

The County Commissioners of Kent County, Maryland

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**



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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

Prepared By:

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

The County Commissioners of Kent County, Maryland

Comprehensive Annual Financial Report

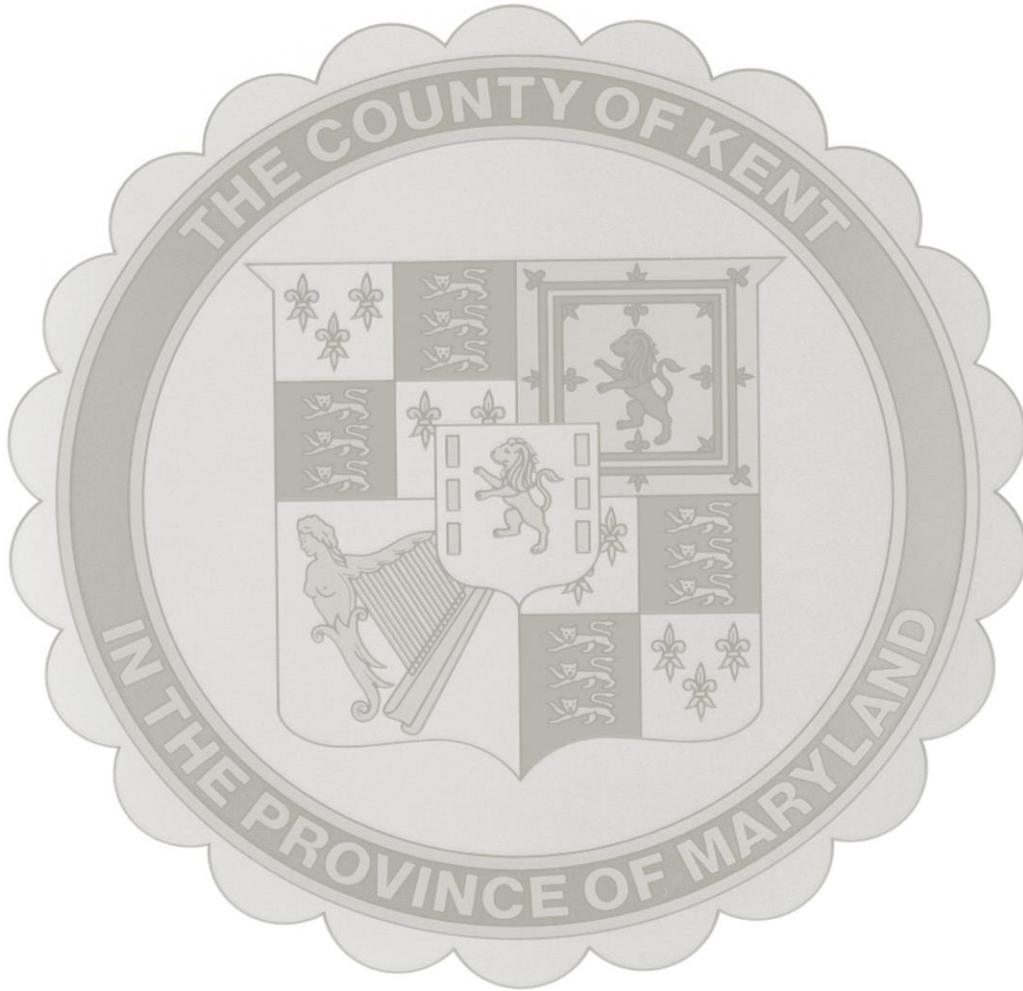
For the Fiscal Year Ended June 30, 2018

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Introductory Section



Kent County Office of Finance

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



October 30, 2018

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, 2018, is hereby submitted in compliance with State law which requires that all general-purpose governments issue a complete set of financial statements prepared according to accounting principles generally accepted in the United States of America (GAAP) and be audited by an independent, licensed, certified public accountant in accordance with auditing standards generally accepted in the United States of America (GAAS). For the fiscal year ended June 30, 2018, the County contracted with SB & Company, LLC of Hunt Valley, Maryland to audit the financial statements. The Report of Independent Public Accountants is included on pages 12-14. The annual report was prepared by the Kent County Office of Finance in cooperation with the finance departments of the County's discretely presented component units.

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

Kent County's financial statements have been audited by SB & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2018, 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, 2018, are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first element of the Financial Section of this report.

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

Profile of the Government

Kent County was formed in 1642 as the Isle and County of Kent by the Governor and Council. It is named for the County of Kent in England. The County is located on the Eastern Shore of Maryland. It is bordered to the north by Cecil County, to the east by the State of Delaware, to the south by Queen Anne’s County, and to the west by the Chesapeake Bay. There is no direct access to the Western Shore of Maryland. The County occupies 414 square miles and serves a population of approximately 20,000 citizens. The County Commissioners of Kent County are empowered to levy a property tax on real properties located within its boundaries, as well as an income tax on citizens residing within the County.

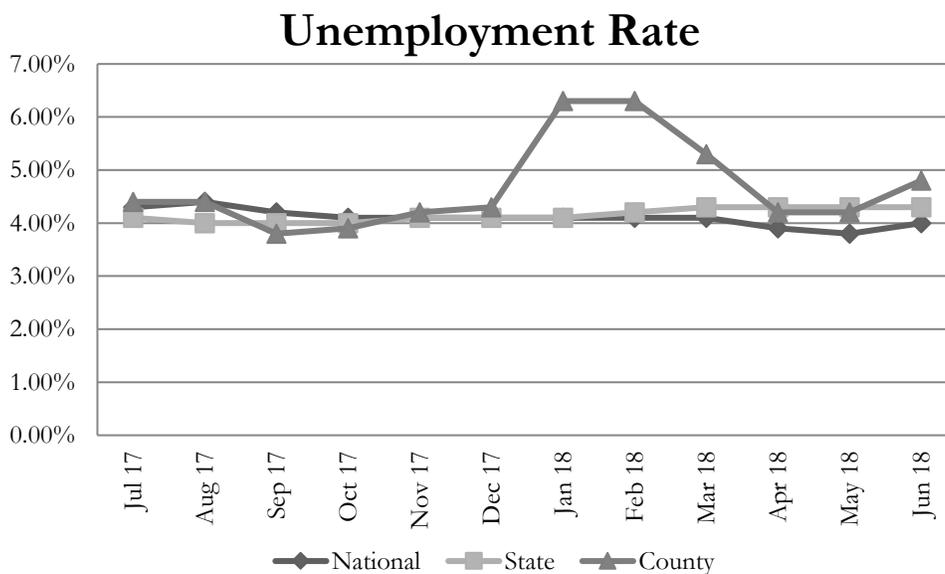
The County operates as a Maryland Code Home Rule County, which enables the Board of County Commissioners to exercise broad local legislative authority. Under code home rule, both legislative and executive functions of the County are vested in the three member Board of County Commissioners. All three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

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

The approved annual budget is prepared by fund, function (e.g. public safety), and department (e.g. emergency services). Department heads may make transfers between line items in their department; transfers must be ratified by the Board of County Commissioners. Budget to actual comparisons are provided in this report for individual governmental funds for which an appropriated annual budget has been adopted. The budget comparisons for the general fund are presented on pages 68 through 70 as part of the Required Supplementary Information subsection of this report.

