,751,237	\$ 901,873	\$ 833,124	\$ 16,236,127	\$ 14,584,361
Capital assets, net	47,362,924	48,125,650	42,140,771	43,391,272	89,503,695	91,516,922
Total assets	62,697,178	61,876,887	43,042,644	44,224,396	105,739,822	106,101,283
Deferred outflow of resources	1,091,594	-	-	-	1,091,594	-
Long-term liabilities outstanding	25,166,391	20,891,286	13,308,710	13,760,108	38,475,101	34,651,394
Other liabilities	2,925,827	2,226,838	538,184	363,954	3,464,011	2,590,792
Total liabilities	28,092,218	23,118,124	13,846,894	14,124,062	41,939,112	37,242,186
Deferred inflow of resources	817,424	-	-	-	817,424	-
Net position:						
Net invested in capital assets	37,891,332	36,984,619	28,871,869	29,509,790	66,763,201	66,494,409
Restricted	969,743	1,237,556	-	-	969,743	1,237,556
Unrestricted	(3,981,945)	536,588	323,881	590,544	(3,658,064)	1,127,132
Total net position	\$ 34,879,130	\$ 38,758,763	\$ 29,195,750	\$ 30,100,334	\$ 64,074,880	\$ 68,859,097

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, \$969,743 or 1.5% represents resources that are subject to external restrictions on how they may be used. The majority of restricted net assets include funds for inventory, prepaid items, and reforestation and open space activities.

Unrestricted net position reflects a negative balance of \$3,658,064. 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 \$4,784,217. This includes a \$2,468,672 increase in net position for fiscal year 2015 activities and a \$7,252,889 decrease in net position for a prior period adjustment as a result of the implementation of GASB 68. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

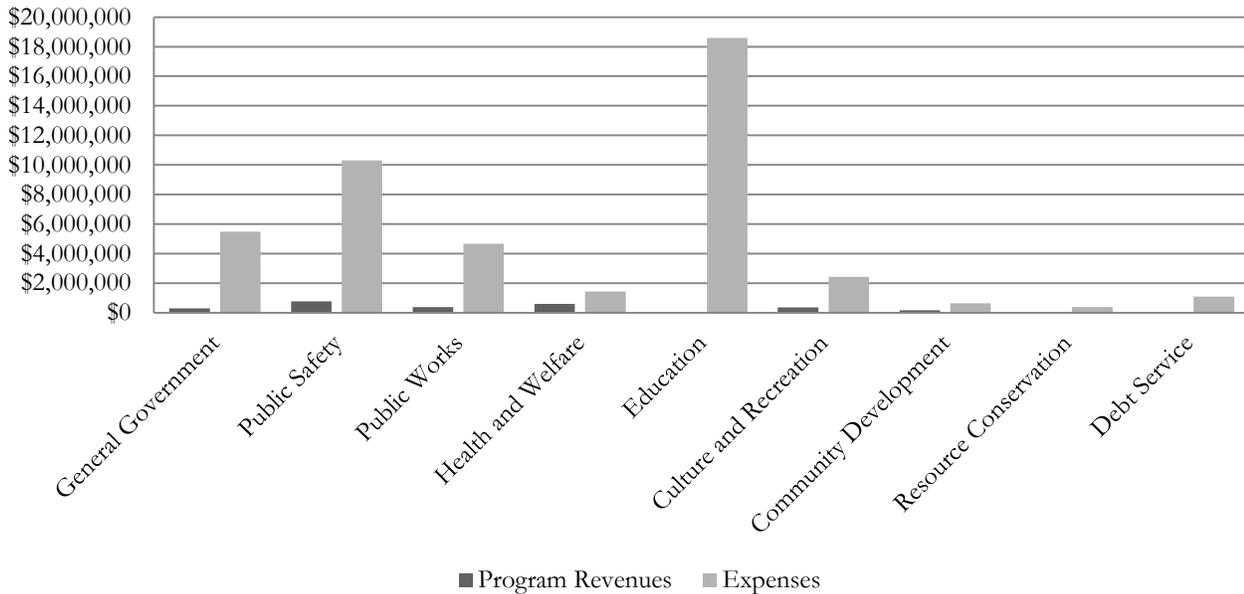
### **Governmental Activities**

During the current fiscal year, the net position for governmental activities increased \$3,373,256 from the prior fiscal year. Additionally there was a prior period adjustment decrease of \$7,252,889 to reflect the implementation of *GASB 68 Accounting and Financial Reporting for Pensions* which resulted in an ending balance of \$34,879,130 (see note III. E. for further detail). The increase in the overall net position of governmental activities is primarily the result of reduced spending in the general government.

## Kent County, Maryland Changes in Net Position:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 486,196	\$ 562,504	\$ 2,073,487	\$ 2,136,913	\$ 2,559,683	\$ 2,699,417
Operating grants and contributions	1,621,376	1,639,080	-	20,601	1,621,376	1,659,681
Capital grants and contributions	442,590	2,724,762	24,207	9,811	466,797	2,734,573
General revenues:						
Property taxes	30,188,083	30,212,617	-	-	30,188,083	30,212,617
Income taxes	13,687,506	14,119,602	-	-	13,687,506	14,119,602
Other taxes	2,067,843	1,833,864	-	-	2,067,843	1,833,864
State shared	222,422	211,318	-	-	222,422	211,318
Other revenues	659,615	658,776	32,441	32,792	692,056	691,568
Total revenues	49,375,631	51,962,523	2,130,135	2,200,117	51,505,766	54,162,640
Expenses:						
General government	5,472,627	7,975,935	-	-	5,472,627	7,975,935
Public safety	10,297,034	9,769,705	-	-	10,297,034	9,769,705
Public works	4,669,683	3,929,895	-	-	4,669,683	3,929,895
Health and social services	1,439,401	1,311,827	-	-	1,439,401	1,311,827
Education	18,587,895	18,735,806	-	-	18,587,895	18,735,806
Culture and recreation	2,424,347	2,142,898	-	-	2,424,347	2,142,898
Community development	641,490	791,118	-	-	641,490	791,118
Resource conservation development	378,754	347,017	-	-	378,754	347,017
Debt service	1,089,455	1,202,550	-	-	1,089,455	1,202,550
Water and wastewater services	-	-	3,990,466	3,848,899	3,990,466	3,848,899
Bayside landing	-	-	45,942	22,783	45,942	22,783
Total expenses	45,000,686	46,206,751	4,036,408	3,871,682	49,037,094	50,078,433
Increase/(decrease) in net position before transfers	4,374,945	5,755,772	(1,906,273)	(1,671,565)	2,468,672	4,084,207
Transfers	(1,001,689)	(848,869)	1,001,689	851,369	-	2,500
Increase/(decrease) in net position	3,373,256	4,906,903	(904,584)	(820,196)	2,468,672	4,086,707
Net position beginning	38,758,763	33,851,860	30,100,334	30,920,530	68,859,097	64,772,390
Prior period adjustment	(7,252,889)	-	-	-	(7,252,889)	-
Net position ending	\$ 34,879,130	\$ 38,758,763	\$ 29,195,750	\$ 30,100,334	\$ 64,074,880	\$ 68,859,097

## 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 \$29,195,750. The total decrease in net position for business-type activities (water and wastewater services and bayside landing funds) was \$904,584 or 3.0% 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

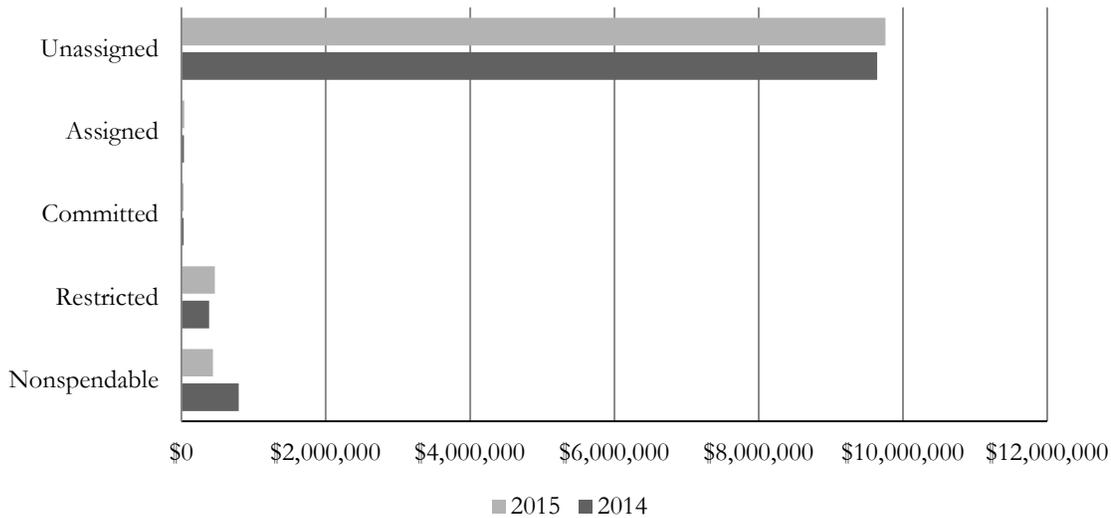
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### 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.

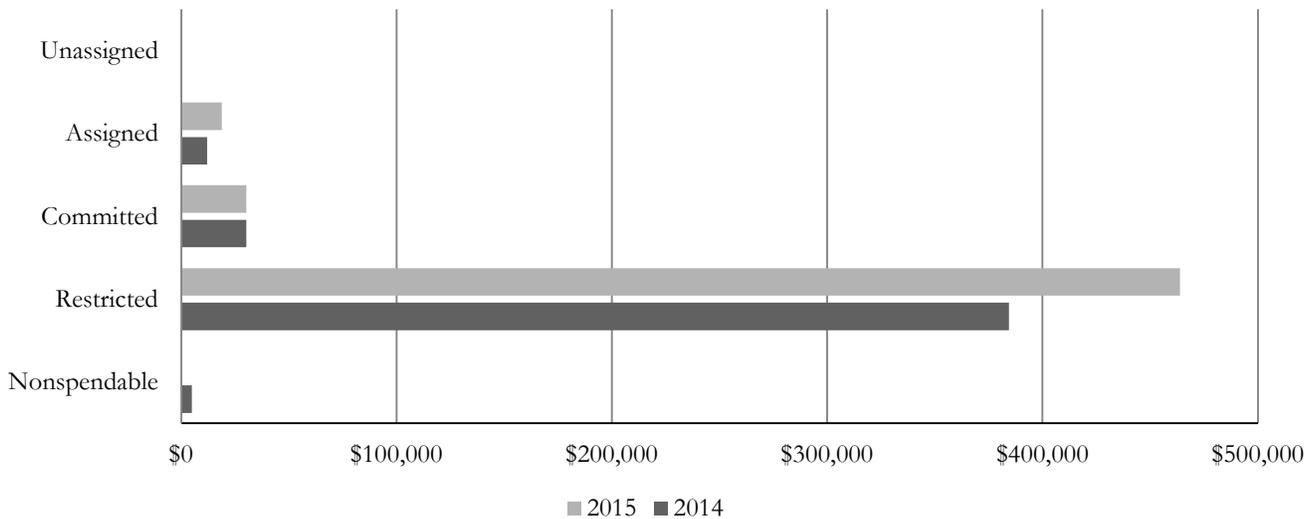
As of the end of the current fiscal year, the County’s *governmental funds* reported combined fund balances of \$10,725,955, a decrease of \$154,990 in comparison with the prior year. Approximately 91% of this amount (\$9,756,212) constitutes *unassigned fund balance*, which is available for spending 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 (\$436,901), 2) restricted for particular purposes (\$463,776), 3) committed for particular purposes (\$30,175) or 4) assigned for particular purposes (\$38,891).

**General Fund - Components of Fund Balance  
June 30, 2015 and 2014**



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 \$9,756,212, while the total fund balance was \$10,193,113. 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 20.9% of total expenditures, while total fund balance represents approximately 21.9% of that same amount.

**Other Governmental Funds - Components of Fund Balance  
June 30, 2015 and 2014**



The fund balance of the County’s general fund decreased by \$236,495. This was primarily due to a \$723,100 decrease in income tax revenue.

The County’s other major governmental fund, the capital projects fund, had a \$258 increase in fund balance during the current fiscal year. This reflects funding being carried over into subsequent fiscal years for technology upgrades.

## **Proprietary Funds**

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

The net position of the County's major enterprise fund (water and wastewater services) at the end of the year was \$27,712,750. The total decrease in net position was \$895,215. 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 \$47,074,941 was amended by \$1,643,868 to a final general fund expenditure budget of \$48,718,809. Major components of the amendment included:

- Debt service expense was increased by \$1,793,644 to recognize the early retirement of debt.
- Transfers to other funds decreased by \$121,410, primarily due to the delay of capital projects into fiscal year 2016.

### **Final budget compared to actual results.**

Actual expenditures for the year were \$2,073,326 less than estimated. The most significant differences occurred in the following areas:

- General government spending was \$811,938 under estimates. The largest savings were experienced in insurance costs, building and grounds maintenance, and election office costs.
- Public safety costs were \$541,617 less than anticipated. The sheriff's office experienced savings in the school resource officer program, fuel, and training. The detention center, communications division and emergency medical services all had savings in salary and benefits due to staff turnover.
- Public works spending was \$330,492 under budget for the year. Highway equipment purchases of \$217,731 were delayed into next year. Solid waste utilized less part time staff than anticipated.
- Parks and recreation spending was \$173,446 less than estimated. Turnover and position vacancies contributed to the majority of the savings.
- Transfers to other funds were \$191,724 under budget. The public school capital projects were less than anticipated and the library renovation project was delayed to fiscal year 2016.

## **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, 2015 amounts to \$89,503,695 (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	
	2015	2014	2015	2014	2015	2014
Land	\$ 22,677,724	\$ 22,677,724	\$ 1,731,536	\$ 1,731,536	\$ 24,409,260	\$ 24,409,260
Construction in Progress	503,324	572,560	290,817	182,740	794,141	755,300
Buildings	10,908,246	11,220,127	1,549,168	1,584,333	12,457,414	12,804,460
Machinery, Equipment and Vehicles	6,361,008	6,630,775	1,442,200	1,774,993	7,803,208	8,405,768
Improvements	1,789,097	1,831,589	252,093	268,676	2,041,190	2,100,265
Infrastructure	5,123,525	5,192,875	36,874,957	37,848,994	41,998,482	43,041,869
Total	\$ 47,362,924	\$ 48,125,650	\$ 42,140,771	\$ 43,391,272	\$ 89,503,695	\$ 91,516,922

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

- The County replaced the Skinner's Neck pier at a cost of \$107,712, half of which was grant funded by the Department of Natural Resources and replaced the underground fuel storage tank at the Detention Center with an above ground tank at a cost of \$86,312.
- The County acquired \$882,937 of additional governmental and business-type assets which included a dump truck/tractors/mowers (\$275,000) for the highway and park departments, fiber and computer equipment (\$284,000), Worton park enhancements, two (2) platform tennis courts and a beach rake (\$204,000) and vehicles for public works, planning, emergency services and Family and Community Partnerships of Kent County.

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

### Long-term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$24,266,916. The remainders of the County's long-term obligations are capital leases.

### Kent County, Maryland's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 10,998,014	\$ 14,200,087	\$ 13,268,902	\$ 13,726,642	\$ 24,266,916	\$ 27,926,729
Notes Payable	-	153,452	-	-	-	153,452
Capital Leases	2,040,095	2,300,584	-	-	2,040,095	2,300,584
Total	\$ 13,038,109	\$ 16,654,123	\$ 13,268,902	\$ 13,726,642	\$ 26,307,011	\$ 30,380,765

During the current fiscal year, the County's total debt decreased by \$4,073,754. The County's significant debt activities included:

- \$3,355,525 of governmental activities debt was retired. Of that, \$1,781,931 was retired prior to its retirement date.
- The water and wastewater services enterprise fund retired \$457,740 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 2016 fiscal year budget:

- Revenues are expected to remain relatively constant in fiscal year 2016.
- The County will use \$4,500,000 of fund balance resources in fiscal year 2016 for capital projects and equipment needs that were delayed during the economic downturn. Approximately \$2,200,000 is dedicated to the broadband expansion project.
- The fiscal year 2016 property tax rate remains at \$1.022 per \$100 of assessed property value.
- The fiscal year 2016 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, 2015**

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Board of Education</b>	<b>Public Library</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 28,372	\$ 150	\$ 28,522	\$ 4,448,803	\$ 140,155
Equity in pooled cash	8,886,824	73,245	8,960,069	-	-
Investments	1,123	-	1,123	-	-
Property taxes receivable	1,500,996	-	1,500,996	-	-
Intergovernmental receivable	3,430,742	25,522	3,456,264	837,043	-
Other receivables	793,399	987,457	1,780,856	76,116	43,100
Internal balances	255,897	(255,897)	-	-	-
Inventories	351,167	64,465	415,632	56,257	-
Prepays	85,734	6,931	92,665	-	8,172
Capital assets, not being depreciated:					
Land	22,677,724	1,731,536	24,409,260	147,475	-
Construction in progress	503,324	290,817	794,141	107,913	-
Capital assets, net of accumulated depreciation					
Buildings	10,908,246	1,549,168	12,457,414	18,554,297	-
Machinery, equipment and vehicles	6,361,008	1,442,201	7,803,209	24,440	72
Infrastructure	5,123,525	36,874,956	41,998,481	-	-
Improvements	1,789,097	252,093	2,041,190	522,057	10,209
Library collection	-	-	-	-	232,721
Total Assets	<u>62,697,178</u>	<u>43,042,644</u>	<u>105,739,822</u>	<u>24,774,401</u>	<u>434,429</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions	1,091,594	-	1,091,594	286,347	-
<b>LIABILITIES</b>					
Accounts payable and other accrued liabilities	1,739,277	386,709	2,125,986	2,342,302	54,914
Accrued interest payable	128,405	52,826	181,231	-	-
Intergovernmental payable	423,517	98,649	522,166	26,557	871
Unearned revenues	634,628	-	634,628	63,599	2,327
Noncurrent liabilities:					
Due within one year	1,813,303	505,143	2,318,446	-	-
Due in more than one year	23,353,088	12,803,567	36,156,655	7,916,035	11,467
Total Liabilities	<u>28,092,218</u>	<u>13,846,894</u>	<u>41,939,112</u>	<u>10,348,493</u>	<u>69,579</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - related to pensions	817,424	-	817,424	220,000	-
<b>NET POSITION</b>					
Net investment in capital assets	37,891,332	28,871,869	66,763,201	19,356,182	243,002
Restricted for:					
Narcotics Task Force	117,034	-	117,034	-	-
Agricultural Land Preservation	87,477	-	87,477	-	-
Local Management Board	5,294	-	5,294	-	-
Inmate Welfare	49,305	-	49,305	-	-
Capital Projects	20,000	-	20,000	-	-
Law Library	30,057	-	30,057	-	-
Regional Family Services	251	-	251	-	-
Special Events Overtime	1,929	-	1,929	-	-
Shop with a Cop	510	-	510	-	-
Reforestation & Open Space	220,985	-	220,985	-	-
Other purposes	436,901	-	436,901	241,037	-
Unrestricted	(3,981,945)	323,881	(3,658,064)	(5,104,964)	121,848
Total Net Position	<u>\$ 34,879,130</u>	<u>\$ 29,195,750</u>	<u>\$ 64,074,880</u>	<u>\$ 14,492,255</u>	<u>\$ 364,850</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, 2015