Local Economy

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

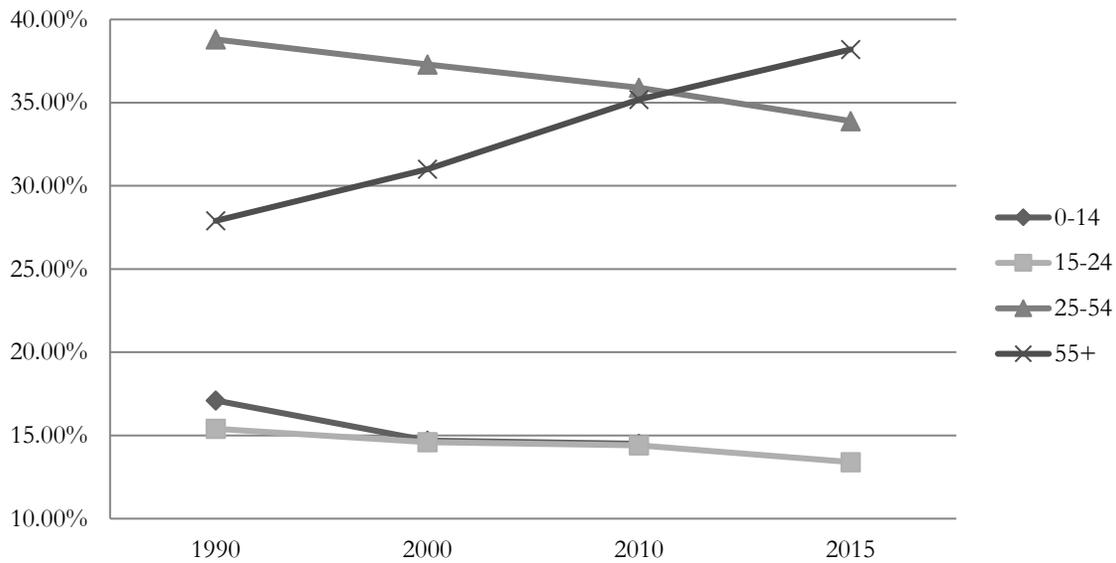


The local employment base is somewhat limited and centers on agriculture, tourism, manufacturing, construction, health services, and education. The largest employers in the County are Washington College, Dixon Valve & Coupling, and Shore Regional Health Facility at Chestertown.

Property values throughout the county remain relatively constant. Fiscal year 2019 assessments are expected to show a very slight increase of .9% over fiscal year 2018. Projected changes in significant revenue sources are detailed in the Management’s Discussion and Analysis on page 23.

The County’s population has remained relatively constant, rising slightly from 19,197 in 2000 to 19,730 in 2016. The mix of the population by age, however, is shifting. As the following chart illustrates, the only segment of the population that is increasing, are residents over the age of 55. As this change in demographic continues, the County will be challenged to shift its services to meet the needs of its aging citizenry.

Change in Population Mix by Age Group



Median household incomes within the County are significantly lower than the state as a whole. According to census data, the County median income (2012-2016) was \$55,028, compared to the state median income of \$76,067. Additionally, 14.0% of the County’s population is below poverty level compared to 9.3% of the State’s population.

Long-Term Financial Planning and Major Initiatives

In recent years, the County’s general fund revenues have remained relatively constant. In fact, the fiscal year 2019 general fund revenues are budgeted at \$47,400,000 which is \$200,000 lower than the fiscal year 2014 revenues of \$47,600,000. In an effort to expand the future property tax and income tax bases, the county commissioners have implemented several initiatives to encourage business creation and expansion. In fiscal year 2017, the county created Enterprise Zones which offer a 10-year property tax and 3-year income tax credit to business who locate or expand in the designated enterprise zones. In fiscal year 2018, the county created Commerce Zones which offer a 10-year property tax credit to businesses who locate or expand in the designated commerce zones. To date, four businesses have invested approximately \$27,000,000 in business creation or expansion in the county’s enterprise and commerce zones. As the property tax and income tax credits reduce over time, the county’s future revenue streams will be increased.

Annually, the county reviews its five-year capital plan and identifies the county’s priorities. One of the primary priorities identified is the infrastructure needed to support new and existing business, particularly access to affordable, robust and high capacity internet. Ideally, this will expand the competitive capability of local businesses and provide more job opportunities for younger, middle-aged residents. Additionally, it will improve the county’s ability to attract and retain newly retired residents who choose to live in Kent County. At the close of fiscal year 2018, the county has invested approximately \$7,000,000 to install 110 miles of dark fiber within the County. Upon its completion, this fiber network is expected to connect approximately 69 anchor institutions such as public schools, government offices, public safety facilities, and other public service agencies.

Another priority in the five-year capital plan is public school facilities. As the county's population ages, school enrollment continues to decline. The historical school system structure consisted of small neighborhood schools, all of which were under capacity. This configuration has led to the County having one of the highest per pupil education costs in the state. At the conclusion of fiscal year 2017, the public school system closed two elementary schools, reducing the number of elementary schools in the County from five to three. Several years earlier, the school system consolidated the students of its' three middle schools into one central facility. The Board of Education has developed and is beginning to implement, a Facilities Strategic Plan for future facility usage and configuration which incorporates the declining student population projections, security concerns, and learning environment enhancements.

Other projects receiving consideration in the capital plan are the renovation of the county's historic court house which houses the county's district and circuit court operations and construction of a new public safety facility.