	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
<b>Functions/Programs:</b>									
<b>Primary Government:</b>									
Governmental activities:									
General government	\$ 5,472,627	\$ 132,700	\$ 149,743	\$ -	\$ (5,190,184)	\$ -	\$ (5,190,184)	\$ -	\$ -
Public safety	10,297,034	64,028	615,283	91,293	(9,526,430)	-	(9,526,430)	-	-
Public works	4,669,683	109,122	219,766	51,107	(4,289,688)	-	(4,289,688)	-	-
Health and social services	1,439,401	14,692	492,992	95,054	(836,663)	-	(836,663)	-	-
Education	18,587,895	-	-	-	(18,587,895)	-	(18,587,895)	-	-
Culture and recreation	1,821,506	165,654	2,995	185,313	(1,467,544)	-	(1,467,544)	-	-
Libraries	602,841	-	-	-	(602,841)	-	(602,841)	-	-
Resource conservation	378,754	-	-	-	(378,754)	-	(378,754)	-	-
Community development	641,490	-	140,597	19,823	(481,070)	-	(481,070)	-	-
Debt service - interest	1,089,455	-	-	-	(1,089,455)	-	(1,089,455)	-	-
Total governmental activities	<u>45,000,686</u>	<u>486,196</u>	<u>1,621,376</u>	<u>442,590</u>	<u>(42,450,524)</u>	<u>-</u>	<u>(42,450,524)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and wastewater services	3,990,466	2,033,565	-	10,809	-	(1,946,092)	(1,946,092)	-	-
Bayside landing	45,942	39,922	-	13,398	-	7,378	7,378	-	-
Total business-type activities	<u>4,036,408</u>	<u>2,073,487</u>	<u>-</u>	<u>24,207</u>	<u>-</u>	<u>(1,938,714)</u>	<u>(1,938,714)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$49,037,094</u>	<u>\$ 2,559,683</u>	<u>\$ 1,621,376</u>	<u>\$ 466,797</u>	<u>(42,450,524)</u>	<u>(1,938,714)</u>	<u>(44,389,238)</u>	<u>-</u>	<u>-</u>
<b>Component Units:</b>									
Kent County Board of Education	\$34,316,091	\$ 302,729	\$ 6,033,783	\$ -				(27,979,579)	-
Kent County Public Library	904,821	23,759	156,744	-				-	(724,318)
Total component units	<u>\$35,220,912</u>	<u>\$ 326,488</u>	<u>\$ 6,190,527</u>	<u>\$ -</u>				<u>(27,979,579)</u>	<u>(724,318)</u>
General revenues:									
Property taxes					30,188,083	-	30,188,083	-	-
Income taxes					13,687,506	-	13,687,506	-	-
State shared taxes					222,422	-	222,422	-	-
Other taxes					2,067,843	-	2,067,843	-	-
Other revenues					659,615	32,441	692,056	1,882,602	40,997
Grants and contributions not restricted to specific programs					-	-	-	25,729,107	684,268
Transfers					(1,001,689)	1,001,689	-	-	-
Total general revenues and transfers					<u>45,823,780</u>	<u>1,034,130</u>	<u>46,857,910</u>	<u>27,611,709</u>	<u>725,265</u>
Change in net position					3,373,256	(904,584)	2,468,672	(367,870)	947
Net position - beginning					<u>38,758,763</u>	<u>30,100,334</u>	<u>68,859,097</u>	<u>16,812,153</u>	<u>363,903</u>
Prior period adjustment					(7,252,889)		(7,252,889)	(1,952,028)	
Net position - ending					<u>\$34,879,130</u>	<u>\$29,195,750</u>	<u>\$64,074,880</u>	<u>\$14,492,255</u>	<u>\$ 364,850</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, 2015**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,372	\$ -	\$ -	\$ 28,372
Equity in pooled cash	7,615,668	181	1,270,975	8,886,824
Investments	1,123	-	-	1,123
Property taxes receivable	1,500,996	-	-	1,500,996
Intergovernmental receivable	2,779,541	236,420	414,781	3,430,742
Other receivables	772,948	113	20,338	793,399
Due from other funds	467,669	-	-	467,669
Inventories	351,167	-	-	351,167
Prepaid items	85,734	-	-	85,734
Total assets	<u>\$ 13,603,218</u>	<u>\$ 236,714</u>	<u>\$ 1,706,094</u>	<u>\$ 15,546,026</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 681,214	\$ 112,423	\$ 253,431	\$ 1,047,068
Accrued liabilities	662,387	-	29,822	692,209
Intergovernmental payable	234,509	28,949	160,059	423,517
Due to other funds	7,021	75,342	129,409	211,772
Unearned revenue	14,097	-	620,531	634,628
Total liabilities	<u>1,599,228</u>	<u>216,714</u>	<u>1,193,252</u>	<u>3,009,194</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	1,810,877	-	-	1,810,877
Total deferred inflows of resources	<u>1,810,877</u>	<u>-</u>	<u>-</u>	<u>1,810,877</u>
<b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Inventory	351,167	-	-	351,167
Prepaid expenditures	85,734	-	-	85,734
<b>Restricted:</b>				
General government	-	-	30,308	30,308
Public safety	-	-	155,181	155,181
Resource conservation	-	-	278,287	278,287
<b>Committed:</b>				
Resource conservation	-	-	30,175	30,175
<b>Assigned:</b>				
General government	-	20,000	-	20,000
Social services	-	-	5,294	5,294
Public safety	-	-	13,597	13,597
<b>Unassigned</b>	9,756,212	-	-	9,756,212
Total fund balances	<u>10,193,113</u>	<u>20,000</u>	<u>512,842</u>	<u>10,725,955</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,603,218</u>	<u>\$ 236,714</u>	<u>\$ 1,706,094</u>	<u>\$ 15,546,026</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, 2015**

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

Total fund balance - governmental funds (page 28)	\$ 10,725,955	
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	503,324	
Depreciable capital assets:		
Buildings	15,594,029	
Improvements	2,519,028	
Machinery and equipment	16,810,072	
Infrastructure	10,375,756	
Total capital assets:	68,479,933	
Less accumulated depreciation	(21,117,009)	47,362,924
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Line of credit		
Notes payable		
General obligation bonds payable	\$ (10,998,014)	
Notes payable	-	
Capital leases	(2,040,095)	
Landfill liability	(869,840)	
Compensated absences	(899,219)	
Net other post employment benefits obligation	(2,891,200)	
Net pension liability	(7,468,023)	
Accrued interest payable	(128,405)	(25,294,796)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Taxes	\$ 1,810,877	1,810,877
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	\$ 108,031	
Contributions subsequent to the measurement date	983,563	1,091,594
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:		
Net difference between projected and actual earnings on plan investments	\$ (817,424)	(817,424)
Net position of governmental activities		\$ 34,879,130

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, 2015**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 29,888,083	\$ -	\$ -	\$ 29,888,083
Income	12,973,495	-	-	12,973,495
Other	2,029,337	-	38,506	2,067,843
State shared	222,422	-	-	222,422
Licenses and permits	318,992	-	-	318,992
Intergovernmental	281,589	236,420	1,545,957	2,063,966
Charges for services	479,299	-	6,897	486,196
Fines and forfeitures	14,042	-	106,594	120,636
Rental Income	105,861	-	-	105,861
Miscellaneous	79,112	-	70,719	149,831
Total revenues	<u>46,392,232</u>	<u>236,420</u>	<u>1,768,673</u>	<u>48,397,325</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,508,352	-	156,435	5,664,787
Public safety	8,909,921	-	591,814	9,501,735
Public works	4,432,819	-	165,236	4,598,055
Health and social services	788,055	-	677,542	1,465,597
Education	17,759,230	828,665	-	18,587,895
Parks, recreation and culture	1,446,267	-	2,795	1,449,062
Libraries	596,027	-	-	596,027
Resource conservation and development	356,154	-	22,600	378,754
Community development	470,259	-	178,151	648,410
Debt service:				
Principal	3,615,959	-	-	3,615,959
Interest	657,775	-	-	657,775
Capital outlay				
General government	-	-	-	-
Public works	-	107,760	-	107,760
Parks, recreation and culture	-	271,996	-	271,996
Libraries	-	6,814	-	6,814
Total expenditures	<u>44,540,818</u>	<u>1,215,235</u>	<u>1,794,573</u>	<u>47,550,626</u>
Excess (deficiency) of revenues over expenditures	<u>1,851,414</u>	<u>(978,815)</u>	<u>(25,900)</u>	<u>846,699</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	16,756	979,073	107,147	1,102,976
Transfers out	(2,104,665)	-	-	(2,104,665)
Total other financing sources (uses)	<u>(2,087,909)</u>	<u>979,073</u>	<u>107,147</u>	<u>(1,001,689)</u>
Net change in fund balances	(236,495)	258	81,247	(154,990)
Fund balances - beginning	10,429,608	19,742	431,595	10,880,945
Fund balances - ending	<u>\$ 10,193,113</u>	<u>\$ 20,000</u>	<u>\$ 512,842</u>	<u>\$ 10,725,955</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, 2015**

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) \$ (154,990)

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

Capital outlay	\$ 1,135,714	
Depreciation expense	<u>(1,868,723)</u>	(733,009)

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

Asset sales		
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds are reported as financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold.	<u>\$ (29,719)</u>	(29,719)

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

Taxes	<u>\$ 1,014,011</u>	1,014,011
-------	---------------------	-----------

The issuance of long-term debt (e.g., 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	\$ 260,489	
Notes payable	153,452	
General obligations bond payable	<u>3,202,073</u>	3,616,014

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	\$ 108,256	
Accrued interest payable	25,009	
Net other post employment benefits obligation	(565,000)	
Net pension liability	765,508	
Accrued compensated absences	<u>33,648</u>	<u>367,421</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	\$ 108,031	
Change in pension contributions	<u>2,921</u>	110,952

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:

Net difference between projected and actual investment earnings	\$ (817,424)	
		<u>(817,424)</u>

Change in net position of governmental activities		<u>\$ 3,373,256</u>
---	--	---------------------

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

**The County Commissioners of Kent County, Maryland**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2015**

	<b>Business-type Activities</b>		
	<b>Water and Wastewater Services</b>	<b>Bayside Landing</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 150	\$ -	\$ 150
Equity in pooled cash	69,587	3,658	73,245
Accounts receivable	987,457	-	987,457
Intergovernmental receivable	12,124	13,398	25,522
Due from other funds	7,021	-	7,021
Inventories	64,465	-	64,465
Prepaid items	6,931	-	6,931
Total current assets	<u>1,147,735</u>	<u>17,056</u>	<u>1,164,791</u>
Noncurrent Assets:			
Capital Assets:			
Land	531,536	1,200,000	1,731,536
Buildings	1,551,705	206,539	1,758,244
Improvements	292,462	39,190	331,652
Infrastructure	48,586,653	109,500	48,696,153
Construction in progress	290,817	-	290,817
Machinery, equipment, and vehicles	3,296,502	10,887	3,307,389
Less accumulated depreciation	<u>(13,891,904)</u>	<u>(83,116)</u>	<u>(13,975,020)</u>
Total noncurrent assets	<u>40,657,771</u>	<u>1,483,000</u>	<u>42,140,771</u>
Total assets	<u>41,805,506</u>	<u>1,500,056</u>	<u>43,305,562</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	300,499	15,106	315,605
Accrued liabilities	64,387	1,367	65,754
Bonds payable	465,365	-	465,365
Customer deposits payable	5,350	-	5,350
Accrued interest payable	52,826	-	52,826
Intergovernmental payable	98,066	583	98,649
Due to other funds	<u>262,918</u>	<u>-</u>	<u>262,918</u>
Total current liabilities	<u>1,249,411</u>	<u>17,056</u>	<u>1,266,467</u>
Noncurrent Liabilities:			
Compensated absences	39,808	-	39,808
Bonds payable	<u>12,803,537</u>	<u>-</u>	<u>12,803,537</u>
Total noncurrent liabilities	<u>12,843,345</u>	<u>-</u>	<u>12,843,345</u>
Total liabilities	<u>14,092,756</u>	<u>17,056</u>	<u>14,109,812</u>
<b>NET POSITION</b>			
Net investment in capital assets	27,388,869	1,483,000	28,871,869
Unrestricted	<u>323,881</u>	<u>-</u>	<u>323,881</u>
Total net position	<u>\$ 27,712,750</u>	<u>\$ 1,483,000</u>	<u>\$ 29,195,750</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, 2015**

	<b>Water and Wastewater Services</b>	<b>Bayside Landing</b>	<b>Total Enterprise Funds</b>
Operating revenues:			
Charges for services:			
Water	\$ 570,952	\$ -	\$ 570,952
Sewer	1,347,050	-	1,347,050
Septic	115,563	-	115,563
Public landings	-	39,922	39,922
Miscellaneous	20,370	-	20,370
Total operating revenues	<u>2,053,935</u>	<u>39,922</u>	<u>2,093,857</u>
Operating expenses:			
Water	464,954	-	464,954
Sewer	1,245,191	-	1,245,191
Septic	65,503	-	65,503
Parks and recreation	-	25,033	25,033
Public landings	-	11,540	11,540
Administration	674,825	-	674,825
Depreciation	1,239,472	9,369	1,248,841
Total operating expenses	<u>3,689,945</u>	<u>45,942</u>	<u>3,735,887</u>
Operating income (loss)	<u>(1,636,010)</u>	<u>(6,020)</u>	<u>(1,642,030)</u>
Nonoperating revenues (expenses):			
Intergovernmental	10,809	13,398	24,207
Gain/(Loss) on Fixed Asset	11,314	-	11,314
Gratitude reimbursement	748	-	748
Interest income	-	9	9
Interest expense	(300,521)	-	(300,521)
Total nonoperating revenues (expenses)	<u>(277,650)</u>	<u>13,407</u>	<u>(264,243)</u>
Income (loss) before transfers	<u>(1,913,660)</u>	<u>7,387</u>	<u>(1,906,273)</u>
Transfers in	1,018,445	-	1,018,445
Transfers out	-	(16,756)	(16,756)
Change in net position	(895,215)	(9,369)	(904,584)
Net position - beginning	28,607,965	1,492,369	30,100,334
Net position - ending	<u>\$ 27,712,750</u>	<u>\$ 1,483,000</u>	<u>\$ 29,195,750</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, 2015**

	<b>Business-Type Activities</b>		
	<b>Waste and Wastewater Services</b>	<b>Bayside Landing</b>	<b>Total Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 1,908,797	\$ 36,335	\$ 1,945,132
Payments to suppliers	(1,240,232)	(14,758)	(1,254,990)
Payments to employees	(1,027,702)	(7,451)	(1,035,153)
Net cash provided (used) by operating activities	<u>(359,137)</u>	<u>14,126</u>	<u>(345,011)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers (to) from other funds	<u>1,066,290</u>	<u>(10,477)</u>	<u>1,055,813</u>
Net cash provided (used) by noncapital financing activities	<u>1,066,290</u>	<u>(10,477)</u>	<u>1,055,813</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of capital assets	59,326	-	59,326
Principal paid on capital debt	(453,233)	-	(453,233)
Proceeds from sale of assets	11,314	-	11,314
Interest paid on capital debt	(301,713)	-	(301,713)
Net cash used by capital and related financing activities	<u>(684,306)</u>	<u>-</u>	<u>(684,306)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	-	9	9
Net cash provided by investing activities	<u>-</u>	<u>9</u>	<u>9</u>
Net increase (decrease) in cash and cash equivalents	22,847	3,658	26,505
Balances - beginning of year	<u>46,890</u>	<u>-</u>	<u>46,890</u>
Balances - end of year	<u>\$ 69,737</u>	<u>\$ 3,658</u>	<u>\$ 73,395</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,636,010)	\$ (6,020)	\$ (1,642,030)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,239,472	9,369	1,248,841
Changes in assets and liabilities:			
Accounts receivable	(143,117)	-	(143,117)
Intergovernmental receivable	4,507	(3,587)	920
Prepaid expenses	(3,872)	-	(3,872)
Inventory	4,561	-	4,561
Due from general fund	(1,695)	-	(1,695)
Accounts payable and accrued expenses	181,156	14,364	195,520
Interest payable	(1,940)	-	(1,940)
Intergovernmental payable	(8,215)	-	(8,215)
Customer deposits and overpayments	(326)	-	(326)
Compensated absences payable	6,342	-	6,342
Net cash provided by operating activities	<u>\$ (359,137)</u>	<u>\$ 14,126</u>	<u>\$ (345,011)</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, 2015**

	<b>Tax Sale Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Tax sale redemptions	\$ 614,779
Tax sale deed executions	<u>15,029</u>
Total additions	<u>629,808</u>
 <b>DEDUCTIONS</b>	
Tax sale redemptions	614,779
Tax sale deed executions	<u>15,029</u>
Total deductions	<u>629,808</u>
Change in net position	-
Net position - beginning	-
Net position - ending	<u>\$ -</u>

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

**The County Commissioners of Kent County, Maryland**  
**Statement of Changes in Fiduciary Net Position - Fiduciary Fun**  
**For the Year Ended June 30, 2015**

	<u>Tax Sale Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Tax sale redemptions	\$ 614,779
Tax sale deed executions	<u>15,029</u>
Total additions	<u>629,808</u>
<b>DEDUCTIONS</b>	
Tax sale redemptions	614,779
Tax sale deed executions	<u>15,029</u>
Total deductions	<u>629,808</u>
Change in net position	-
Net position - beginning	-
Net position - ending	<u>\$ -</u>

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

# Notes to Basic Financial Statements

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

**The County Commissioners of Kent County, Maryland**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**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 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 agency, 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.

### ***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 parts for the roads department and water and wastewater services fund. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

### ***4. Capital assets***

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

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

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

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

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

### **5. *Deferred outflows/inflows of resources***

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

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

### **6. *Net position flow assumption***

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

### **7. *Fund balance flow assumptions***

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

### **8. *Fund balance policies***

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

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

Fund	Fund Balance	Nonspendable Category
General Fund	\$ 351,167	Inventory
	85,734	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	\$ 87,477	Tax Property Article 13-306 and contributors
Reforestation & Open Space	190,810	Natural Resources Article 5-1610
Inmate Welfare	49,305	Correctional Services Article 10-502
Law Library	30,057	Courts and Judicial Proceedings Article 13-501
Regional Family Services	251	Courts and Judicial Proceedings Article 7-202
Kent County Drug Task Force	34,159	Kent County Drug Task Force Forfeiture Agreement
Sheriff's Forfeiture	71,717	Federal Forfeiture Regulations

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

Fund	Fund Balance	Committed by
Special Revenue Fund		
Reforestation & Open Space	\$ 30,175	Kent County Land Use Ordinance

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

Fund	Fund Balance	Assigned by
Special Revenue Fund		
Sheriff Forfeitures	\$ 11,158	Kent County Budget Document
Special Events Overtime	1,929	Kent County Budget Document
Shop with a Cop	510	Kent County Budget Document
Family & Community Partnerships	5,294	Kent County Budget Document
Capital Projects Fund	20,000	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 30<sup>th</sup> 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 30<sup>th</sup>. Beginning October 1<sup>st</sup>, interest is charged on the amount of the first installment only. The second installment is due by December 31<sup>st</sup>. Beginning January 1<sup>st</sup>, 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, 2015 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, 2015, a total of \$899,219 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, 2015, 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, 2015, a total of \$34,800 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, 2015 was \$11,467.

### **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 has adopted the provisions of Governmental Accounting Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, entitled *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of GASB 68 the County is required to record its share of the Maryland State Retirement and Pension System's (SRPS) net funded pension liability. The County's share of the unfunded liability will be calculated by dividing the County's contribution to SRPS by the total contributions to SRPS multiplied by SRPS' unfunded liability. These statements reflect the adoption of these standards.

#### **J. Restatement**

The County adopted GASB 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the beginning net position balance for governmental activities of \$38,758,763 has been decreased by \$7,252,889 to \$31,505,874. See Note III. E. for further information.

## **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 (e.g., 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, represents a consumption of net position that applies to a future period(s) and, therefore are not reported in the funds.

Deferred inflows of resources, represents 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 and investments

##### 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:

Financial Institution	Bank Balance June 30, 2015
Chesapeake Bank and Trust (main operating account)	\$9,231,491
PNC Bank (payroll account)	32,034
Chesapeake Bank and Trust (transitional reinsurance program)	250

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

The County invests monies with the Maryland Local Government Investment Pool (MLGIP). See note I.G.2, *Investments*, for more information on MLGIP. The government utilizes a pooled investment concept for all its funds to maximize its investment program.

As of June 30, 2015, the County had the following investments:

Investment Type	Primary Government	Component Units	Reporting Entity
MLGIP	\$ 1,123	\$ -	\$ 1,123

*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, 2015, the County's investment in MLGIP was rated AAAM by Standard and Poor's.

*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. The Maryland Local Government Investment Pool investments are in accordance with the State Finance and Procurement Article

*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

At year-end the carrying amount of the Board's deposits was \$305,617 and the bank balance was \$316,134. The deposits of the Board were not exposed to custodial credit risk at June 30, 2015. The Board has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

### 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, 2015, the carrying amount of the Library's deposits was \$140,155 and the bank balance was \$140,277, all of which was insured by the Federal Deposit Insurance Corporation.

## **B. Receivables**

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

Receivables	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	Business-type Funds	Total
Property Tax	\$1,500,996	\$ -	\$ -	\$ 1,500,996	\$ -	\$1,500,996
Other Accounts:						
Insurance refund	\$ 445,849	\$ -	\$ -	\$ 445,849	\$ -	\$ 445,849
Suntrust Bank	178,219	-	-	178,219	-	178,219
Water and sewer fees	-	-	-	-	690,061	690,061
Hotel tax	86,679	-	-	86,679	-	86,679
Seized funds	-	-	12,922	12,922	-	12,922
Other	62,201	113	7,416	69,730	297,396	367,126
	<u>\$ 772,948</u>	<u>\$ 113</u>	<u>\$ 20,338</u>	<u>\$ 793,399</u>	<u>\$ 987,457</u>	<u>\$1,780,856</u>
Intergovernmental:						
Income taxes	\$2,482,834	\$ -	\$ -	\$ 2,482,834	\$ -	\$2,482,834
Recordation tax	105,627	-	-	105,627	-	105,627
Family & community partnership grants	-	-	228,782	228,782	-	228,782
Property transfer tax	71,995	-	-	71,995	-	71,995
Gasoline tax	52,130	-	-	52,130	-	52,130
Department of natural resources	-	236,420	20,840	257,260	13,398	270,658
Tourism grants	-	-	39,993	39,993	-	39,993
Regional family services grant	-	-	58,835	58,835	-	58,835
Other	66,955	-	66,331	133,286	12,124	145,410
	<u>\$2,779,541</u>	<u>236,420</u>	<u>\$ 414,781</u>	<u>\$ 3,430,742</u>	<u>\$ 25,522</u>	<u>\$3,456,264</u>

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 \$2,482,834 of the County's income tax revenue for tax years 2014 and prior. It will take several years for the State to remit these monies to the County, however, the State estimates their liability to the County and the County reports this receivable in accordance with GAAP.

## C. Capital assets

### Primary Government

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b><u>Governmental activities</u></b>				
Capital assets, not being depreciated:				
Land	\$ 22,677,724	\$ -	\$ -	\$ 22,677,724
Construction in progress	572,560	48	69,284	503,324
Total capital assets, not being depreciated	<u>23,250,284</u>	<u>48</u>	<u>69,284</u>	<u>23,181,048</u>
Capital assets, being depreciated:				
Buildings	15,594,029	-	-	15,594,029
Improvements	2,439,543	79,485	-	2,519,028
Machinery and equipment	15,944,289	1,017,755	151,972	16,810,072
Infrastructure	10,270,684	107,712	2,640	10,375,756
Total capital assets, being depreciated	<u>44,248,545</u>	<u>1,204,952</u>	<u>154,612</u>	<u>45,298,885</u>
Less accumulated depreciation for:				
Buildings	4,373,902	311,881	-	4,685,783
Improvements	607,954	121,977	-	729,931
Machinery and equipment	9,313,514	1,257,803	122,253	10,449,064
Infrastructure	5,077,809	177,062	2,640	5,252,231
Total accumulated depreciation	<u>19,373,179</u>	<u>1,868,723</u>	<u>124,893</u>	<u>21,117,009</u>
Total capital assets being depreciated, net	<u>24,875,366</u>	<u>(663,771)</u>	<u>29,719</u>	<u>24,181,876</u>
Governmental activities capital assets, net	<u>\$ 48,125,650</u>	<u>\$ (663,723)</u>	<u>\$ 99,003</u>	<u>\$ 47,362,924</u>
<b><u>Business-type activities</u></b>				
Capital assets, not being depreciated:				
Land	\$ 1,731,536	\$ -	\$ -	\$ 1,731,536
Construction in progress	182,740	108,077	-	290,817
Total capital assets, not being depreciated	<u>1,914,276</u>	<u>108,077</u>	<u>-</u>	<u>2,022,353</u>
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	3,474,792	20,171	187,573	3,307,390
Total capital assets, being depreciated	<u>54,260,840</u>	<u>20,171</u>	<u>187,573</u>	<u>54,093,438</u>
Less accumulated depreciation for:				
Buildings	173,911	35,165	-	209,076
Improvements	62,976	16,583	-	79,559
Infrastructure	10,847,158	974,038	-	11,821,196
Machinery and equipment	1,699,799	223,055	57,665	1,865,189
Total accumulated depreciation	<u>12,783,844</u>	<u>1,248,841</u>	<u>57,665</u>	<u>13,975,020</u>
Total capital assets, being depreciated, net	<u>41,476,996</u>	<u>(1,228,670)</u>	<u>129,908</u>	<u>40,118,418</u>
Business-type activities capital assets, net	<u>\$ 43,391,272</u>	<u>\$ (1,120,593)</u>	<u>\$ 129,908</u>	<u>\$ 42,140,771</u>

Depreciation expense for the year ended June 30, 2015 was charged to the functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 211,894
Public safety	993,364
Public works	352,051
Parks, recreation and culture	308,628
Community Development	2,786
Total depreciation expense - governmental activities	<u>\$ 1,868,723</u>

**Business-type activities:**

Water and wastewater services	\$ 1,239,472
Bayside landing	9,369
Total depreciation expense - business-type activities	<u>\$ 1,248,841</u>

Component Units

Board of Education

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Government Activities</u></b>				
Capital assets, not being depreciated:				
Land	\$ 147,475	\$ -	\$ -	\$ 147,475
Construction in progress	81,297	1,400,813	1,374,197	107,913
Total capital assets, not being depreciated	<u>228,772</u>	<u>1,400,813</u>	<u>1,374,197</u>	<u>255,388</u>
Capital assets, being depreciated:				
Land improvements	726,079	-	-	726,079
Buildings, furniture, fixtures and equipment	52,597,949	1,523,394	14,720	54,106,623
Vehicles	351,263	15,900	-	367,163
Total capital assets, being depreciated	<u>53,675,291</u>	<u>1,539,294</u>	<u>14,720</u>	<u>55,199,865</u>
Less accumulated depreciation for:				
Land improvements	166,443	37,579	-	204,022
Buildings, furniture, fixtures and equipment	34,247,377	1,319,669	14,720	35,552,326
Vehicles	322,873	19,850	-	342,723
Total accumulated depreciation	<u>34,736,693</u>	<u>1,377,098</u>	<u>14,720</u>	<u>36,099,071</u>
Total capital assets, being depreciated, net	<u>18,938,598</u>	<u>162,196</u>	<u>-</u>	<u>19,100,794</u>
Governmental activities capital assets, net	<u>\$19,167,370</u>	<u>\$ 1,563,009</u>	<u>\$ 1,374,197</u>	<u>\$ 19,356,182</u>

Public Library

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets	\$ 182,894	\$ -	\$ -	\$ 182,894
Less accumulated depreciation	171,842	771	-	172,613
Net capital assets	<u>\$ 11,052</u>	<u>\$ (771)</u>	<u>\$ -</u>	<u>\$ 10,281</u>

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

Library collections and related accumulated amortization activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets	\$ 885,585	\$ 66,579	\$ 67,592	\$ 884,572
Less accumulated depreciation	646,103	73,340	67,592	651,851
Net capital assets	<u>\$ 239,482</u>	<u>\$ (6,761)</u>	<u>\$ -</u>	<u>\$ 232,721</u>

#### D. Accrued liabilities

Accrued liabilities reported by governmental funds at June 30, 2015, were as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 635,089	\$ 14,152	\$ 649,241
Other	27,298	15,670	42,968
Total accrued liabilities	<u>\$ 662,387</u>	<u>\$ 29,822</u>	<u>\$ 692,209</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, 2015, the County recognized aggregated pension expense of \$215,134 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 7/1/2012 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 to 7/1/2012 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 2015.

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, 2015 is based on salaries for the year ending June 30, 2014. 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 30<sup>th</sup> were equal to the actuarially determined amounts as follows:

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013
Alternate/Reformed Contributory Pension Systems	\$ 703,480	\$ 699,161	\$ 615,931
LEOPS	280,083	322,670	269,089

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

As of June 30, 2015, the County reported a liability of \$7,468,023 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the County's proportion was 0.042%.

For the year ended June 30, 2015, the County recognized pension expenses of \$924,527. As of June 30, 2015, 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
County contributions subsequent to the measurement date	\$ 983,563	\$ -
Changes in assumptions	108,031	-
Net difference between projected vs actual investment earnings	-	817,424
Total	<u>\$ 1,091,594</u>	<u>\$ 817,424</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:	
2016	\$ 177,348
2017	177,348
2018	177,348
2019	177,349

Actuarial Assumptions - The key actuarial assumptions used to perform the June 30, 2014 pension liability calculation are as follows:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.90% general, 3.4% wage
Salary increases	3.4% to 11.9%, including inflation
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to the year 2025.

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%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 7.65%, 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 (6.65%) or 1 percentage point higher (8.65%) than the current rate:

	<u>1% Decrease</u> <u>(6.65%)</u>	<u>Discount Rate</u> <u>(7.65%)</u>	<u>1% Increase</u> <u>(8.65%)</u>
County's proportionate share of the net pension liability	\$ 10,762,361	\$ 7,468,023	\$ 4,708,599

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, 2014. This can be found at [www.sra.state.md.us](http://www.sra.state.md.us).

**F. Other postemployment 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 2015 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 2015 the County contributed \$154,066 (\$154,066 for pay-as-you-go premiums and \$0 to the trust). Plan members receiving benefits contributed \$14,766.

Annual OPEB Cost and Net OPEB Obligation – The County's annual other postemployment 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:

	2015	2014	2013
Annual required contribution (ARC)	\$ 764,000	\$ 764,000	\$ 715,000
Less net OPEB obligation (NOO) amortization	(106,000)	(78,000)	(52,000)
Plus interest on net OPEB obligation (NOO)	81,000	62,000	43,000
Total cost	739,000	748,000	706,000
Contributions made	-	-	-
Benefits paid during fiscal year	(174,000)	(191,006)	(161,278)
Increase in net OPEB obligation	565,000	556,994	544,722
Net OPEB obligation – beginning of year	2,326,200	1,769,206	1,224,484
Net OPEB obligation – end of year	\$ 2,891,200	\$ 2,326,200	\$ 1,769,206
Percentage of annual OPEB contribution	23.5%	25.5%	22.9%

Funded Status and Funding Progress – The following is the funded status for the OPEB plan as of July 1, 2015:

For the Year Ended June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2013	\$ 156,330	\$ 8,502,000	\$ 8,345,670	1.8%	\$ 8,376,728	99.6%
2014	156,561	8,968,000	8,811,670	1.8%	10,402,446	84.7%
2015	156,794	8,153,000	7,996,439	1.9%	11,163,198	76.1%

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 assumptions used in the latest valuation are as follows:

Actuarial cost method	Projected unit credit
Discount rate	3.5%
Salary growth	3.0%
Medical and prescription trends	4.7% in 2015 decreasing gradually
Remaining amortization period	23 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 with under 30 years of service, and 100% for A&S employees with over 30 years of service. 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 postemployment 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	\$ 2,035,000
Interest on net OPEB obligation	178,000
Amortization of net OPEB obligation	<u>(216,000)</u>
Annual OPEB cost (expense)	1,997,000
Benefits paid during fiscal year	<u>(638,628)</u>
Increase in net OPEB obligation	1,358,372
Net OPEB obligation- beginning of year	<u>4,512,934</u>
Net OPEB obligation- end of year	<u>\$ 5,871,306</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 worker's compensation through the Injured Worker's Insurance Fund of Maryland. 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 & Equipment	\$ 2,800,000	\$ -	\$ 2,800,000
Less: Accumulated Depreciation	(840,000)	-	(840,000)
Total	\$ 1,960,000	\$ -	\$ 1,960,000

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<u>Fiscal Year Ending June 30</u>	Governmental Activities	Business-Type Activities	Total
2016	\$ 325,071	\$ -	\$ 325,071
2017	325,071	-	325,071
2018	325,071	-	325,071
2019	325,071	-	325,071
2020	325,071	-	325,071
2021-2022	650,141	-	650,141
Total minimum lease payments	2,275,496	-	2,275,496
Less: amount representing interest	(235,401)	-	(235,401)
Present value of minimum lease payments	\$ 2,040,095	\$ -	\$ 2,040,095

## 2. *Operating lease*

### Primary Government

The County leases buildings for 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 \$296,888 for the year ended June 30, 2015. Future minimum lease payments under significant non-cancelable operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 358,923
2017	360,533
2018	343,928
2019	130,347
2020 and thereafter	<u>28,884</u>
Total	<u>\$ 1,222,615</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, 2015 was \$0.