Relevant Financial Policies

The county has a long-standing practice of only using its fund balance for non-recurring expenditures. In fiscal year 2018, the county utilized \$3,742,153 of its fund balance for capital projects. These projects included the Kent County fiber network, library renovations, high school football field repairs, Nicholson landfill remediation, and repairs to the Turners Creek bulkhead.

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 and Chris Cerino 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.

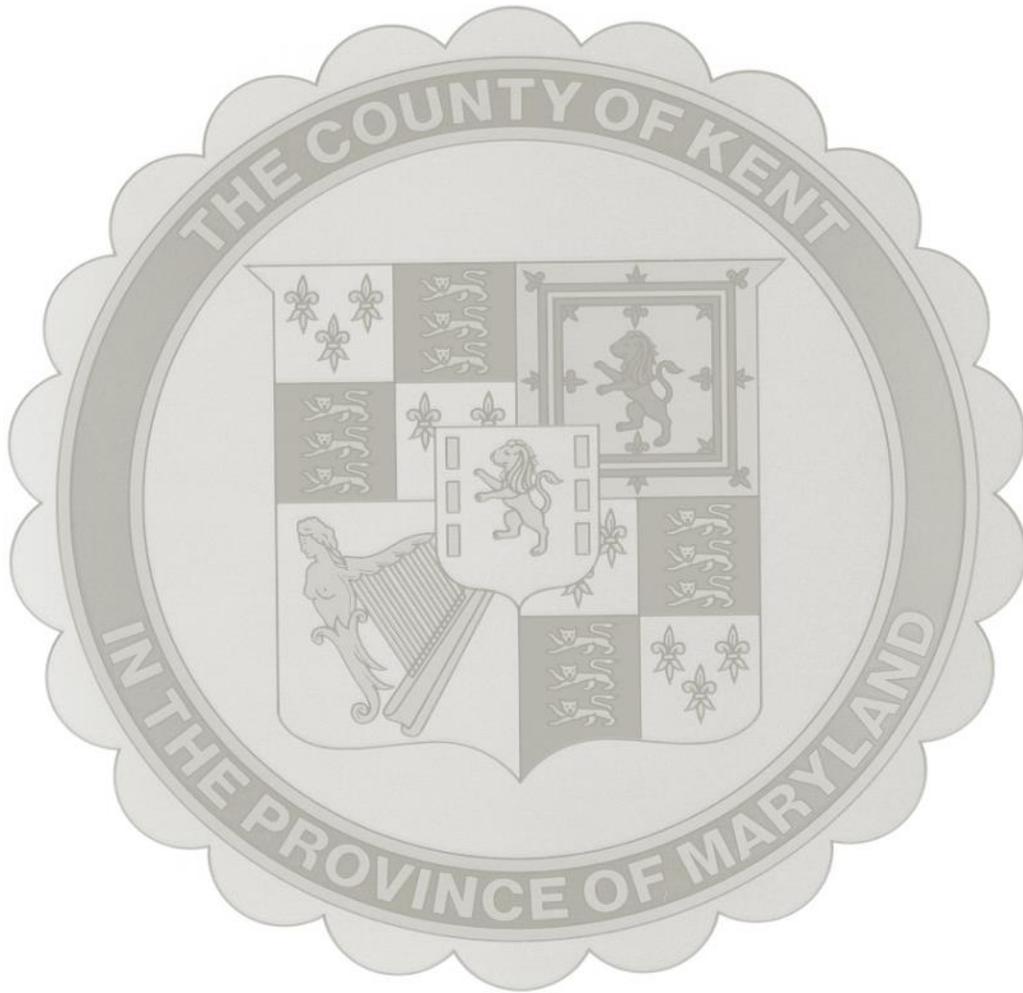
Respectfully submitted,



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, 2017

Christopher P. Morill

Executive Director/CEO

**The County Commissioners of Kent County Maryland
Certain Elected and Other Officials
June 30, 2018**

Certain Elected Officials – Board of County Commissioners



Ronald H. Fithian,
Member



William W. Pickrum,
President



William A. Short,
Member

Certain Department Heads

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

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

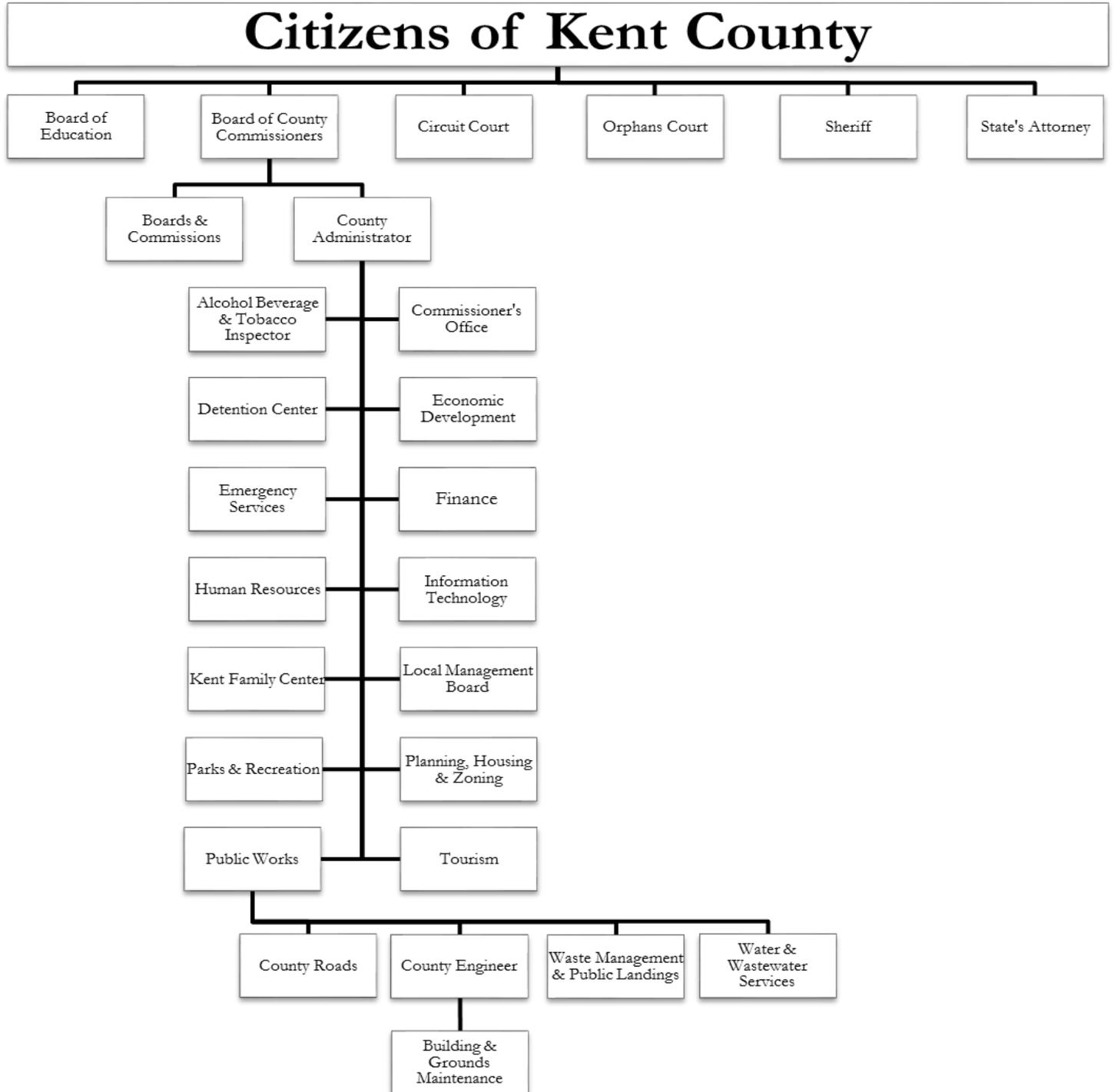
Independent Auditor

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

Bond Counsel

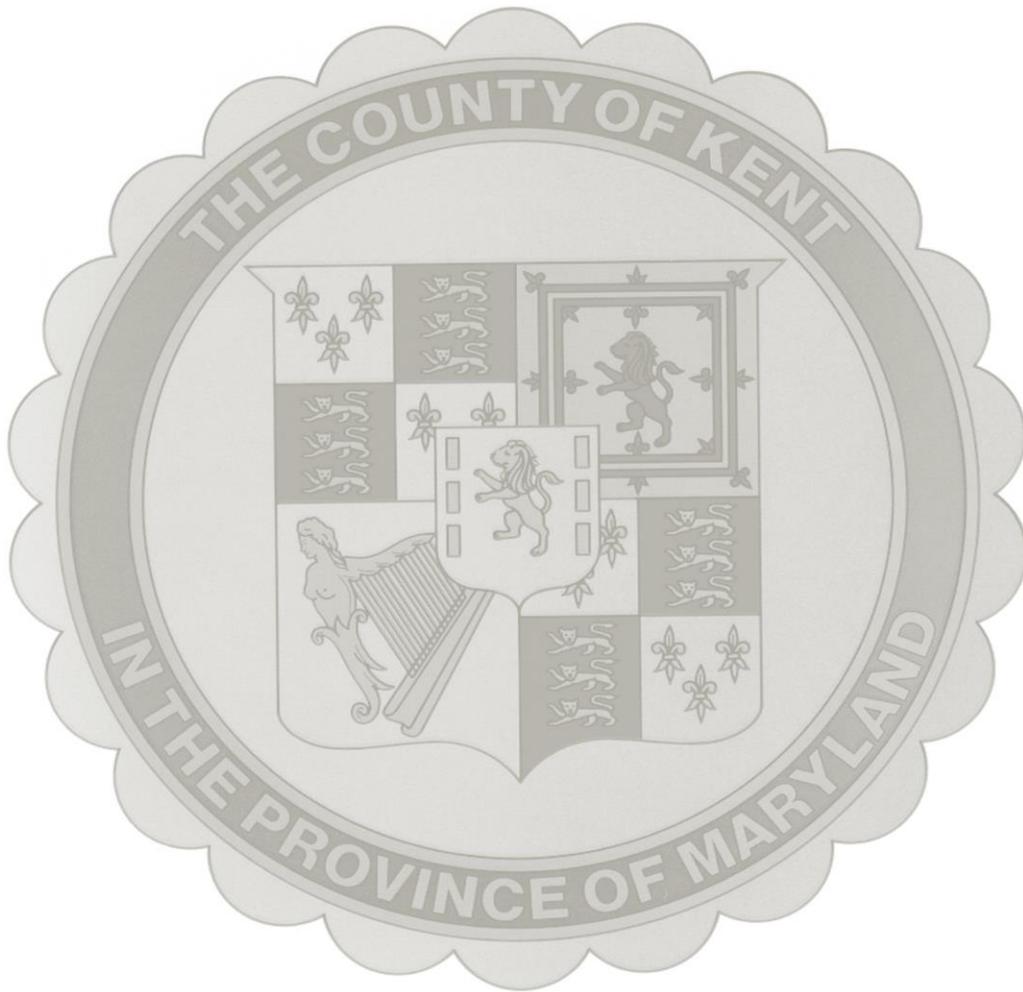
McKennon, Shelton and Henn LLP
Baltimore, Maryland

The County Commissioners of Kent County Maryland
 Kent County, Maryland Government Organizational Chart
 June 30, 2018





Financial Section





S B & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The County Commissioners of Kent County, Maryland
Chestertown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Kent County, Maryland (the County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Kent County, Maryland. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Kent County, Maryland, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note I.J. to the financial statements, during the year ended June 30, 2018, the County adopted new accounting guidance from Governmental Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of investment returns, and schedule of changes in the County's net OPEB liability and related ratios for other post-employment benefits, schedules of the County's proportionate share of the net pension liability and County contributions, and budgetary comparison information, be presented to supplement the basic financial statements. Such information, although not a required 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, agency funds statements, introductory and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.



SB & COMPANY, LLC
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The accompanying combining and individual fund statements and agency funds 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 agency funds statements 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 30, 2018

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, 2018. 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 2018 by \$56,483,461 (*net position*). This amount is net of a (\$15,704,143) unrestricted net position deficit. GASB 68, GASB 75 and debt issued to capital projects that are not associated with an asset on the County's financials contribute to this deficit.
- The County's total net position decreased by \$3,572,741. This includes a \$4,365,679 increase in net position for fiscal year 2018 activities and a \$7,938,420 decrease in net position for a prior period adjustment related to the implementation of GASB 75.
- As of the close of fiscal year 2018, the County's governmental funds reported combined ending fund balances of \$6,584,781; a decrease of \$3,806,955 in comparison with the prior year. Approximately 54% of this amount (\$3,527,190) is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of fiscal year 2018, the unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund was \$5,382,186, or approximately 11% of total general fund expenditures.
- The County's government-wide long-term debt decreased by \$1,797,686 during fiscal year 2018, as detailed on page 22.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The County maintains twenty 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 eighteen 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 37-66 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 general fund statement of revenues, expenditures, and changes in fund balance – budget and actual, schedule of investment returns for the retiree health benefit plan, schedule of changes in the county’s net OPEB liability and related ratios, schedule of the county’s proportionate share of the net pension liability, and schedule of county contributions, combining balance sheet and combining statement of revenues, expenditures, and changes in fund balances for nonmajor governmental funds and for the local management board fund, and statement of agency fund assets and liabilities are presented in this section.