### Component Units

#### Public Library

During 2015, 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, 2015 are as follows:

**Governmental Activities:**

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2015
<b>General obligation bonds</b>					
<u>United States Department of Agriculture</u>					
FY11 Nicholson Ground Water Recovery Treatment	12/16/10	\$ 154,000	2.250%	01/16/51	\$ 142,725
<u>Maryland Water Quality Financing</u>					
FY01 Dulin Landfill Closure	04/05/01	689,000	2.200%	02/01/20	172,802
<u>Manufacturers &amp; Traders Trust Company</u>					
FY06 Board of Education Capital Projects	05/02/06	7,130,000	4.210%	05/02/21	3,393,714
<u>SunTrust Bank</u>					
FY09 Community Center	04/03/09	8,500,000	4.450%	04/03/29	6,672,745
FY11 Refinance - FY98 Public Works Complex	05/02/11	784,100	3.820%	05/02/26	616,028
					\$ 10,998,014

**Business-type Activities:**

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2015
<b>General obligation bonds</b>					
<u>Suntrust</u>					
Worton Debt Refinance	05/02/11	\$ 155,300	3.260%	05/02/21	\$ 99,082
<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	689,323
Fairlee/Piney Neck/Tolchester/Spring Cove Debt Refinance	04/28/04	2,027,478	1.000%	02/01/24	962,421
Worton Wastewater Treatment Plant Upgrade	03/19/10	2,700,000	1.000%	02/01/30	2,172,400
<u>United States Department of Agriculture</u>					
Gratitude Sewer Extension	03/01/77	100,000	5.000%	01/01/17	11,072
Kennedyville Sewer	12/15/77	84,000	5.000%	12/15/17	11,179
Worton Water Treatment Plant	01/28/10	338,000	2.375%	01/28/50	309,609
Chesterville Sewer Extension	12/16/10	476,000	2.250%	12/16/50	441,147
Worton Wastewater Treatment Plant	07/15/10	5,367,082	4.000%	07/15/50	5,081,374
Worton Wastewater Treatment Plant	12/16/10	2,253,000	3.750%	12/16/50	2,133,082
Edesville Wastewater Treatment Plant	11/18/10	60,000	2.250%	11/18/50	55,602
Worton Wastewater Treatment Plant	07/01/11	601,000	2.500%	07/01/51	566,534
Quaker Neck Sewer Extension	12/16/11	780,000	2.250%	12/16/51	736,077
					\$ 13,268,902

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

**Governmental Activities:**

Fiscal Year Ending June 30	Build America Bonds			
	Principal	Interest	Interest	Total
2016	948,498	467,018	(1,119)	1,414,397
2017	988,522	426,993	(1,095)	1,414,420
2018	1,030,247	385,269	(1,074)	1,414,442
2019	1,073,752	341,764	(1,051)	1,414,465
2020	1,094,948	296,409	(1,032)	1,390,325
2021 - 2025	3,344,964	931,643	(4,790)	4,271,817
2026 - 2030	2,421,275	280,026	(4,143)	2,697,158
2031 - 2035	19,495	9,765	(3,418)	25,842
2036 - 2040	21,808	7,452	(2,608)	26,652
2041 - 2045	24,403	4,857	(1,700)	27,560
2046 - 2050	27,302	1,958	(685)	28,575
2051	2,800	33	(11)	2,822
	<u>\$ 10,998,014</u>	<u>\$ 3,153,187</u>	<u>\$ (22,726)</u>	<u>\$ 14,128,475</u>

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

**Business-type activities:**

Fiscal Year Ending June 30	Build America Bonds			
	Principal	Interest	Interest	Total
2016	\$ 465,365	\$ 391,013	\$ (102,824)	\$ 753,554
2017	475,010	381,367	(101,131)	755,246
2018	475,250	372,364	(99,653)	747,961
2019	481,965	363,554	(98,118)	747,401
2020	490,109	355,408	(96,786)	748,731
2021 - 2025	2,378,717	1,628,067	(456,724)	3,550,060
2026 - 2030	1,785,128	1,364,093	(406,436)	2,742,785
2031 - 2035	1,222,638	1,105,562	(345,504)	1,982,696
2036 - 2040	1,460,056	868,144	(271,781)	2,056,419
2041 - 2045	1,746,588	581,612	(182,076)	2,146,124
2046 - 2050	2,087,550	237,377	(73,485)	2,251,442
2051 - 2052	200,526	3,740	(822)	203,444
	<u>\$ 13,268,902</u>	<u>\$ 7,652,301</u>	<u>\$ (2,235,340)</u>	<u>\$ 18,685,863</u>

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

Legal debt margin

In accordance with Section 3-9.1 of Chapter 3 of the Code of Public Local Laws of Kent County, Maryland, the County's annual debt financing cannot exceed twenty million dollars in any single fiscal year. During fiscal year 2015, the County did not issue any debt.

Changes in long-term liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2015 are as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>One Year</u>
<b><i>Governmental Activities:</i></b>					
General obligation bonds	\$ 14,200,087	\$ -	\$ (3,202,073)	\$ 10,998,014	\$ 948,498
Notes payable	153,452	-	(153,452)	-	-
Capital leases	2,300,584	-	(260,489)	2,040,095	267,805
Compensated absences	932,867	587,259	(620,907)	899,219	597,000
Landfill liability	978,096	-	(108,256)	869,840	-
Net other postemployment benefit obligation	2,326,200	739,000	(174,000)	2,891,200	-
Net pension liability	8,233,531	-	(765,508)	7,468,023	-
Governmental activities long-term liabilities	<u>\$ 29,124,817</u>	<u>\$ 1,326,259</u>	<u>\$ (5,284,685)</u>	<u>\$ 25,166,391</u>	<u>\$ 1,813,303</u>

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>One Year</u>
<b><i>Business-Type Activities:</i></b>					
General obligation bonds	\$ 13,726,642	\$ -	\$ (457,740)	\$ 13,268,902	\$ 465,365
Compensated absences	33,466	49,999	(43,657)	39,808	39,778
Governmental activities long-term liabilities	<u>\$ 13,760,108</u>	<u>\$ 49,999</u>	<u>\$ (501,397)</u>	<u>\$ 13,308,710</u>	<u>\$ 505,143</u>

Component Units

Board of Education

A summary of long-term liability activity for the year ended June 30, 2015 is as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<b>Governmental Activities:</b>					
Other post-employment benefit obligation	\$ 4,512,934	\$ 1,997,000	\$ 638,628	\$ 5,871,306	\$ -
Net Pension Liability	2,215,956	-	206,027	2,009,929	-
	<u>\$ 6,728,890</u>	<u>\$ 1,997,000</u>	<u>\$ 844,655</u>	<u>\$ 7,881,235</u>	<u>\$ -</u>

**L. Fund balance**

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

**Stabilization arrangement.** The County maintains a revenue stabilization reserve (“rainy day fund”) in the general fund. Resources equivalent to 0.05% of total general fund revenues are reserved annually. Expenditure of the amounts in the revenue stabilization reserve may occur at the direction of the County Commissioners. Use of these funds are not expected to occur routinely and are intended to be a resource in times of revenue shortfalls. At June 30, 2015, the stabilization reserve is \$139,034.

**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, 2015 is as follows:

	Due From All Funds	Due To All Funds
General Fund	\$ 467,669	\$ 7,021
Capital Projects Fund	-	75,342
Non-major Governmental Funds	-	129,409
Enterprise Fund - Water and Wastewater Services	7,021	262,918
<b>Total</b>	<b>\$ 474,690</b>	<b>\$ 474,690</b>

**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, 2015 is as follows:

	Transfers In	Transfers Out
General Fund	\$ 16,756	\$ (2,104,665)
Capital Projects Fund	979,073	-
Non-major Governmental Funds	107,147	-
Enterprise Fund - Water and Wastewater Services	1,018,445	-
Enterprise Fund - Bayside Landing	-	(16,756)
<b>Total</b>	<b>\$ 2,121,421</b>	<b>\$ (2,121,421)</b>

Significant interfund transfers in 2015 included:

- \$764,165 transfer from the general fund to the capital projects fund for the county’s share of the Kent County Board of Education projects at Garnett and Galena Elementary Schools.
- \$1,018,445 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 \$2,087,255 in post closure costs in the last nineteen years and estimates the cost to provide post closure care for the remaining eleven years at \$869,840. 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 \$115,359 in tipping fees to the facility during fiscal year 2015.

The participating counties are contingently liable for closure costs of the landfills. The County's potential share of the liability is \$3,259,732. 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

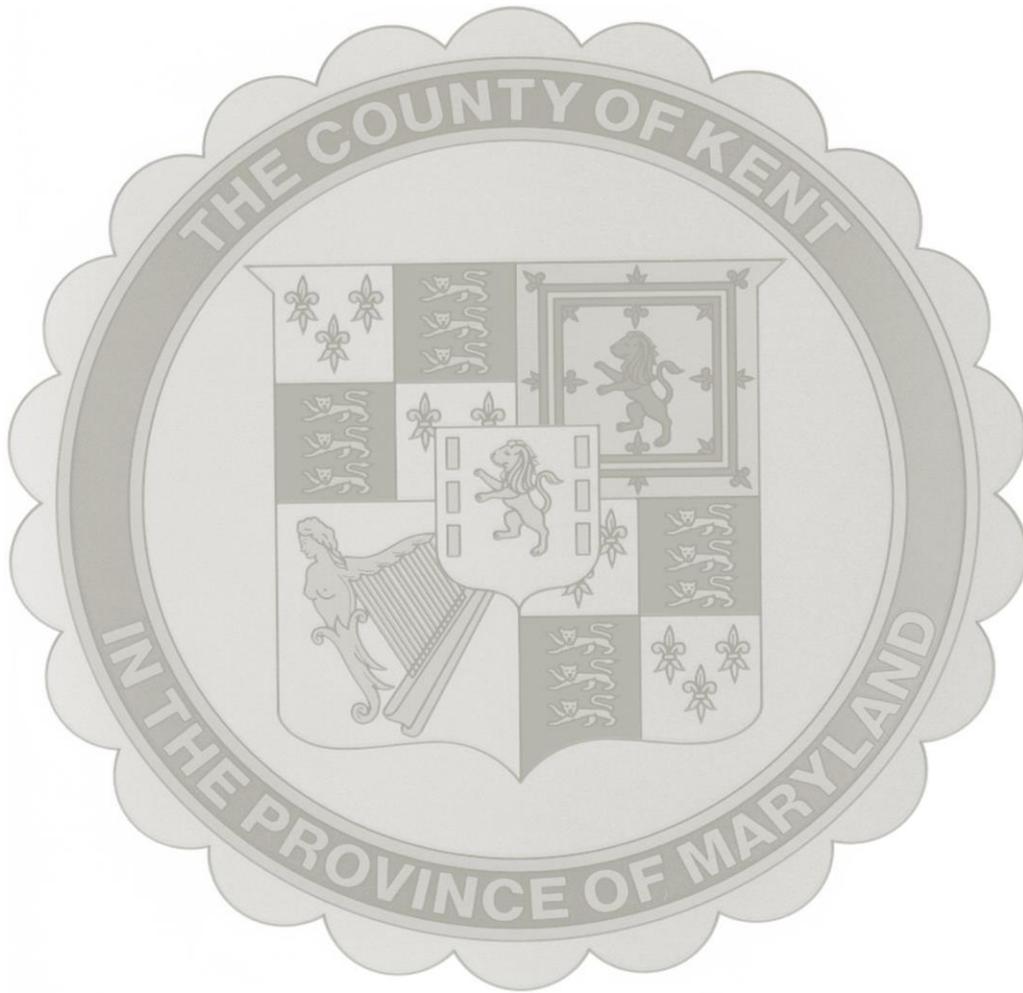
The County and its component units are recipients of various federal and state grant and/or loan programs, which are governed by various rules and regulations of grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. If the County 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, 2015, the value of all the deferred loan agreements was \$442,034.



*Photo Credit: Michael Wootten*

# 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, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 30,051,655	\$ 30,020,435	\$ 29,888,083	\$ (132,352)
Income	11,250,000	13,000,000	12,973,495	(26,505)
Other	1,834,500	1,834,500	2,029,337	194,837
State shared	220,565	220,565	222,422	1,857
Licenses and permits	286,775	286,775	318,992	32,217
Intergovernmental	290,979	296,979	281,589	(15,390)
Charges for services	533,930	560,126	479,299	(80,827)
Fines and forfeitures	21,750	23,715	14,042	(9,673)
Rental income	105,871	105,871	105,861	(10)
Miscellaneous	44,660	46,924	79,112	32,188
<b>Total Revenues</b>	<b>44,640,685</b>	<b>46,395,890</b>	<b>46,392,232</b>	<b>(3,658)</b>
<b>EXPENDITURES</b>				
General government				
County commissioners office	431,955	448,530	437,115	11,415
State's attorney's office	520,548	527,980	527,978	2
Circuit court	220,325	220,325	216,934	3,391
Orphan's court	51,596	51,596	35,984	15,612
Election office	452,044	452,044	353,480	98,564
Assessment and taxation	118,285	118,285	106,080	12,205
Finance office	674,664	674,664	647,516	27,148
Office of purchasing	-	-	-	-
Legal counsel	24,500	17,000	3,994	13,006
Human resources	290,199	337,199	326,541	10,658
Planning and zoning	602,926	618,499	547,330	71,169
Information technology	1,176,044	1,221,148	1,168,186	52,962
General services	73,737	73,737	70,444	3,293
Building and grounds	1,315,182	1,262,610	1,109,593	153,017
Insurance & benefit refunds	606,208	296,673	(42,823)	339,496
<b>Total general government</b>	<b>6,558,213</b>	<b>6,320,290</b>	<b>5,508,352</b>	<b>811,938</b>
Public safety				
Sheriff's office	2,875,676	2,877,676	2,666,457	211,219
Volunteer fire company	1,112,802	1,134,212	1,134,211	1
Detention center	2,815,652	2,847,462	2,707,564	139,898
Community work program	7,566	7,596	7,596	-
Alcoholic beverage inspection	67,809	67,809	55,453	12,356
Building inspector	25,700	31,215	30,438	777
Emergency management	1,221,500	1,218,740	1,134,475	84,265
Communications division	996,026	996,128	904,901	91,227
Humane society	270,700	270,700	268,826	1,874
<b>Total public safety</b>	<b>9,393,431</b>	<b>9,451,538</b>	<b>8,909,921</b>	<b>541,617</b>

(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, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
Public works				
Engineering	\$ 163,946	\$ 169,034	\$ 169,034	\$ -
Highways and streets	3,576,795	3,576,795	3,293,987	282,808
Solid waste	937,597	1,017,482	969,798	47,684
Total public works	<u>4,678,338</u>	<u>4,763,311</u>	<u>4,432,819</u>	<u>330,492</u>
Health				
Health department	394,411	394,411	389,934	4,477
Mosquito control	34,784	34,784	34,748	36
Total health	<u>429,195</u>	<u>429,195</u>	<u>424,682</u>	<u>4,513</u>
Social services				
Department of social services	21,416	21,416	20,972	444
Mid shore council on family violence	3,000	13,700	11,825	1,875
Upper shore aging	110,805	110,805	110,805	-
Delmarva community service	114,795	114,795	114,795	-
Denton transportation facility	-	-	-	-
Commission on aging	3,622	3,622	3,397	225
Community mediation	9,000	9,000	9,000	-
Kent youth	5,600	5,600	5,600	-
Kent center	55,000	55,000	55,000	-
Saint martin's ministries	6,000	6,000	6,000	-
Kid's work program	-	1,000	979	21
Casa mid shore	20,000	20,000	20,000	-
Homeports health fair	-	5,000	5,000	-
Total social services	<u>349,238</u>	<u>365,938</u>	<u>363,373</u>	<u>2,565</u>
Education				
Kent County public schools	17,191,672	17,208,277	17,208,277	-
Chesapeake college	548,453	548,453	548,453	-
Kent county learning center	2,500	2,500	2,500	-
Total education	<u>17,742,625</u>	<u>17,759,230</u>	<u>17,759,230</u>	<u>-</u>
Parks, recreation and culture				
Recreation	1,017,119	1,029,215	896,663	132,552
Parks	566,800	575,498	534,604	40,894
Culture	15,000	15,000	15,000	-
Total parks, recreation and culture	<u>1,598,919</u>	<u>1,619,713</u>	<u>1,446,267</u>	<u>173,446</u>
Library	596,027	596,027	596,027	-

(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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resource conservation and development				
Agriculture land preservation	\$ -	\$ -	\$ -	\$ -
Extension office	119,952	119,952	119,383	569
Soil conservation service	195,832	195,832	195,828	4
Gypsy moth suppression	-	-	-	-
Forestry board	1,693	1,693	1,693	-
Dorchester soil conservation	-	-	-	-
Clean chesapeake coalition	25,000	31,250	31,250	-
Kent AG center	-	-	-	-
Waterman's association	8,000	8,000	8,000	-
<u>Total resource conservation and development</u>	<u>350,477</u>	<u>356,727</u>	<u>356,154</u>	<u>573</u>
Community development				
Housing development	94,688	89,720	82,101	7,619
Economic and tourism development	382,148	393,244	388,158	5,086
<u>Total community development</u>	<u>476,836</u>	<u>482,964</u>	<u>470,259</u>	<u>12,705</u>
Debt service				
Debt service principal	1,577,304	3,359,235	3,355,527	3,708
Debt service interest	581,469	593,182	593,137	45
Capital lease principal	260,432	260,432	260,432	-
Capital lease interest	64,638	64,638	64,638	-
<u>Total debt service</u>	<u>2,483,843</u>	<u>4,277,487</u>	<u>4,273,734</u>	<u>3,753</u>
<u>Total expenditures</u>	<u>44,657,142</u>	<u>46,422,420</u>	<u>44,540,818</u>	<u>1,881,602</u>
Excess (deficiency) of revenues over expenditures	(16,457)	(26,530)	1,851,414	1,877,944
OTHER FINANCING SOURCES (USES)				
Transfers in	216,544	15,044	16,756	1,712
Transfers out	(2,417,799)	(2,296,389)	(2,104,665)	191,724
<u>Total Other Financing Sources (Uses)</u>	<u>(2,201,255)</u>	<u>(2,281,345)</u>	<u>(2,087,909)</u>	<u>193,436</u>
Net change in fund balances*	(2,217,712)	(2,307,875)	(236,495)	2,071,380
Fund balance - beginning			10,429,608	
Fund balance - ending			<u>\$ 10,193,113</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
2013	\$156,330	\$8,502,000	\$8,345,670	1.8%	\$ 8,376,728	99.6%
2014	156,561	8,968,000	8,811,439	1.8%	10,402,446	84.7%
2015	156,794	8,153,000	7,996,439	1.9%	11,163,198	76.1%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$706,000	22.9%
2014	748,000	25.5%
2015	739,000	23.5%

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, 2014
Actuarial cost method	Projected unit credit
Amortization method	Closed
Remaining amortization factor	23 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Discount Rate	3.5%
Projected salary increases	3.0%