Required supplementary information and other supplementary information can be found on pages 67-89 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 \$56,483,461, at the close of the most recent fiscal year.

Kent County, Maryland’s Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 13,323,032	\$ 15,758,883	\$ 848,438	\$ 1,225,085	\$ 14,171,470	\$ 16,983,968
Capital assets, net	51,770,779	45,076,976	40,076,475	40,735,990	91,847,254	85,812,966
Total assets	65,093,811	60,835,859	40,924,913	41,961,075	106,018,724	102,796,934
Deferred outflow of resources	2,108,608	2,749,032	-	-	2,108,608	2,749,032
Long-term liabilities outstanding	33,933,724	27,747,665	13,532,213	14,002,937	47,465,937	41,750,602
Other liabilities	3,011,519	2,809,964	365,741	649,010	3,377,260	3,458,974
Total liabilities	36,945,243	30,557,629	13,897,954	14,651,947	50,843,197	45,209,576
Deferred inflow of resources	800,674	280,188	-	-	800,674	280,188
Net position:						
Net invested in capital assets	44,386,154	36,695,641	26,598,855	26,773,981	70,985,009	63,469,622
Restricted	1,202,595	1,324,904	-	-	1,202,595	1,324,904
Unrestricted	(16,132,247)	(5,273,471)	428,104	535,147	(15,704,143)	(4,738,324)
Total net position	\$ 29,456,502	\$ 32,747,074	\$ 27,026,959	\$ 27,309,128	\$ 56,483,461	\$ 60,056,202

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

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$1,202,595 or 2%, represents resources that are subject to external restrictions on how they may be used. The majority of restricted net assets include funds for inventory, prepaid items, and reforestation and open space activities.

Unrestricted net position reflects a negative balance of \$15,704,143. GASB 68, GASB 75 and debt issued to capital projects that are not associated with an asset on the County's financials contribute to this deficit.

The County's overall net position decreased by \$3,572,741. This includes a \$4,365,679 increase in net position for fiscal year 2018 activities and a \$7,938,420 decrease in net position for a prior period adjustment related to the implementation of GASB 75. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

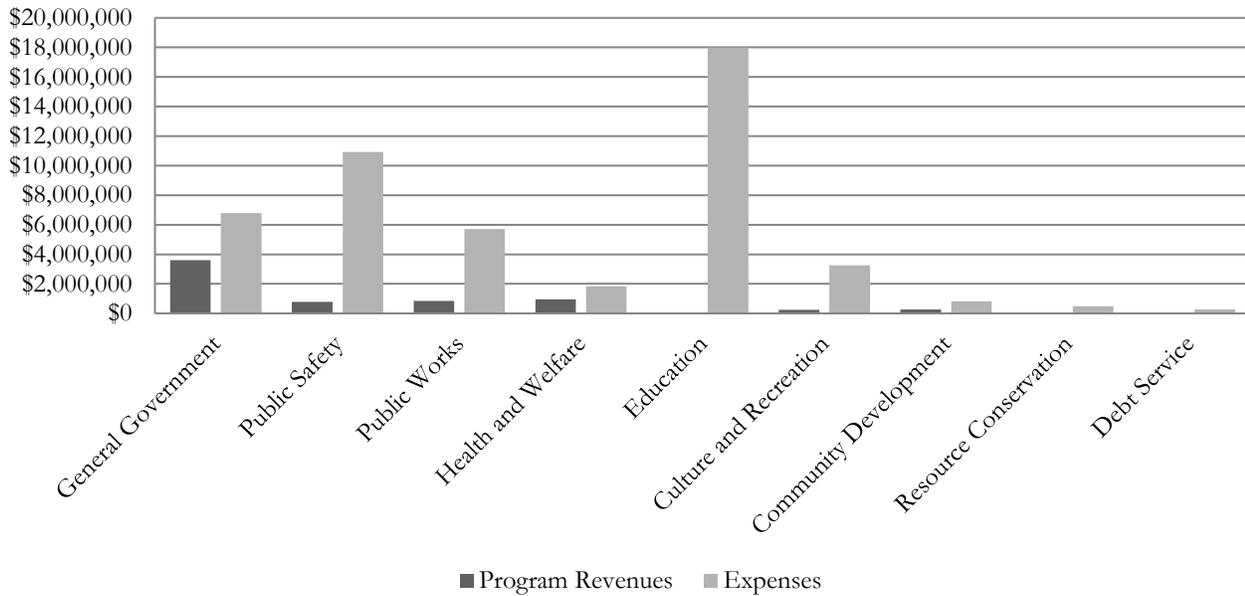
Governmental Activities

During the current fiscal year, the net position for governmental activities increased \$4,647,848 from the prior fiscal year. This was primarily due to reduced spending in governmental activities. Additionally, there was a prior period adjustment decrease of \$7,938,420 to reflect the implementation of *GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* which resulted in an ending balance of \$29,456,502 (see note III. F. for further detail).