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

Employee's Pension Plan

	<b>2015</b>
County's proportion of the net pension liability	0.0421%
County's proportionate share of the net pension liability	\$ 7,468,023
Total	\$ 7,468,023
County's covered employee payroll	\$ 8,149,823
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	91.6342%
Plan fiduciary net position as a percentage of the total pension liability	71.8700%

**Schedule of County Contributions**

Employee's Pension Plan

	<b>2015</b>
Contractually required contribution	\$ 983,563
Contributions in relation to the contractually required contribution	(983,563)
Contributions deficiency (excess)	\$ -
County's covered employee payroll	\$ 11,163,198
Contributions as a percentage of covered employee payroll	8.8108%

## **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, 2015**

	<u>Grants</u>	<u>Agricultural Preservation</u>	<u>Inmate Welfare</u>	<u>Reforestation &amp; Open Space</u>	<u>Law Library</u>	<u>Regional Family Services</u>	<u>Family &amp; Community Partnerships of Kent County</u>
<b>ASSETS</b>							
Equity in pooled cash	\$ 7,464	\$ 87,477	\$ 46,640	\$ 220,985	\$ 31,212	\$ 168	\$ 534,787
Intergovernmental receivable	167,948	-	-	-	725	83	228,782
Receivables	-	-	3,681	-	-	-	-
Total assets	<u>\$ 175,412</u>	<u>\$ 87,477</u>	<u>\$ 50,321</u>	<u>\$ 220,985</u>	<u>\$ 31,937</u>	<u>\$ 251</u>	<u>\$ 763,569</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 32,705	\$ -	\$ 1,016	\$ -	\$ 1,380	\$ -	\$ 214,864
Accrued liabilities	5,437	-	-	-	-	-	8,714
Intergovernmental payable	400	-	-	-	-	-	159,659
Due to other funds	129,409	-	-	-	-	-	-
Due to component unit	-	-	-	-	-	-	-
Unearned revenue	7,461	-	-	-	500	-	375,038
Total liabilities	<u>175,412</u>	<u>-</u>	<u>1,016</u>	<u>-</u>	<u>1,880</u>	<u>-</u>	<u>758,275</u>
<b>FUND BALANCES</b>							
Restricted	-	87,477	49,305	190,810	30,057	251	-
Assigned	-	-	-	-	-	-	5,294
Committed	-	-	-	30,175	-	-	-
Total fund balances	<u>-</u>	<u>87,477</u>	<u>49,305</u>	<u>220,985</u>	<u>30,057</u>	<u>251</u>	<u>5,294</u>
Total liabilities and fund balances	<u>\$ 175,412</u>	<u>\$ 87,477</u>	<u>\$ 50,321</u>	<u>\$ 220,985</u>	<u>\$ 31,937</u>	<u>\$ 251</u>	<u>\$ 763,569</u>

**The County Commissioners of Kent County, Maryland**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**June 30, 2015**

	<u>Kent County Drug Task Force</u>	<u>Sheriff's Forfeitures</u>	<u>Shop With A Cop</u>	<u>Kennedyville Development</u>	<u>Housing &amp; Community Development</u>	<u>Special Events Overtime</u>	<u>Caulk's Field Bicentennial</u>	<u>Nonmajor Governmental Funds</u>
<b>ASSETS</b>								
Equity in pooled cash	\$ 14,732	\$ 89,001	\$ 510	\$ 219,335	\$ 18,495	\$ 169	\$ -	\$ 1,270,975
Intergovernmental receivable	17,243	-	-	-	-	-	-	414,781
Receivables	12,922	1,975	-	-	-	1,760	-	20,338
Total assets	<u>\$ 44,897</u>	<u>\$ 90,976</u>	<u>\$ 510</u>	<u>\$ 219,335</u>	<u>\$ 18,495</u>	<u>\$ 1,929</u>	<u>\$ -</u>	<u>\$ 1,706,094</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 3,168	\$ -	\$ -	\$ -	\$ 298	\$ -	\$ -	\$ 253,431
Accrued liabilities	7,570	8,101	-	-	-	-	-	29,822
Intergovernmental payable	-	-	-	-	-	-	-	160,059
Due to other funds	-	-	-	-	-	-	-	129,409
Due to component unit	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	219,335	18,197	-	-	620,531
Total liabilities	<u>10,738</u>	<u>8,101</u>	<u>-</u>	<u>219,335</u>	<u>18,495</u>	<u>-</u>	<u>-</u>	<u>1,193,252</u>
<b>FUND BALANCES</b>								
Restricted	34,159	71,717	-	-	-	-	-	463,776
Assigned	-	11,158	510	-	-	1,929	-	18,891
Committed	-	-	-	-	-	-	-	30,175
Total fund balances	<u>34,159</u>	<u>82,875</u>	<u>510</u>	<u>-</u>	<u>-</u>	<u>1,929</u>	<u>-</u>	<u>512,842</u>
Total liabilities and fund balances	<u>\$ 44,897</u>	<u>\$ 90,976</u>	<u>\$ 510</u>	<u>\$ 219,335</u>	<u>\$ 18,495</u>	<u>\$ 1,929</u>	<u>\$ -</u>	<u>\$ 1,706,094</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, 2015**

	<u>Grants</u>	<u>Agricultural Preservation</u>	<u>Inmate Welfare</u>	<u>Reforestation &amp; Open Space</u>	<u>Law Library</u>	<u>Regional Family Services</u>	<u>Family &amp; Community Partnerships of Kent County</u>
<b>REVENUES</b>							
Taxes	\$ -	\$ 38,506	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	867,215	-	-	-	9,406	-	565,647
Charges for services	-	-	-	-	-	219	-
Fines and forfeitures	-	-	-	16,643	-	-	-
Miscellaneous	-	-	37,225	-	-	-	9,625
Total revenues	<u>867,215</u>	<u>38,506</u>	<u>37,225</u>	<u>16,643</u>	<u>9,406</u>	<u>219</u>	<u>575,272</u>
<b>EXPENDITURES</b>							
Current							
General government	135,837	-	-	-	16,719	3,879	-
Public safety	516,820	-	35,614	-	-	-	-
Public works	154,770	-	-	-	-	-	-
Social services	17,000	-	-	-	-	-	660,542
Parks recreation & culture	2,795	-	-	-	-	-	-
Resource conservation & development	-	22,600	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Tourism & economic development	39,993	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Total expenditures	<u>867,215</u>	<u>22,600</u>	<u>35,614</u>	<u>-</u>	<u>16,719</u>	<u>3,879</u>	<u>660,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>15,906</u>	<u>1,611</u>	<u>16,643</u>	<u>(7,313)</u>	<u>(3,660)</u>	<u>(85,270)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	4,817	-	-	13,000	-	84,824
Total other financing sources (uses)	<u>-</u>	<u>4,817</u>	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>84,824</u>
Net change in fund balances	-	20,723	1,611	16,643	5,687	(3,660)	(446)
Fund balances - beginning	-	66,754	47,694	204,342	24,370	3,911	5,740
Fund balances - ending	<u>\$ -</u>	<u>\$ 87,477</u>	<u>\$ 49,305</u>	<u>\$ 220,985</u>	<u>\$ 30,057</u>	<u>\$ 251</u>	<u>\$ 5,294</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, 2015**

	Kent County Drug Task Force	Sheriff's Forfeitures	Shop With A Cop	Kennedyville Development	Housing & Community Development	Special Events Overtime	Caulk's Field Bicentennial	Total Nonmajor Governmental Funds
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,506
Intergovernmental	11,696	-	-	-	19,823	-	72,170	1,545,957
Charges for services	-	-	-	-	-	4,923	1,755	6,897
Fines and forfeitures	11,485	78,466	-	-	-	-	-	106,594
Miscellaneous	-	-	510	10,466	2,505	-	10,388	70,719
Total revenues	<u>23,181</u>	<u>78,466</u>	<u>510</u>	<u>10,466</u>	<u>22,328</u>	<u>4,923</u>	<u>84,313</u>	<u>1,768,673</u>
<b>EXPENDITURES</b>								
Current								
General government	-	-	-	-	-	-	-	156,435
Public safety	28,794	6,975	-	-	-	3,611	-	591,814
Public works	-	-	-	10,466	-	-	-	165,236
Social services	-	-	-	-	-	-	-	677,542
Parks recreation & culture	-	-	-	-	-	-	-	2,795
Resource conservation & development	-	-	-	-	-	-	-	22,600
Housing	-	-	-	-	22,328	-	-	22,328
Tourism & economic development	-	-	-	-	-	-	115,830	155,823
Intergovernmental	-	-	-	-	-	-	-	-
Total expenditures	<u>28,794</u>	<u>6,975</u>	<u>-</u>	<u>10,466</u>	<u>22,328</u>	<u>3,611</u>	<u>115,830</u>	<u>1,794,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,613)</u>	<u>71,491</u>	<u>510</u>	<u>-</u>	<u>-</u>	<u>1,312</u>	<u>(31,517)</u>	<u>(25,900)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	-	4,506	107,147
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,506</u>	<u>107,147</u>
Net change in fund balances	(5,613)	71,491	510	-	-	1,312	(27,011)	81,247
Fund balances - beginning	39,772	11,384	-	-	-	617	27,011	431,595
Fund balances - ending	<u>\$ 34,159</u>	<u>\$ 82,875</u>	<u>\$ 510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,929</u>	<u>\$ -</u>	<u>\$ 512,842</u>



*Photo Credit: Jeanne Edwards*

## **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, 2015

	<b>State and Town Tax Collections</b>	<b>Millington Public Drainage Association</b>	<b>Inmate Accounts</b>	<b>Motor Vehicle Administration</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 6,377	\$ 22,116	\$ 28,493
Equity in pooled cash	57,184	3,081	-	-	60,265
Receivables	784,921	16	-	-	784,937
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 842,105</u>	<u>\$ 3,097</u>	<u>\$ 6,377</u>	<u>\$ 22,116</u>	<u>\$ 873,695</u>
<b>LIABILITIES</b>					
Accounts payable	-	365	6,377	-	6,742
Due to others	-	-	-	-	-
Due to other governments	842,105	2,732	-	22,116	866,953
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 842,105</u>	<u>\$ 3,097</u>	<u>\$ 6,377</u>	<u>\$ 22,116</u>	<u>\$ 873,695</u>

**The County Commissioners of Kent County, Maryland**  
**Statement of Changes in Assets and Liabilities – Agency Funds**  
**For the Year Ended June 30, 2015**

	<u>Cash / Equity in Pooled Cash</u>	<u>Accounts Receivable</u>	<u>Total Assets</u>	<u>Accounts Payable</u>	<u>Due to Others</u>	<u>Due to Other Governments</u>	<u>Total Liabilities</u>
<b><u>STATE AND TOWN TAX COLLECTIONS</u></b>							
Balance 07/01/14	\$ 81,716	\$ 849,206	\$ 930,922	\$ -	\$ -	\$ 930,922	\$ 930,922
Additions	7,620,851	13,825,601	21,446,452	-	-	18,897,057	18,897,057
Deductions	(7,645,383)	(13,889,886)	(21,535,269)	-	-	(18,985,874)	(18,985,874)
Balance 06/30/15	<u>\$ 57,184</u>	<u>\$ 784,921</u>	<u>\$ 842,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 842,105</u>	<u>\$ 842,105</u>
<b><u>MILLINGTON PUBLIC DRAINAGE ASSOCIATION</u></b>							
Balance 07/01/14	\$ 2,963	\$ 38	\$ 3,001	\$ 365	\$ 2,636	\$ -	\$ 3,001
Additions	1,578	3,147	4,725	1,460	1,571	-	3,031
Deductions	(1,460)	(3,169)	(4,629)	(1,460)	(1,475)	-	(2,935)
Balance 06/30/15	<u>\$ 3,081</u>	<u>\$ 16</u>	<u>\$ 3,097</u>	<u>\$ 365</u>	<u>\$ 2,732</u>	<u>\$ -</u>	<u>\$ 3,097</u>
<b><u>INMATE ACCOUNTS</u></b>							
Balance 07/01/14	\$ 7,700	\$ -	\$ 7,700	\$ 7,700	\$ -	\$ -	\$ 7,700
Additions	134,015	-	134,015	134,015	-	-	134,015
Deductions	(135,338)	-	(135,338)	(135,338)	-	-	(135,338)
Balance 06/30/15	<u>\$ 6,377</u>	<u>\$ -</u>	<u>\$ 6,377</u>	<u>\$ 6,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,377</u>
<b><u>MOTOR VEHICLE ADMINISTRATION</u></b>							
Balance 07/01/14	\$ 525	\$ -	\$ 525	\$ -	\$ -	\$ 525	\$ 525
Additions	374,593	-	374,593	-	-	374,593	374,593
Deductions	(353,002)	-	(353,002)	-	-	(353,002)	(353,002)
Balance 06/30/15	<u>\$ 22,116</u>	<u>\$ -</u>	<u>\$ 22,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,116</u>	<u>\$ 22,116</u>
<b><u>TOTAL - ALL AGENCY FUNDS</u></b>							
Balance 07/01/14	\$ 92,904	\$ 849,244	\$ 942,148	\$ 8,065	\$ 2,636	\$ 931,447	\$ 942,148
Additions	8,131,037	13,828,748	21,959,785	135,475	1,571	19,271,650	19,408,696
Deductions	(8,135,183)	(13,893,055)	(22,028,238)	(136,798)	(1,475)	(19,338,876)	(19,477,149)
Balance 06/30/15	<u>\$ 88,758</u>	<u>\$ 784,937</u>	<u>\$ 873,695</u>	<u>\$ 6,742</u>	<u>\$ 2,732</u>	<u>\$ 864,221</u>	<u>\$ 873,695</u>



*Photo credit: Bernadette Bonman*

## **Family & Community Partnerships of Kent County**

**The County Commissioners of Kent County, Maryland**  
**Combining Balance Sheet – Family & Community Partnerships of Kent County**  
**June 30, 2015**

	<b>Kent Family Center</b>	<b>Home Visiting</b>	<b>Rural Cares Program</b>	<b>Total Non Community Partnership Agreement</b>	<b>Community Partnership Agreement</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ (12,229)	\$ (6,719)	\$ 375,038	\$ 356,090	\$ 99,122
Receivables	-	-	-	-	-
Intergovernmental receivable	135,000	22,360	-	157,360	50,870
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 122,771</u>	<u>\$ 15,641</u>	<u>\$ 375,038</u>	<u>\$ 513,450</u>	<u>\$ 149,992</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 122,771	\$ -	\$ -	\$ 122,771	\$ 79,156
Accrued liabilities	-	-	-	-	8,714
Intergovernmental payable	-	15,641	-	15,641	62,122
Unearned revenue	-	-	375,038	375,038	-
Total liabilities	<u>122,771</u>	<u>15,641</u>	<u>375,038</u>	<u>513,450</u>	<u>149,992</u>
<b>FUND BALANCES</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 122,771</u>	<u>\$ 15,641</u>	<u>\$ 375,038</u>	<u>\$ 513,450</u>	<u>\$ 149,992</u>

**The County Commissioners of Kent County, Maryland**  
**Combining Balance Sheet – Family & Community Partnerships of Kent County**  
**June 30, 2015**

	<u>Incentive Reinvestment</u>	<u>County Funded Programs</u>	<u>Other Programs</u>	<u>2015 Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,589	\$ 6,982	\$ 41,004	\$ 534,787
Receivables	-	-	-	-
Intergovernmental receivable	-	-	20,552	228,782
Prepaid items	-	-	-	-
Total assets	<u>\$ 31,589</u>	<u>\$ 6,982</u>	<u>\$ 61,556</u>	<u>\$ 763,569</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 1,688	\$ 11,249	\$ 214,864
Accrued liabilities	-	-	-	8,714
Intergovernmental payable	31,589	-	50,307	159,659
Unearned revenue	-	-	-	375,038
Total liabilities	<u>31,589</u>	<u>1,688</u>	<u>61,556</u>	<u>758,275</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Prepaid	-	-	-	-
Restricted	-	-	-	-
Assigned	-	5,294	-	5,294
Total Fund Balances	<u>-</u>	<u>5,294</u>	<u>-</u>	<u>5,294</u>
Total liabilities and fund balances	<u>\$ 31,589</u>	<u>\$ 6,982</u>	<u>\$ 61,556</u>	<u>\$ 763,569</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, 2015**

	<b>Kent Family Center</b>	<b>Home Visiting</b>	<b>Rural Cares Program</b>	<b>Total Non Community Partnership Agreement</b>	<b>Community Partnership Agreement</b>
<b>REVENUES</b>					
Community Partnership Agreement:					
Earned reinvestment	\$ -	\$ -	\$ -	\$ -	\$ -
Earned reinvestment - other	-	-	-	-	-
Total earned reinvestment	-	-	-	-	-
Children's cabinet	-	-	-	-	312,086
Children's cabinet - not spent/transfer to payable	-	-	-	-	-
Total community partnership agreement	-	-	-	-	312,086
Non-community partnership agreement		64,025	-	64,025	-
Other intergovernmental revenue	135,000	-	3,689	138,689	-
Other Revenue	-	-	-	-	-
Interest	-	-	-	-	-
Interest - transferred to payable	-	-	-	-	-
Total revenues	<u>135,000</u>	<u>64,025</u>	<u>3,689</u>	<u>202,714</u>	<u>312,086</u>
<b>EXPENDITURES</b>					
Administration:					
Salaries	-	2,177	-	2,177	33,000
Fringe costs	-	1,024	-	1,024	17,000
Communications	-	-	-	-	705
Postage	-	-	-	-	56
Business travel	-	-	-	-	2,099
Training	-	-	-	-	1,350
Conferences and conventions	-	-	-	-	1,839
Dues, subscriptions and licenses	-	-	-	-	1,167
Advertising	-	-	-	-	629
Consultants (other than legal)	-	-	-	-	2,000
Printing	-	-	-	-	374
Supplies	-	-	-	-	4,781
Leased equipment	-	-	-	-	-
Fixed assets	-	-	-	-	-
Contract services	-	-	-	-	-
Kids who care awards	-	-	-	-	-
Total administration expenditures	-	<u>3,201</u>	-	<u>3,201</u>	<u>65,000</u>
Programs:					
Healthy families mid-shore	-	-	-	-	88,914
Building developmental assets	-	-	-	-	10,000
Breakfast and lunch buddies program	-	-	-	-	20,985
The possible dream project	-	-	-	-	59,896
Truancy diversion case manager	-	-	-	-	34,579
Imagination library	-	-	-	-	9,586
Youth orchestra program	-	-	-	-	18,930
Backpack program expansion	-	-	-	-	3,642
Homework depot mentor resources	-	-	-	-	554
Kent family center	135,000	-	-	135,000	-
Rural cares	-	-	3,689	3,689	-
Home visiting	-	60,824	-	60,824	-
Early childhood advisory council	-	-	-	-	-
School climate initiative	-	-	-	-	-
School & family mediation	-	-	-	-	-
Needs assessment	-	-	-	-	-
Bayside hoyas	-	-	-	-	-
Drug free communities	-	-	-	-	-
Challenge day	-	-	-	-	-
Total program expenditures	<u>135,000</u>	<u>60,824</u>	<u>3,689</u>	<u>199,513</u>	<u>247,086</u>
Total expenditures	<u>135,000</u>	<u>64,025</u>	<u>3,689</u>	<u>202,714</u>	<u>312,086</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning					
Fund balances - ending					

**The County Commissioners of Kent County, Maryland**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—Family & Community Partnerships of Kent County**  
**For the Year Ended June 30, 2015**

	<b>Incentive Reinvestment</b>	<b>County Funded Programs</b>	<b>Other Programs</b>	<b>2015 Total</b>
<b>REVENUES</b>				
Community Partnership Agreement:				
Earned reinvestment	\$ -	\$ -	\$ -	\$ -
Earned reinvestment - other	-	-	12,600	12,600
Total earned reinvestment	-	-	12,600	12,600
Children's cabinet	-	-	10,000	322,086
Children's cabinet - not spent/transfer to payable	-	-	-	-
Total community partnership agreement	-	-	22,600	334,686
Non-community partnership agreement	-	-	-	64,025
Other intergovernmental revenue	-	-	28,247	166,936
Other Revenue	-	1,000	8,625	9,625
Interest	289	-	-	289
Interest - transferred to payable	(289)	-	-	(289)
Total revenues	-	1,000	59,472	575,272
<b>EXPENDITURES</b>				
Administration:				
Salaries	-	62,161	3,083	100,421
Fringe costs	-	18,200	641	36,865
Communications	-	-	-	705
Postage	-	-	-	56
Business travel	-	-	-	2,099
Training	-	-	-	1,350
Conferences and conventions	-	1,532	-	3,371
Dues, subscriptions and licenses	-	-	-	1,167
Advertising	-	-	-	629
Consultants (other than legal)	-	1,834	-	3,834
Printing	-	-	-	374
Supplies	-	2,118	-	6,899
Leased equipment	-	-	-	-
Fixed assets	-	395	-	395
Contract services	-	-	-	-
Kids who care awards	-	30	-	30
Total administration expenditures	-	86,270	3,724	158,195
Programs:				
Healthy families mid-shore	-	-	-	88,914
Building developmental assets	-	-	-	10,000
Breakfast and lunch buddies program	-	-	-	20,985
The possible dream project	-	-	-	59,896
Truancy diversion case manager	-	-	-	34,579
Imagination library	-	-	-	9,586
Youth orchestra program	-	-	-	18,930
Backpack program expansion	-	-	9,625	13,267
Homework depot mentor resources	-	-	-	554
Kent family center	-	-	-	135,000
Rural cares	-	-	-	3,689
Home visiting	-	-	-	60,824
Early childhood advisory council	-	-	18,328	18,328
School climate initiative	-	-	10,000	10,000
School & family mediation	-	-	3,033	3,033
Needs assessment	-	-	3,500	3,500
Bayside hoyas	-	-	1,117	1,117
Drug free communities	-	-	1,895	1,895
Challenge day	-	-	8,250	8,250
Total program expenditures	-	-	55,748	502,347
Total expenditures	-	86,270	59,472	660,542
Excess (deficiency) of revenues over (under) expenditures	-	(85,270)	-	(85,270)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	84,824	-	84,824
Total other financing sources (uses)	-	84,824	-	84,824
Net change in fund balances	\$ -	\$ (446)	\$ -	\$ (446)
Fund balances - beginning				5,740
Fund balances - ending				<u>\$ 5,294</u>



*Photo Credit: Jen Davis*

# 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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Invested in Capital Assets,										
Net of Related Debt	\$ 36,014,941	\$ 36,935,890	\$ 38,679,124	\$ 35,198,925	\$ 32,394,866	\$ 38,477,969	\$ 37,991,441	\$ 37,586,951	\$ 36,984,619	\$ 37,891,332
Restricted	6,975,928	4,448,228	3,905,333	6,975,755	3,358,627	2,418,209	2,371,959	1,142,970	1,237,555	969,743
Unrestricted (deficit)	(10,015,334)	(7,098,060)	(5,586,780)	(7,509,997)	(3,003,225)	(8,395,251)	(6,738,725)	(4,878,061)	536,589	(3,981,945)
	<u>32,975,535</u>	<u>34,286,058</u>	<u>36,997,677</u>	<u>34,664,683</u>	<u>32,750,268</u>	<u>32,500,927</u>	<u>33,624,675</u>	<u>33,851,860</u>	<u>38,758,763</u>	<u>34,879,130</u>
Business-Type Activities										
Invested in Capital Assets,										
Net of Related Debt	22,231,044	23,528,809	23,954,893	25,827,406	30,491,745	25,639,311	27,796,135	30,340,789	29,509,790	28,871,869
Restricted	-	32,393	80,105	337,935	366,941	223,731	259,780	-	-	-
Unrestricted (deficit)	256,896	51,230	(391,297)	(2,733,973)	(6,717,781)	(743,183)	375,461	579,741	590,544	323,881
	<u>22,487,940</u>	<u>23,612,432</u>	<u>23,643,701</u>	<u>23,431,368</u>	<u>24,140,905</u>	<u>25,119,859</u>	<u>28,431,376</u>	<u>30,920,530</u>	<u>30,100,334</u>	<u>29,195,750</u>
Primary Government										
Invested in Capital Assets,										
Net of Related Debt	58,245,985	60,464,699	62,634,017	61,026,331	62,886,611	64,117,280	65,787,576	67,927,740	66,494,409	66,763,201
Restricted	6,975,928	4,480,621	3,985,438	7,313,690	3,725,568	2,641,940	2,631,739	1,142,970	1,237,555	969,743
Unrestricted (deficit)	(9,758,438)	(7,046,830)	(5,978,077)	(10,243,970)	(9,721,006)	(9,138,434)	(6,363,264)	(4,298,320)	1,127,133	(3,658,064)
	<u>55,463,475</u>	<u>57,898,490</u>	<u>60,641,378</u>	<u>58,096,051</u>	<u>56,891,173</u>	<u>57,620,786</u>	<u>62,056,051</u>	<u>64,772,390</u>	<u>68,859,097</u>	<u>64,074,880</u>

\*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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Primary government:										
General government	\$ 4,455,775	\$ 4,995,367	\$ 5,270,082	\$ 5,817,579	\$ 5,726,512	\$ 5,257,335	\$ 5,281,932	\$ 5,545,858	\$ 7,975,935	\$ 5,472,627
Public safety	6,236,780	7,504,010	8,781,113	9,452,858	9,252,249	9,377,712	9,305,524	9,053,031	9,769,705	10,297,034
Public works	3,737,244	4,607,624	4,606,738	4,227,461	4,072,419	4,834,514	4,059,808	3,465,575	3,929,895	4,669,683
Health and social services	1,988,822	1,995,394	2,145,190	2,366,162	2,177,583	2,077,007	1,839,876	1,344,342	1,311,827	1,439,401
Education	20,141,685	17,877,611	18,853,641	19,999,754	19,386,662	18,386,474	17,706,142	17,934,858	18,735,806	18,587,895
Culture and recreation	1,037,947	1,184,376	1,278,381	1,294,570	1,278,549	1,433,196	1,493,210	1,416,562	1,588,880	1,821,506
Libraries	490,023	535,204	584,704	1,449,884	569,753	541,266	542,000	542,000	554,018	602,841
Resource conservation	271,768	452,291	337,746	495,801	312,748	407,128	404,578	336,852	347,017	378,754
Community development	1,348,412	1,017,386	1,061,222	752,226	894,696	946,040	537,809	957,230	791,118	641,490
Debt service	542,684	695,975	620,737	1,923,747	1,190,063	1,091,278	1,302,170	1,148,914	1,202,550	1,089,455
Total governmental activities expense	40,251,140	40,865,238	43,539,554	47,780,042	44,861,234	44,351,950	42,473,049	41,745,222	46,206,751	45,000,686
Business-type activities										
Water and wastewater services	2,628,595	2,446,232	3,215,950	3,346,299	3,541,173	3,468,563	3,788,995	3,660,250	3,848,899	3,990,466
Bayside landing	35,658	50,981	41,078	193,625	41,374	30,326	22,367	22,252	22,783	45,942
Total business-type activities expense	2,664,253	2,497,213	3,257,028	3,539,924	3,582,547	3,498,889	3,811,362	3,682,502	3,871,682	4,036,408
Total Primary Government Expenses	\$ 42,915,393	\$ 43,362,451	\$ 46,796,582	\$ 51,319,966	\$ 48,443,781	\$ 47,850,839	\$ 46,284,411	\$ 45,427,724	\$ 50,078,433	\$ 49,037,094
Program Revenues										
Primary government										
General government										
Charges for services	76,967	79,161	94,790	67,264	103,028	75,083	62,781	103,833	110,786	132,700
Operating grants and contributions	147,712	253,079	168,459	255,694	334,439	275,674	302,319	205,184	403,079	149,743
Capital grants and contributions	-	-	66,515	-	113,672	39,735	85,909	4,622	2,490,368	-
Total revenue	224,679	332,240	329,764	322,958	551,139	390,492	451,009	313,639	3,004,233	282,443
Public safety										
Charges for services	461,333	351,479	285,734	380,114	201,802	167,124	132,013	106,284	119,722	64,028
Operating grants and contributions	990,924	562,573	547,814	650,488	659,472	673,353	621,711	610,266	616,730	615,283
Capital grants and contributions	530,906	234,538	882,624	341,106	682,374	186,123	135,819	212,261	58,359	91,293
Total revenue	1,983,163	1,148,590	1,716,172	1,371,708	1,543,648	1,026,600	889,543	928,811	794,811	770,604

(Continued)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public works										
Charges for services	167,519	191,490	189,895	175,439	114,533	173,609	219,920	136,352	109,912	109,122
Operating grants and contributions	345,894	22,586	17,600	13,390	131,095	70,863	380,923	55,582	23,768	219,766
Capital grants and contributions	109	300,190	123,709	78,406	64,998	182,842	295,918	176,944	64,998	51,107
Total revenue	513,522	514,266	331,204	267,235	310,626	427,314	896,761	368,878	198,678	379,995
Health and social services										
Charges for services	7,999	7,541	6,741	9,435	35,559	43,729	23,999	15,559	11,711	14,692
Operating grants and contributions	838,718	1,079,791	1,041,046	764,984	775,498	1,122,776	849,130	342,710	509,937	492,992
Capital grants and contributions	-	-	-	-	-	-	-	-	-	95,054
Total revenue	846,717	1,087,332	1,047,787	774,419	811,057	1,166,505	873,129	358,269	521,648	602,738
Culture and recreation										
Charges for services	115,535	164,002	148,089	142,094	143,674	193,282	211,853	213,773	210,373	165,654
Operating grants and contributions	44,780	28,682	78,212	95,211	46,552	28,985	21,136	12,400	10,580	2,995
Capital grants and contributions	-	31,758	684,992	979,393	1,515,987	138,185	-	-	92,222	185,313
Total revenue	160,315	224,442	911,293	1,216,698	1,706,213	360,452	232,989	226,173	313,175	353,962
Resource and conservation										
Operating grants and contributions	59,725	32,835	28,934	28,434	28,434	28,434	28,434	-	-	-
Total revenue	59,725	32,835	28,934	28,434	28,434	28,434	28,434	-	-	-
Community development										
Operating grants and contributions	638,697	54,186	66,220	78,690	38,719	56,211	55,358	82,691	74,986	140,597
Capital grants and contributions	132,121	687,621	357,363	40,426	220,000	133,328	19,491	56,749	18,815	19,823
Total revenue	770,818	741,807	423,583	119,116	258,719	189,539	74,849	139,440	93,801	160,420
Total primary government activities program revenues	4,558,939	4,081,512	4,788,737	4,100,568	5,209,836	3,589,336	3,446,714	2,335,210	4,926,346	2,550,162
Business-type activities program revenue										
Water and wastewater services										
Charges for services	1,709,244	1,831,267	1,759,923	1,898,858	1,913,988	2,010,351	2,107,744	2,169,794	2,095,703	2,033,565
Operating grants and contributions	-	-	-	-	-	-	-	272,558	20,601	-
Capital grants and contributions	2,795,553	1,412,029	678,098	295,709	1,443,557	1,604,522	1,227,853	33,615	-	10,809
Total revenue	4,504,797	3,243,296	2,438,021	2,194,567	3,357,545	3,614,873	3,335,597	2,475,967	2,116,304	2,044,374
Bayside landing										
Charges for services	1,398	42,616	42,091	40,875	41,440	40,729	41,269	41,631	41,210	39,922
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	18,097	82,948	236,076	7,594	-	-	-	9,811	13,398
Total revenue	1,398	60,713	125,039	276,951	49,034	40,729	41,269	41,631	51,021	53,320
Total business-type activities program revenues	4,506,195	3,304,009	2,563,060	2,471,518	3,406,579	3,655,602	3,376,866	2,517,598	2,167,325	2,097,694

(Continued)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense) Revenue										
Governmental activities	(35,692,201)	(36,783,726)	(38,750,817)	(43,679,474)	(39,651,398)	(40,762,614)	(39,026,335)	(39,410,012)	(41,280,405)	(42,450,524)
Business-type activities	1,841,942	806,796	(693,968)	(1,068,406)	(175,968)	156,713	(434,496)	(1,164,904)	(1,704,357)	(1,938,714)
Total primary government net expense	<u>\$ (33,850,259)</u>	<u>\$ (35,976,930)</u>	<u>\$ (39,444,785)</u>	<u>\$ (44,747,880)</u>	<u>\$ (39,827,366)</u>	<u>\$ (40,605,901)</u>	<u>\$ (39,460,831)</u>	<u>\$ (40,574,916)</u>	<u>\$ (42,984,762)</u>	<u>\$ (44,389,238)</u>
General revenues and other changes in net assets										
Governmental activities										
Property taxes	\$ 18,841,389	\$ 20,519,221	\$ 23,105,492	\$ 25,655,349	\$ 27,447,599	\$ 30,680,082	\$ 30,405,080	\$ 30,174,622	\$ 30,212,617	\$ 30,188,083
County income taxes	10,970,351	11,016,444	12,600,006	11,932,652	7,902,019	8,259,472	9,807,119	10,143,953	14,119,602	13,687,506
State shared	2,228,530	2,281,149	2,182,184	1,898,272	113,492	152,110	113,412	201,738	211,318	222,422
Other taxes	3,308,058	2,903,209	2,816,114	1,765,341	1,723,138	1,493,242	1,477,379	1,687,666	1,833,864	2,067,843
Licenses and permits	253,650	247,157	237,391	208,923	262,030	286,859	321,467	-	-	-
Fines and forfeitures	114,176	108,817	117,449	102,041	41,279	34,324	68,872	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Other revenues	911,607	1,192,507	974,725	622,596	1,027,982	261,166	2,132,585	1,037,126	663,676	659,615
Capital contributions - developers	396,000	-	-	-	-	-	-	-	-	-
Transfers	(822,566)	(329,713)	(570,925)	(838,376)	(779,001)	(653,982)	(3,667,989)	(3,600,908)	(848,869)	(1,001,689)
Total governmental activities	<u>36,201,195</u>	<u>37,938,791</u>	<u>41,462,436</u>	<u>41,346,798</u>	<u>37,738,538</u>	<u>40,513,273</u>	<u>40,657,925</u>	<u>39,644,197</u>	<u>46,192,208</u>	<u>45,823,780</u>
Business-type activities										
Investment income	(76,937)	7,417	(16,834)	2,866	(3,392)	(65)	(549)	-	-	-
Other revenues	185,747	142,440	171,147	28,912	108,341	168,324	74,082	46,150	27,892	32,441
Transfers	822,566	323,297	570,924	823,977	779,001	653,982	3,667,989	3,600,908	851,369	1,001,689
Total business-type activities	<u>931,376</u>	<u>473,154</u>	<u>725,237</u>	<u>855,755</u>	<u>883,950</u>	<u>822,241</u>	<u>3,741,522</u>	<u>3,647,058</u>	<u>879,261</u>	<u>1,034,130</u>
Total primary government	<u>37,132,571</u>	<u>38,411,945</u>	<u>42,187,673</u>	<u>42,202,553</u>	<u>38,622,488</u>	<u>41,335,514</u>	<u>44,399,447</u>	<u>43,291,255</u>	<u>47,071,469</u>	<u>46,857,910</u>
Change in net position										
Governmental activities	508,994	1,155,065	2,711,619	(2,332,676)	(1,912,860)	(249,341)	1,631,590	234,185	4,911,803	3,373,256
Business-type activities	2,773,318	1,279,950	31,269	(212,651)	707,982	978,954	3,307,026	2,482,154	(825,096)	(904,584)
Total primary government	<u>\$ 3,282,312</u>	<u>\$ 2,435,015</u>	<u>\$ 2,742,888</u>	<u>\$ (2,545,327)</u>	<u>\$ (1,204,878)</u>	<u>\$ 729,613</u>	<u>\$ 4,938,616</u>	<u>\$ 2,716,339</u>	<u>\$ 4,086,707</u>	<u>\$ 2,468,672</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 1,975,138	\$ 2,039,923	\$ 1,898,252	\$ 1,535,618	\$ 1,596,205	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated for future year's expenditures	-	987,555	236,552	791,753	511,619	-	-	-	-	-
Undesignated	2,705,528	3,849,634	4,650,733	4,633,030	10,416,815	-	-	-	-	-
Nonspendable (1)	-	-	-	-	-	614,320	732,260	713,988	786,218	436,901
Restricted (1)	-	-	-	-	-	156,240	163,010	172,019	-	-
Committed (1)	-	-	-	-	-	611,947	514,570	29,425	-	-
Assigned (1)	-	-	-	-	-	-	-	-	-	-
Unassigned (1)	-	-	-	-	-	4,254,516	5,240,154	5,233,714	9,643,390	9,756,212
Total General Fund	4,680,666	6,877,112	6,785,537	6,960,401	12,524,639	5,637,023	6,649,994	6,149,146	10,429,608	10,193,113
All Other Governmental Funds										
Reserved	312,215	328,972	367,905	358,814	2,500	-	-	-	-	-
Unreserved, designated for future year's expenditures	-	-	-	3,452,894	-	-	-	-	-	-
Undesignated, reported in:										
Capital Projects	3,118,846	766,692	-	-	-	-	-	-	-	-
Special Revenue Funds	1,569,728	1,312,641	1,402,624	836,676	1,248,303	-	-	-	-	-
Nonspendable (1)	-	-	-	-	-	3,320	798	5,506	4,950	-
Restricted (1)	-	-	-	-	-	1,012,581	516,511	196,001	384,469	463,776
Committed (1)	-	-	-	-	-	19,801	10,573	-	30,175	30,175
Assigned (1)	-	-	-	-	-	-	-	26,031	31,743	38,891
Unassigned (1)	-	-	-	-	-	-	434,237	-	-	-
Total All Other Governmental Funds	5,000,789	2,408,305	1,770,529	4,648,384	1,250,803	1,035,702	962,119	227,538	451,337	532,842
Total All Governmental Funds	\$ 9,681,455	\$ 9,285,417	\$ 8,556,066	\$ 11,608,785	\$ 13,775,442	\$ 6,672,725	\$ 7,612,113	\$ 6,376,684	\$ 10,880,945	\$ 10,725,955