Kent County, Maryland Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 611,058	\$ 580,026	\$ 2,110,019	\$ 2,095,397	\$ 2,721,077	\$ 2,675,423
Operating grants and contributions	2,559,559	2,159,259	131,373	-	2,690,932	2,159,259
Capital grants and contributions	3,542,247	3,985,217	834,259	810,475	4,376,506	4,795,692
General revenues:						
Property taxes	30,707,075	30,486,484	-	-	30,707,075	30,486,484
Income taxes	13,389,378	12,732,081	-	-	13,389,378	12,732,081
Other taxes	2,042,652	1,949,634	-	-	2,042,652	1,949,634
Other revenues	733,270	641,837	36,799	40,703	770,069	682,540
Total revenues	53,585,239	52,534,538	3,112,450	2,946,575	56,697,689	55,481,113
Expenses:						
General government	6,778,790	13,156,835	-	-	6,778,790	13,156,835
Public safety	10,913,983	11,047,333	-	-	10,913,983	11,047,333
Public works	5,709,649	5,129,235	-	-	5,709,649	5,129,235
Health and social services	1,832,417	1,839,334	-	-	1,832,417	1,839,334
Education	17,990,064	17,624,105	-	-	17,990,064	17,624,105
Culture and recreation	3,258,521	2,750,039	-	-	3,258,521	2,750,039
Community development	824,273	625,041	-	-	824,273	625,041
Resource conservation development	474,044	353,331	-	-	474,044	353,331
Debt service	275,586	1,124,064	-	-	275,586	1,124,064
Water and wastewater services	-	-	4,232,540	4,952,221	4,232,540	4,952,221
Bayside landing	-	-	42,143	29,835	42,143	29,835
Total expenses	48,057,327	53,649,317	4,274,683	4,982,056	52,332,010	58,631,373
Increase/(decrease) in net position before transfers	5,527,912	(1,114,779)	(1,162,233)	(2,035,481)	4,365,679	(3,150,260)
Transfers	(880,064)	(825,030)	880,064	825,030	-	-
Increase/(decrease) in net position	4,647,848	(1,939,809)	(282,169)	(1,210,451)	4,365,679	(3,150,260)
Net position beginning	32,747,074	34,686,883	27,309,128	28,519,579	60,056,202	63,206,462
Prior period adjustment	(7,938,420)	-	-	-	(7,938,420)	-
Net position ending	\$ 29,456,502	\$ 32,747,074	\$ 27,026,959	\$ 27,309,128	\$ 56,483,461	\$ 60,056,202

Expenses and Program Revenues – Governmental Activities



Business-type Activities

For the County’s business-type activities, the results for the current fiscal year were negative in that overall net position decreased to reach an ending balance of \$27,026,959. The total decrease in net position for business-type activities (water and wastewater services and bayside landing funds) was \$282,169 or 1.03% 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

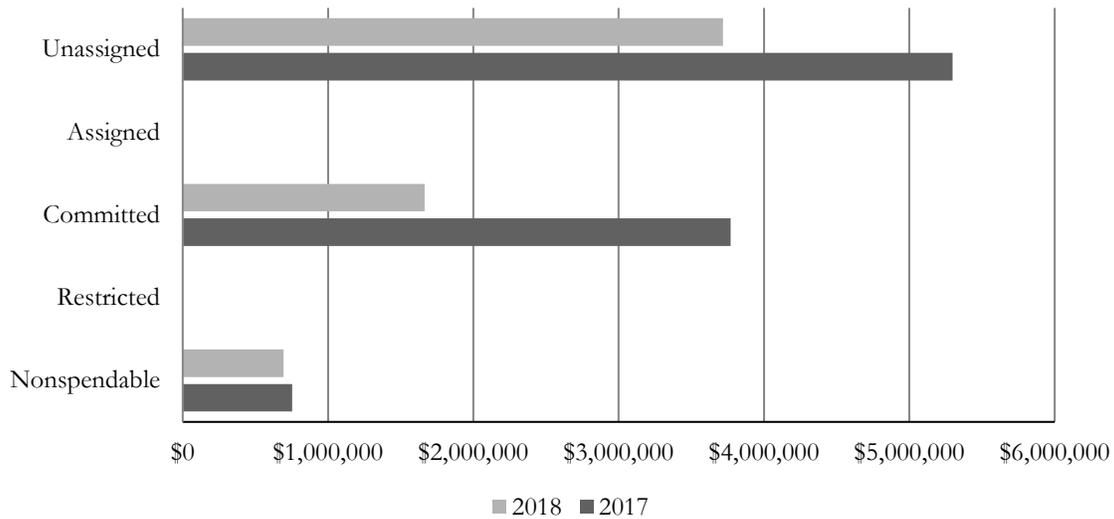
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

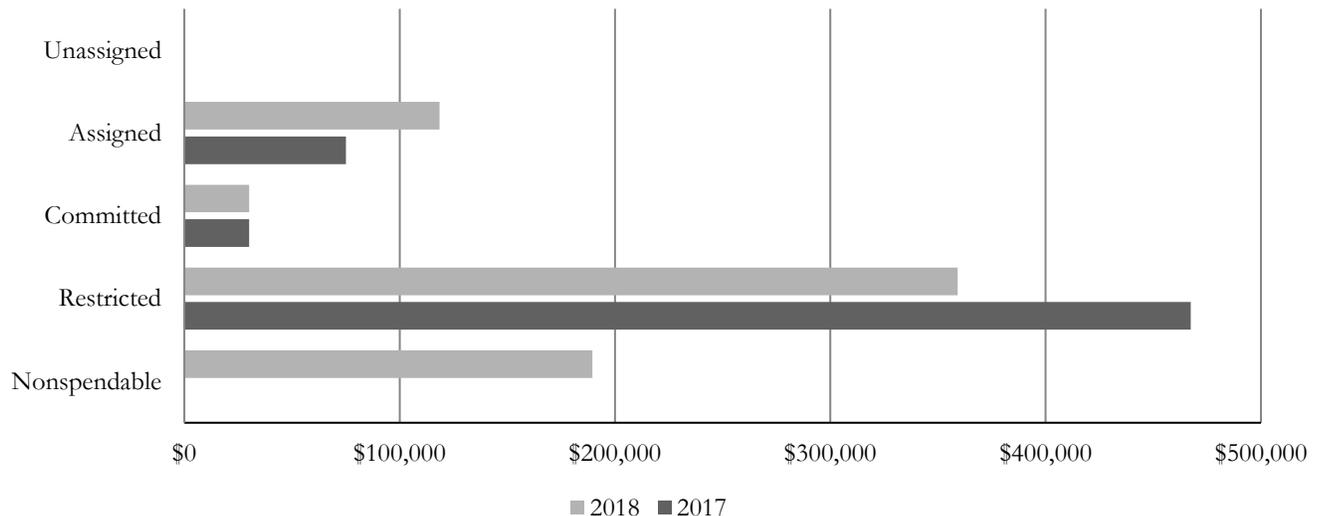
As of the end of the current fiscal year, the County’s *governmental funds* reported combined fund balances of \$6,584,781, a decrease of \$3,806,955 in comparison with the prior year. Approximately 54% of this amount (\$3,527,190) constitutes *unassigned fund balance*, which is available for spending 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 (\$884,250), 2) restricted for particular purposes (\$359,075), 3) committed for particular purposes (\$1,695,705) or 4) assigned for particular purposes (\$118,561).