(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**

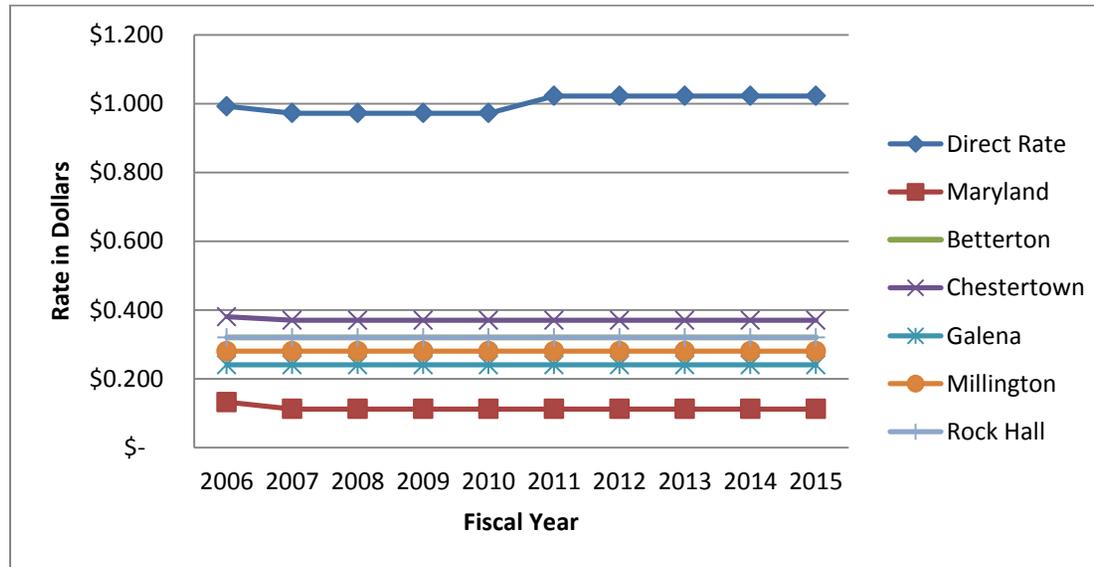
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes										
Property	\$ 18,842,282	\$ 20,519,221	\$ 23,105,492	\$ 25,655,349	\$ 27,447,599	\$ 30,680,082	\$ 30,405,080	\$ 30,174,622	\$ 30,212,617	\$ 29,888,083
Income	10,297,550	11,174,843	12,100,529	12,100,769	9,306,233	8,200,260	10,335,245	11,047,174	13,696,595	12,973,495
Other	3,308,058	2,903,209	2,816,114	1,765,341	1,723,138	1,493,242	1,477,379	1,687,666	1,833,864	2,067,843
State Shared	2,228,530	2,281,149	2,182,184	1,898,272	113,492	152,110	113,412	201,738	211,318	222,422
Licenses and permits	253,650	247,157	237,391	208,923	262,030	286,859	321,467	303,533	302,045	318,992
Intergovernmental revenue	3,633,407	3,503,275	4,012,150	3,503,723	4,619,288	2,963,091	2,555,280	2,014,246	4,363,842	2,063,966
Service charges for current services	829,353	793,673	725,249	774,346	576,096	662,825	660,080	578,789	562,504	486,196
Fines and forfeitures	114,176	108,817	117,449	102,041	41,279	34,324	68,422	111,929	53,715	120,636
Miscellaneous revenue	888,175	2,503,993	1,029,273	845,406	1,023,146	483,264	3,902,895	272,794	606,480	255,692
<b>Total revenues</b>	<b>40,395,181</b>	<b>44,035,337</b>	<b>46,325,831</b>	<b>46,854,170</b>	<b>45,112,301</b>	<b>44,956,057</b>	<b>49,839,260</b>	<b>46,392,491</b>	<b>51,842,980</b>	<b>48,397,325</b>
Expenditures										
General government	4,153,448	4,759,426	5,164,082	5,690,219	5,672,590	4,996,531	6,843,591	5,363,134	7,777,559	5,664,787
Public safety	7,662,419	7,907,186	9,568,500	9,329,254	9,337,225	8,681,050	11,037,818	8,722,860	8,947,991	9,501,735
Public works	4,266,117	4,571,314	4,470,920	4,133,103	4,214,593	4,820,601	4,113,388	3,231,618	3,784,820	4,705,815
Health and social services	1,984,096	1,990,751	2,146,324	2,359,783	2,177,941	2,092,176	1,849,855	1,344,159	1,311,902	1,465,597
Education	20,141,685	17,877,611	18,853,641	19,999,754	19,386,662	18,386,474	17,706,142	17,934,858	18,735,806	18,587,895
Parks, recreation, and culture	989,302	1,205,054	2,114,073	6,752,086	5,112,929	1,262,683	1,195,095	1,118,836	1,395,036	1,721,058
Libraries	490,023	535,204	584,704	1,449,884	569,753	541,266	542,000	542,000	554,018	602,841
Resources conservation and development	411,591	452,291	337,746	495,801	406,148	407,128	414,878	336,852	347,017	378,754
Community development	1,462,660	1,450,000	1,066,129	892,460	885,508	941,182	530,249	955,209	774,056	648,410
Debt service										
Principal	2,151,882	2,604,814	1,520,061	1,354,721	1,753,129	11,491,903	2,104,233	3,818,574	2,092,002	3,615,959
Interest	566,764	748,011	658,077	606,010	989,225	961,939	855,907	910,712	769,643	657,775
<b>Total expenditures</b>	<b>44,279,987</b>	<b>44,101,662</b>	<b>46,484,257</b>	<b>53,063,075</b>	<b>50,505,703</b>	<b>54,582,933</b>	<b>47,193,156</b>	<b>44,278,812</b>	<b>46,489,850</b>	<b>47,550,626</b>
Excess/(deficiency) of revenues over expenditures	(3,884,806)	(66,325)	(158,426)	(6,208,905)	(5,393,402)	(9,626,876)	2,646,104	2,113,679	5,353,130	846,699
Other financing sources (uses)										
Transfers in	46,353	1,745,714	2,084,061	605,276	1,418,730	177,458	596,343	903,768	1,853,579	1,102,976
Transfers out	(868,919)	(2,075,427)	(2,654,986)	(1,443,652)	(2,197,731)	(831,440)	(4,264,332)	(4,504,676)	(2,702,448)	(2,104,665)
Capital contributions - developers	396,000	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	2,464,624	-	-	-
Proceeds from loans and capital leases	7,130,000	-	-	10,100,000	8,339,060	3,178,139	-	251,800	-	-
	6,703,434	(329,713)	(570,925)	9,261,624	7,560,059	2,524,157	(1,203,365)	(3,349,108)	(848,869)	(1,001,689)
<b>Net increase (decrease) in fund balance</b>	<b>\$ 2,818,628</b>	<b>\$ (396,038)</b>	<b>\$ (729,351)</b>	<b>\$ 3,052,719</b>	<b>\$ 2,166,657</b>	<b>\$ (7,102,719)</b>	<b>\$ 1,442,739</b>	<b>\$ (1,235,429)</b>	<b>\$ 4,504,261</b>	<b>\$ (154,990)</b>
Debt Service as a percentage of county expenditures	6.02%	7.26%	4.43%	3.60%	5.20%	22.47%	5.75%	9.69%	5.82%	8.61%

**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
2006	\$ 0.992	\$ 0.132	\$ 0.320	\$ 0.380	\$ 0.240	\$ 0.280	\$ 0.320
2007	0.972	0.112	0.320	0.370	0.240	0.280	0.320
2008	0.972	0.112	0.320	0.370	0.240	0.280	0.320
2009	0.972	0.112	0.320	0.370	0.240	0.280	0.320
2010	0.972	0.112	0.320	0.370	0.240	0.280	0.320
2011	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2012	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2013	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2014	1.022	0.112	0.320	0.370	0.240	0.280	0.320
2015	1.022	0.112	0.320	0.370	0.240	0.280	0.320

(1) Rates per \$100 of assessed value

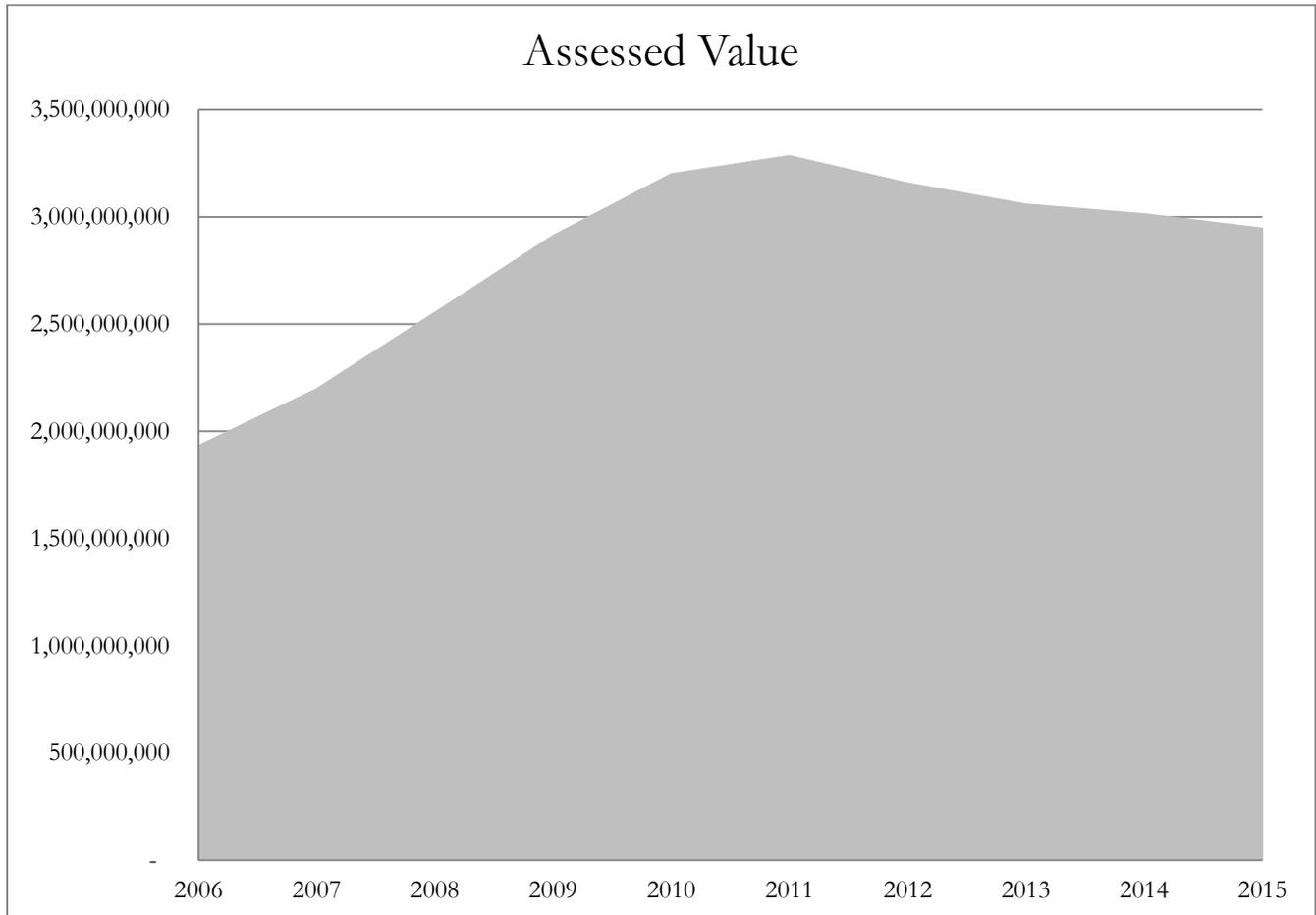
(2) County Direct Rate does not reflect the tax differential for properties located in incorporated towns



**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
2006	\$ 1,895,878,465	\$ 94,687,529	\$ 1,801,190,936	\$ 0.992	\$ 35,843,750	\$ 1,931,722,215
2007	2,159,124,553	155,536,331	2,003,588,222	0.972	37,997,580	2,197,122,133
2008	2,516,102,607	248,261,384	2,267,841,223	0.972	36,870,430	2,552,973,037
2009	2,874,970,705	352,096,591	2,522,874,114	0.972	36,828,490	2,911,799,195
2010	3,176,535,019	430,315,526	2,746,219,493	0.972	22,524,020	3,199,059,039
2011	3,247,911,464	399,620,285	2,848,291,179	1.022	35,483,440	3,283,394,904
2012	3,119,862,537	270,928,884	2,848,933,653	1.022	36,210,250	3,156,072,787
2013	3,020,454,365	194,526,863	2,825,927,502	1.022	37,126,710	3,057,581,075
2014	2,975,066,005	142,063,007	2,833,002,998	1.022	37,514,800	3,012,580,805
2015	2,905,026,301	78,538,367	2,826,487,934	1.022	40,834,410	2,945,860,711

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, 2015

Taxpayer	Tax Billed	% of Levy
Delmarva Power and Light	\$ 631,091	2.11%
PUMH of Maryland, Inc	377,331	1.26%
Verizon-MD	211,821	0.71%
Choptank Electric Co-op, Inc	206,516	0.69%
Kent Research and Mfg, Inc	204,765	0.69%
SGM Realty LLC	154,365	0.52%
Chesapeake Meadows Limited	134,931	0.45%
Kent Crossing	133,569	0.45%
Kent Plaza Associates	101,989	0.34%
Brawner Company, Inc	88,019	0.29%

For the Fiscal Year Ended June 30, 2006

Taxpayer	Tax Billed	% of Levy
PUMH of Maryland, Inc	\$ 428,596	2.30%
Verizon-MD	418,976	2.25%
Delmarva Power and Light	401,505	2.16%
Kent Crossing	135,455	0.73%
SGM Realty LLC	123,582	0.66%
Kent Research and Mfg, Inc	113,991	0.61%
Kent Plaza Associates	111,152	0.60%
Choptank Electric Co-op, Inc	95,531	0.51%
Great Oak Landing, LP	78,117	0.42%
Brawner Company, Inc	62,683	0.34%

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

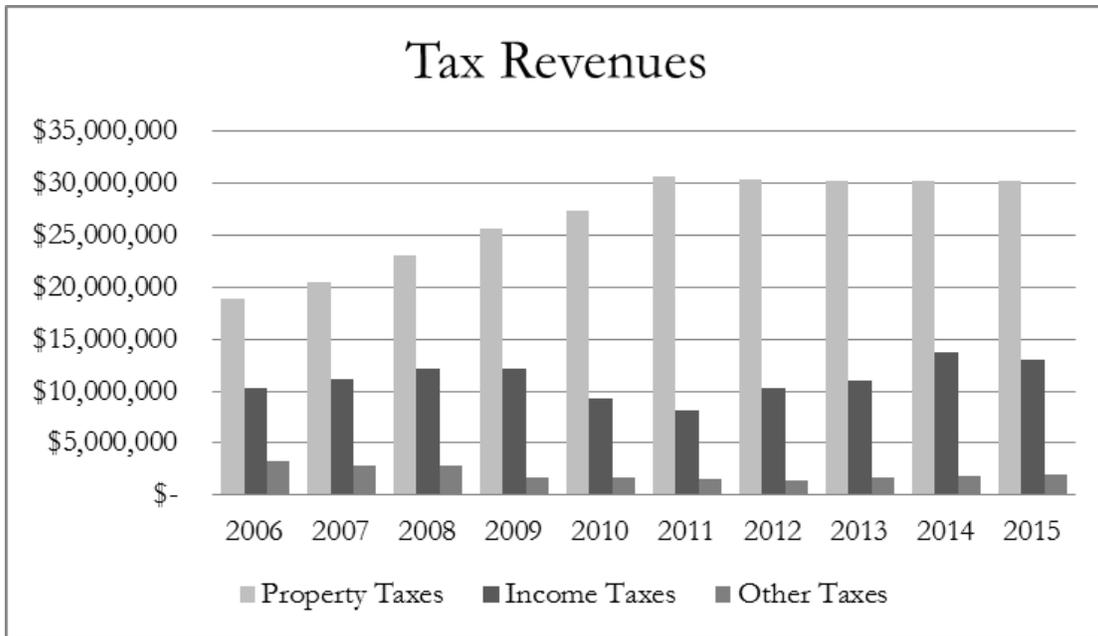
Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2006	\$ 18,619,707	\$ 17,993,452	96.64%	\$ 626,248	\$ 18,619,700	100.00%
2007	20,239,415	19,470,498	96.20%	768,910	20,239,408	100.00%
2008	22,733,630	21,847,667	96.10%	883,864	22,731,531	99.99%
2009	25,303,211	24,002,446	94.86%	1,296,811	25,299,257	99.98%
2010	27,507,814	25,808,857	93.82%	1,693,673	27,502,530	99.98%
2011	29,930,941	28,367,186	94.78%	1,540,010	29,907,196	99.92%
2012	29,992,561	28,439,362	94.82%	1,501,800	29,941,162	99.83%
2013	29,794,618	28,276,920	94.91%	1,421,978	29,698,898	99.68%
2014	29,881,782	28,460,998	95.25%	1,323,165	29,784,163	99.67%
2015	29,891,994	28,612,997	95.72%	n/a	28,612,997	95.72%

\*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**

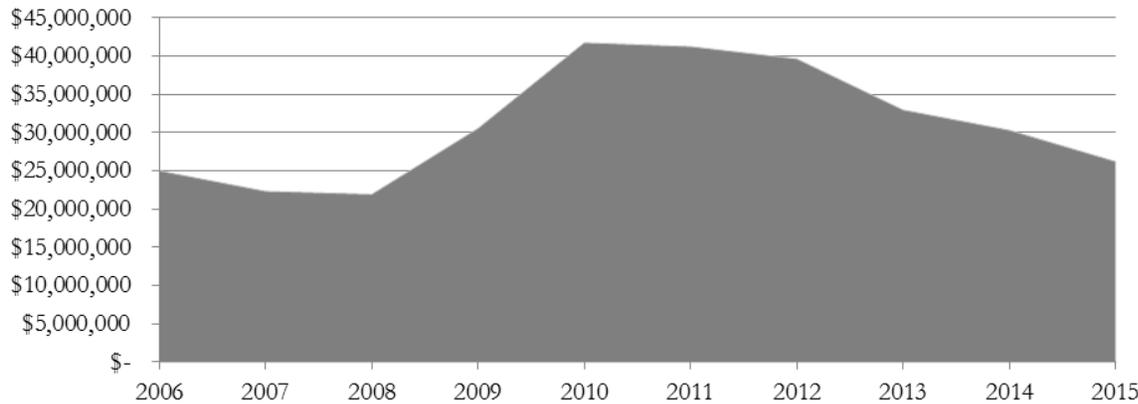
	Property Taxes	Income Taxes	Other Taxes	Total Taxes
2006	\$ 18,842,282	\$ 10,297,550	\$ 3,308,058	\$ 32,447,890
2007	20,519,221	11,174,843	2,903,209	34,597,273
2008	23,105,492	12,100,529	2,816,114	38,022,135
2009	25,655,349	12,100,769	1,765,341	39,521,459
2010	27,447,599	9,306,233	1,723,138	38,476,970
2011	30,680,082	8,200,260	1,493,242	40,373,584
2012	30,405,080	10,335,245	1,477,379	42,217,704
2013	30,174,622	11,047,174	1,687,366	42,909,162
2014	30,212,617	13,696,595	1,789,859	45,699,071
2015	30,188,083	12,973,495	2,029,337	45,190,915



**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
2006	\$ 18,307,227	\$ 383,614	\$ -	\$ 18,690,841	\$ 6,142,389	\$ 186,929	\$ 6,329,318	\$ 25,020,159	2006	3.17%	\$ 1,270.38
2007	15,727,591	359,723	-	16,087,314	6,088,710	163,026	6,251,736	22,339,050	2007	2.56%	1,129.03
2008	14,233,450	335,164	-	14,568,614	7,270,883	108,706	7,379,589	21,948,203	2008	2.46%	1,108.44
2009	23,018,128	353,741	-	23,371,869	7,102,321	93,624	7,195,945	30,567,814	2009	3.33%	1,517.01
2010	29,600,773	319,472	-	29,920,245	9,051,116	2,779,940	11,831,056	41,751,301	2010	4.85%	2,073.88
2011	21,368,121	279,001	-	21,647,122	19,537,450	67,295	19,604,745	41,251,867	2011	4.80%	2,041.77
2012	19,271,251	273,301	2,464,624	22,009,176	17,581,206	53,959	17,635,165	39,644,341	2012	4.41%	1,962.20
2013	16,045,136	197,538	2,553,968	18,796,642	14,176,039	-	14,176,039	32,972,681	2013	5.01%	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	-	1,960,000	12,958,014	13,268,902	-	13,268,902	26,226,916	2015	n/a	1,323.26

### Primary Government Debt



- (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**

<b>Fiscal Year</b>	<b>General Bonded Debt (1)</b>	<b>Percentage of Total Taxable Assessable Base (2)</b>	<b>Per Capita(3)</b>
2006	24,449,616	1.331%	1,241.41
2007	21,816,301	1.069%	1,102.61
2008	21,504,333	0.933%	1,086.02
2009	30,120,449	1.177%	1,494.81
2010	38,651,889	1.396%	1,919.92
2011	40,905,571	1.418%	2,024.63
2012	36,852,457	1.277%	1,824.02
2013	30,221,175	1.056%	1,496.76
2014	27,926,729	0.973%	1,400.26
2015	24,266,916	0.846%	1,224.37

\*General Bonded Debt included 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, 2015**

<u>Name of Jurisdiction</u>	<u>Governmental Type Activities</u>	<u>Business Type Activities</u>	<u>Gross Debt</u>
Kent County			
County Government			
Total Net Direct Debt (1)	16,593,539	13,726,642	<u>\$ 30,320,181.00</u>
Towns (2)			
Betterton	327,438	177,836	505,274
Chestertown	137,936	4,680,164	4,818,100
Galena	-	4,767,116	4,767,116
Millington	-	1,230,126	1,230,126
Rock Hall	317,698	2,226,356	<u>2,544,054</u>
Total Net Overlapping Debt			<u>13,864,670</u>
Total Net Direct and Overlapping Debt			<u><u>\$ 44,184,851.00</u></u>

(1) Net direct debt of the County includes general obligation bonds, notes payable and capital leases. See Debt by Type on page 99.

(2) All entities are wholly located in Kent County with the exception of the Town of Millington which has 95% of the town located in the County. Debt information reported by municipalities.

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

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
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	8,271,800	180,700	1,402,308	10,267,940	13,242,000	11,822,782	3,845,624	281,800	-	-
Legal Debt Margin	\$ 11,728,200	\$ 19,819,300	\$ 18,597,692	\$ 9,732,060	\$ 6,758,000	\$ 8,177,218	\$ 16,154,376	\$ 19,718,200	\$ 20,000,000	\$ 20,000,000

**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)
2005	19,695	\$789,073	\$40,065	4.20%
2006	19,786	873,776	44,161	3.80%
2007	19,801	893,938	45,146	3.60%
2008	20,150	918,703	45,593	5.00%
2009	20,132	861,001	42,768	7.70%
2010	20,204	860,025	42,567	8.30%
2011	20,204	898,852	44,489	7.60%
2012	20,191	657,802	32,579	7.50%
2013	19,944	987,134	31,502	7.10%
2014	19,820	n/a	n/a	6.50%

(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, 2014

Employer	Employees	Rank
Washington College	475	1
University of MD Shore Regional Health	434	2
Dixon Valve & Coupling Co.	381	3
Kent County Board of Education	314	4
David A. Bramble, Inc.	220	5
Kent County Government	219	6
Heron Point of Chestertown	184	7
Angelica Nurseries	175	8
Waterman's Crab House	160	9
LaMotte Industries	155	10

For the Calendar Year Ended December 31, 2005

Employer	Employees	Rank
Chester River Hospital	655	1
Washington College	450	2
Kent County Board of Education	339	3
Chestertown Foods	280	4
David A. Bramble, Inc.	280	5
Dixon Valve & Coupling Co.	245	6
Kent County Government	222	7
Upper Shore Community Health Center	198	8
Heron Point	170	9
LaMotte Chemical Products	150	10

Source: Department of Tourism and Economic Development

n/a - data not readily available or not available in a manner consistent with this report

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

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Part time positions (FTE)	21	22	19	22	23	22	20	20	21	21
Exempt	28	33	37	37	38	35	34	29	28	29
Full Time Employees	173	181	192	192	180	173	168	163	165	169
Total County Government Employees	222	236	248	251	241	230	222	212	214	219

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**

<b>GENERAL GOVERNMENT</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Commissioner's Office(1)	6	6	6	6	6	4	4	4	4	4
Planning, Housing & Zoning	10	11	11	12	11	10	9	8	8	9
Human Resources	2	2	3	3	3	3	3	3	3	3
Finance	10	10	9	9	9	8	8	7	7	7
Information Technology	2	5	6	6	5	5	5	5	5	6
Tourism & Economic Development	3	4	4	4	2	3	3	3	3	3
State's Attorney's Office (2)	6	6	5	5	5	5	5	5	5	5
Circuit Court (2)	3	3	3	3	3	3	3	3	3	3
Soil Conservation Service (2)	5	4	4	5	5	5	5	0	0	0
Local Management Board	5	5	5	5	4	2	2	2	2	2
Weed Control (3)	1	1	1	1	1	1	0	0	0	0
<b>PUBLIC SAFETY</b>										
Sheriff's Office (2)	24	25	27	27	27	26	26	26	28	28
Detention Center	27	31	33	33	32	32	29	28	27	28
Office of Emergency Services	18	20	24	25	26	25	25	24	25	26
<b>PUBLIC WORKS</b>										
Administration	4	4	4	4	4	4	4	3	2	2
County Roads	31	31	30	28	28	30	30	30	29	29
Waste Management	15	16	17	17	13	8	7	7	8	8
Public Landings	1	1	1	1	1	1	1	1	1	1
Buildings & Grounds (4)	4	5	9	8	11	11	11	11	13	13
<b>LEISURE SERVICES</b>										
Parks & Recreation	5	5	6	6	6	6	6	6	6	6
Shop (4)	4	4	4	4	0	0	0	0	0	0
<b>BUSINESS-TYPE ACTIVITIES</b>										
Water & Wastewater Services	15	15	17	17	16	16	16	16	15	15
	201	214	229	229	218	208	202	192	194	198

(1) Includes Liquor Inspector

(2) County Funded State Positions

(3) Combined with County Roads in FY 12

(4) In FY 10 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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public Facilities</b>										
Police Stations in County	3	3	3	3	3	3	3	3	3	3
Fire & Rescue Stations	7	7	7	7	7	7	7	7	7	7
Parks/Recreation Facilities	10	10	10	11	11	11	11	11	11	11
Senior Centers										
Libraries	3	3	3	3	3	3	3	3	3	3
<b>Public schools</b>										
Elementary	4	4	4	4	4	5	5	5	5	5
Middle Schools	3	3	3	3	3	1	1	1	1	1
High Schools	1	1	1	1	1	1	1	1	1	1
<b>Department of Public Works</b>										
Miles of County Maintained Paved Roads	270.06	270.38	271.04	272.11	272.11	272.11	272.23	272.23	272.23	272.23
Water Treatment Plants	4	4	4	4	4	4	4	4	4	4
Water Towers	2	2	3	4	4	4	4	4	4	4
Wastewater Treatment Plants	3	3	3	3	3	3	3	3	3	3
Lagoons	3	2	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
<b>Kent County Sheriff Department</b>										
Vehicles in Service	24	26	27	27	26	27	27	24	27	27

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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
General Government										
Planning & Zoning (1)										
Number of Permits Issued for:										
Accessory Buildings/Garages/Carports	98	106	130	105	61	73	79	75	70	77
Agricultural Buildings	30	36	32	28	14	18	32	26	23	23
Boat Lift	-	-	-	-	-	-	-	-	-	3
Commercial Addition/Alteration	4	11	7	8	6	10	12	11	7	13
Deck/Porch	39	29	51	33	25	34	27	28	31	23
New Commercial Building	3	1	3	3	4	3	1	2	1	7
New Single Family Residence	127	89	94	61	38	21	35	21	33	44
Other	39	40	32	30	15	28	33	33	28	46
Pier	27	19	22	23	20	9	25	19	21	14
Residential Addition/Alteration/Attached Garage	103	76	71	73	59	77	55	48	53	53
Sediment Control	35	31	63	39	34	21	30	45	20	29
Sign	10	7	11	5	4	7	11	7	12	7
Solar Panels	-	-	-	-	-	-	-	-	-	34
Swimming Pool	24	24	36	33	11	12	5	13	9	13
Bulkhead/Retaining Wall	9	17	10	13	6	7	12	5	5	7
Demolition	51	59	70	57	51	38	50	56	72	98
Logging	11	8	9	8	7	10	23	14	18	22
Use Permit	14	16	18	12	11	9	11	9	12	19
Total Permits Issued	624	569	659	531	366	377	441	412	415	532
Public Safety										
Alcohol Beverage Control										
Number of Licenses Issued	62	65	63	64	60	65	63	59	64	67
Number of Violations	n/a	8	4	5	2	2	11	2	6	2
Sheriff's Office (1)										
Number of Physical Arrests	854	732	1,149	1,208	1,015	996	1,279	1,380	1,557	596
Traffic Violations	1,654	1,137	1,486	2,383	2,204	3,044	3,787	3,902	3,678	3,580
Public Works										
Total Water Treated Annually (millions of gallons)	58	52	53	50	47	48	49	44	46	51
Total Wastewater Treated Annually (millions of gallons)	66	65	61	55	73	66	60	41	82	76

(Continued)

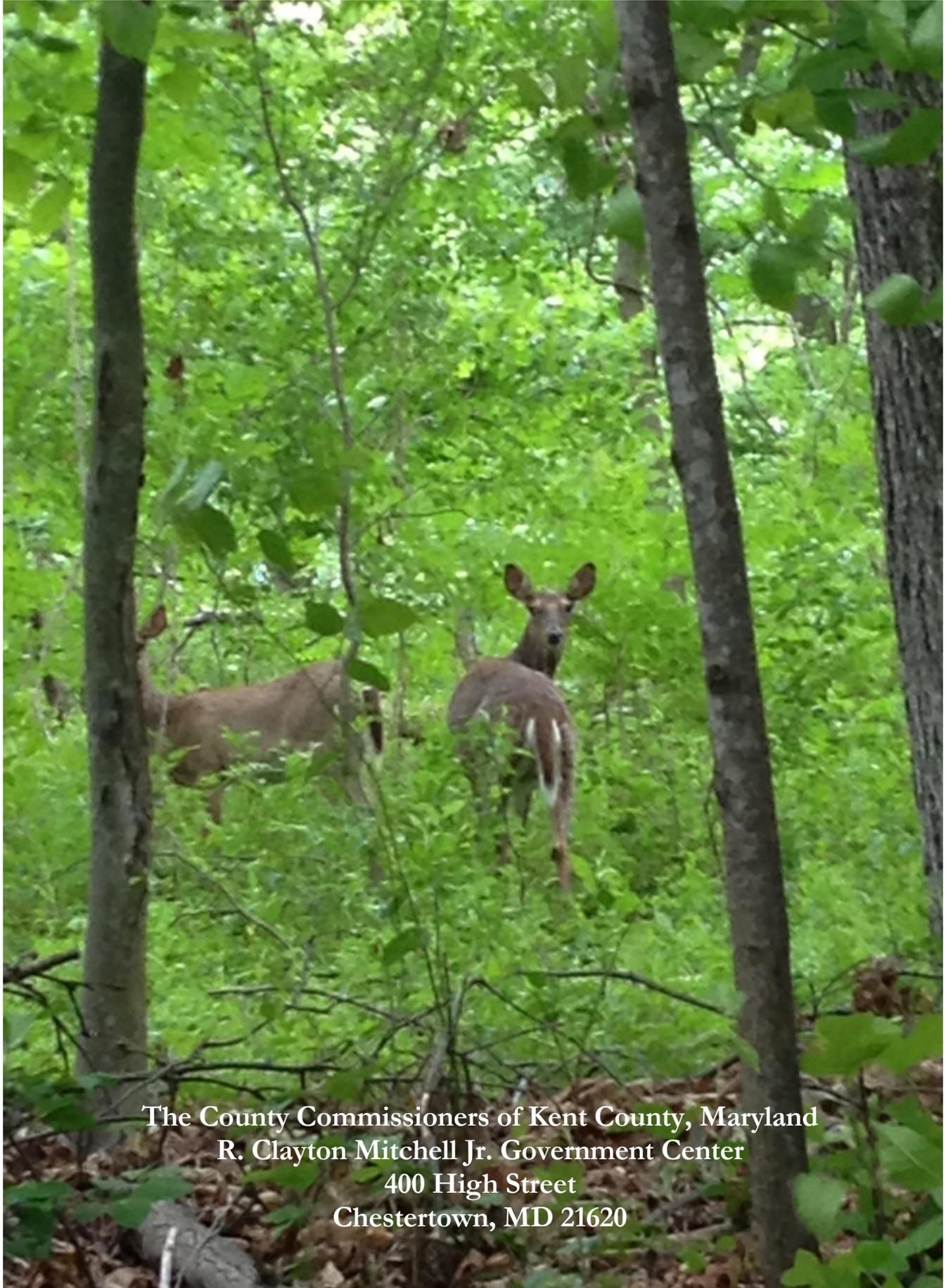
**The County Commissioners of Kent County, Maryland**  
**Operating Information: Operating Indicators by Function**  
**Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Education										
Number of Personnel										
Teachers	173	176	179	177	179	185	175	152	164	156
Administrators	20	20	23	27	26	28	25	26	21	19
Support	78	81	84	82	81	78	78	72	118	123
Other	68	64	69	68	67	63	60	59	18	16
Number of Students	2514	2356	2274	2219	2184	2183	2162	2130	2117	2106
Number of High School Graduates	172	164	179	162	162	145	165	160	142	161

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

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

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