General Fund - Components of Fund Balance June 30, 2018 and 2017



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 \$3,716,656, while the total fund balance was \$6,076,970. 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 7% of total expenditures, while total fund balance represents approximately 12% of that same amount.

Other Governmental Funds - Components of Fund Balance June 30, 2018 and 2017



The fund balance of the County’s general fund decreased by \$3,742,153. This was primarily due to the funding of capital projects.

The County’s other major governmental fund, the capital projects fund, had a fund balance of \$60,000 which has increased \$20,000 from last year. This reflects funding being carried over into subsequent fiscal years for technology upgrades.

Proprietary Funds

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

The net position of the County's major enterprise fund (water and wastewater services) at the end of the year was \$25,572,065. The total decrease in net position was \$272,801. 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 \$49,473,447 was amended by (\$3,192,866) to a final general fund expenditure budget of \$52,666,313. The major amendment to the budget was:

- Transfers to other funds were increased by \$3,074,624. This was primarily to the capital projects fund for the Kent County fiber network project.

Final budget compared to actual results.

Actual expenditures for the year were \$2,254,667 less than estimated. The most significant differences occurred in the following areas:

- Public safety costs were \$633,571 less than anticipated. The sheriff's office, detention center, communications division and emergency medical services all had savings in salary and benefits due to staff turnover. Prisoner medical and food costs were also lower than anticipated.
- General government spending was \$412,555 under estimates. The largest savings were experienced in the election and information technology offices.
- Miscellaneous spending was \$465,582 less than anticipated. The health insurance pool refund was larger than expected and \$204,283 of contingency funds were not utilized.
- Public works spending was \$247,438 under budget for the year. Position turnover and lower fuel prices contributed to the majority of the savings.
- Parks and recreation spending was \$222,113 less than estimated. Administrative position vacancies and seasonal salary savings contributed to the majority of the savings.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$91,847,254 (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 increase in capital assets for the current fiscal year was approximately 7%.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 22,677,724	\$ 22,677,724	\$ 1,731,536	\$ 1,731,536	\$ 24,409,260	\$ 24,409,260
Construction in Progress	7,701,133	566,774	228,148	1,191,438	7,929,281	1,758,212
Buildings	9,407,127	9,692,542	1,443,673	1,478,838	10,850,800	11,171,380
Machinery, Equipment and Vehicles	5,771,568	5,615,905	1,055,313	1,188,371	6,826,881	6,804,276
Improvements	1,425,067	1,606,323	202,344	218,927	1,627,411	1,825,250
Infrastructure	4,788,160	4,917,708	35,415,461	34,926,880	40,203,621	39,844,588
Total	\$ 51,770,779	\$ 45,076,976	\$ 40,076,475	\$ 40,735,990	\$ 91,847,254	\$ 85,812,966

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

- The County has invested over \$7 million to create a 110-mile fiber network with over 60 anchor institutions around the county, including public schools, public safety, local government agencies and other public services.
- The County acquired \$2.6 million of additional governmental and business type assets which included extending the Fairlee water system (\$1.5 million), vehicles (\$360,000) for the sheriff's office, emergency services, highway and water and wastewater services departments, loaders (\$291,700) for the highway department, mowers, tractors and a utility vehicle (\$187,600) for the highway, grounds and environmental operations departments, defibrillators/heart monitors (\$115,100) for emergency services, compactors, roll-offs and a trailer (\$73,300) for environmental operations, an asphalt tank (\$67,300) for the highway department, a data vault, enclosed trailer and repeater system addition (\$46,000) for the sheriff's office, and a commercial washing machine and air conditioning units (\$26,500) for the detention center, emergency services and sheriff's office.

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

Long-term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$21,508,370. The remainder of the County's long-term obligations are capital leases.

Kent County, Maryland's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 8,030,750	\$ 9,060,997	\$ 13,477,620	\$ 13,962,009	\$ 21,508,370	\$ 23,023,006
Capital Leases	1,213,917	1,496,967	-	-	1,213,917	1,496,967
Total	\$ 9,244,667	\$ 10,557,964	\$ 13,477,620	\$ 13,962,009	\$ 22,722,287	\$ 24,519,973

During the current fiscal year, the County's total debt decreased by \$1,797,686. The County's significant debt activities included:

- \$1,030,247 of governmental activities debt was retired.
- Water and wastewater services retired \$484,389 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 60-64 of this report.

Economic Factors and Next Year's Budgets and Rates

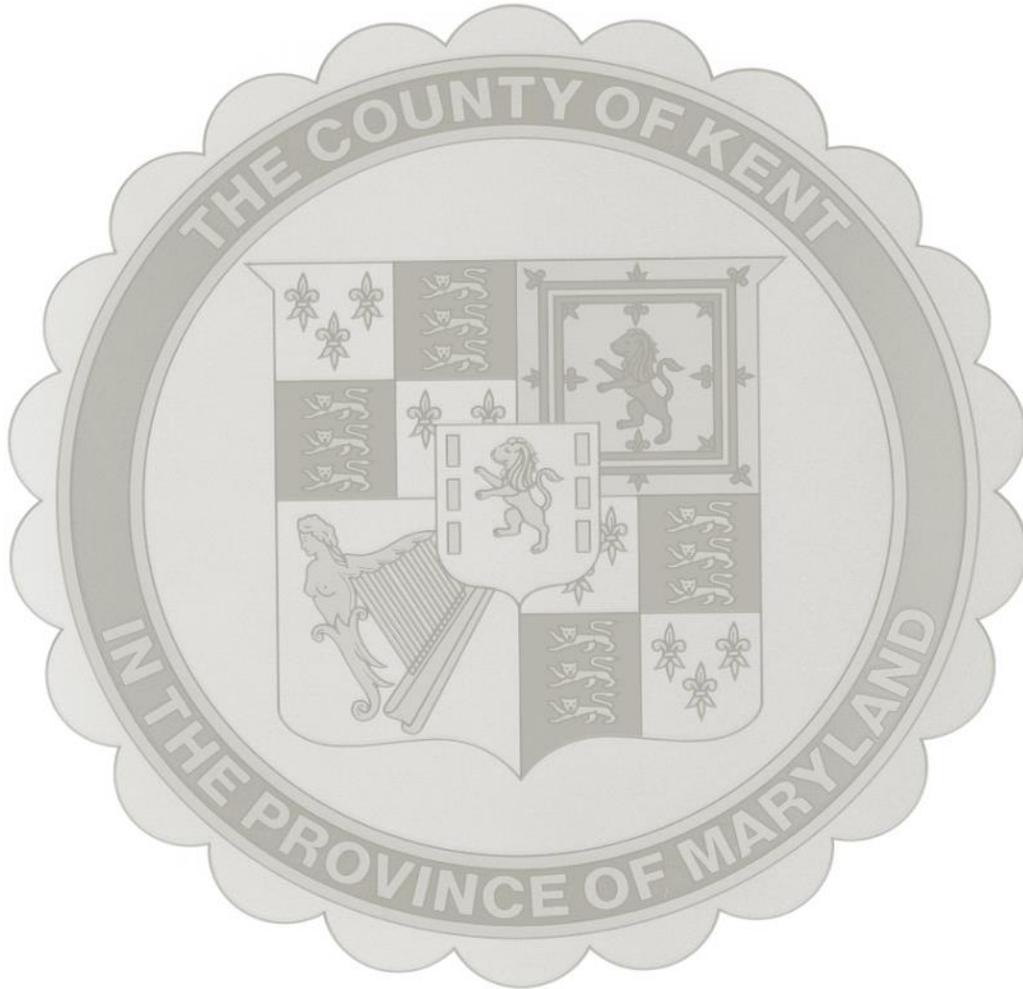
The following economic factors currently affect the County and were considered in developing the 2019 fiscal year budget:

- Revenues are expected to remain relatively constant in fiscal year 2019.
- The County will use \$1,665,530 of fund balance resources in fiscal year 2019 for capital projects and equipment needs. Capital projects include landfill remediation, Rock Hall harbor dredging, maintenance facility expansion, and public school security and renovation projects.
- The fiscal year 2019 property tax rate remains at \$1.022 per \$100 of assessed property value.
- The fiscal year 2019 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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Board of Education	Public Library
ASSETS					
Cash and cash equivalents	\$ 30,595	\$ 150	\$ 30,745	\$ 3,114,508	\$ 259,776
Equity in pooled cash	5,614,324	9,827	5,624,151	-	-
Property taxes receivable	1,698,588	-	1,698,588	-	-
Intergovernmental receivable	4,053,681	305,177	4,358,858	1,152,125	-
Other receivables	630,633	840,400	1,471,033	87,577	56,232
Internal balances	388,966	(388,966)	-	-	-
Inventories	335,683	75,751	411,434	52,210	-
Prepays	570,562	6,099	576,661	2,588	22,634
Capital assets, not being depreciated:					
Land	22,677,724	1,731,536	24,409,260	147,475	-
Construction in progress	7,701,133	228,148	7,929,281	111,680	-
Capital assets, net of accumulated depreciation					
Buildings	9,407,127	1,443,673	10,850,800	16,604,090	-
Machinery, equipment and vehicles	5,771,568	1,055,313	6,826,881	1,256,574	71
Infrastructure	4,788,160	35,415,461	40,203,621	-	-
Improvements	1,425,067	202,344	1,627,411	409,320	7,894
Library collection	-	-	-	-	217,105
Total Assets	<u>65,093,811</u>	<u>40,924,913</u>	<u>106,018,724</u>	<u>22,938,147</u>	<u>563,712</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	2,107,840	-	2,107,840	667,599	-
Deferred inflows related to other post employment benefits	768	-	768	-	-
Total deferred inflows of resources	<u>2,108,608</u>	<u>-</u>	<u>2,108,608</u>	<u>667,599</u>	<u>-</u>
LIABILITIES					
Accounts payable and other accrued liabilities	1,506,759	159,596	1,666,355	2,279,197	62,835
Accrued interest payable	92,312	57,943	150,255	-	-
Intergovernmental payable	979,905	148,202	1,128,107	51,730	571
Unearned revenues	432,543	-	432,543	427,417	2,374
Noncurrent liabilities:					
Due within one year	1,526,087	504,186	2,030,273	115,817	-
Due in more than one year	32,407,637	13,028,027	45,435,664	23,230,339	-
Total Liabilities	<u>36,945,243</u>	<u>13,897,954</u>	<u>50,843,197</u>	<u>26,104,500</u>	<u>65,780</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	711,888	-	711,888	2,219,228	-
Deferred inflows related to other post employment benefits	88,786	-	88,786	343,375	-
Total deferred outflows of resources	<u>800,674</u>	<u>-</u>	<u>800,674</u>	<u>2,562,603</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	44,386,154	26,598,855	70,985,009	17,450,138	225,070
Restricted for:					
Narcotics task force	23,716	-	23,716	-	-
Agricultural land preservation	23,200	-	23,200	-	-
Platform tennis	1,793	-	1,793	-	-
Weed control	41,156	-	41,156	-	-
Post prom	884	-	884	-	-
Kent family center	19,405	-	19,405	-	-
Inmate welfare	59,533	-	59,533	-	-
Capital projects	60,000	-	60,000	-	-
Law library	42,796	-	42,796	-	-
Regional family services	591	-	591	-	-
Special events overtime	2,961	-	2,961	-	-
Shop with a cop	307	-	307	-	-
Reforestation & open space	231,469	-	231,469	-	-
Other purposes	694,784	-	694,784	161,902	22,634
Unrestricted	(16,132,247)	428,104	(15,704,143)	(22,673,397)	250,228
Total Net Position	<u>\$ 29,456,502</u>	<u>\$ 27,026,959</u>	<u>\$ 56,483,461</u>	<u>\$ (5,061,357)</u>	<u>\$ 497,932</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, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
Governmental Activities					Business-type Activities	Total	Board of Education	Public Library	
Functions/Programs:									
Primary Government:									
Governmental activities:									
General government	\$ 6,778,790	\$ 116,728	\$ 231,493	\$ 3,251,018	\$ (3,179,551)	\$ -	\$ (3,179,551)	\$ -	\$ -
Public safety	10,913,983	105,542	667,560	19,770	(10,121,111)	-	(10,121,111)	-	-
Public works	5,709,649	179,553	401,674	271,459	(4,856,963)	-	(4,856,963)	-	-
Health and social services	1,832,417	50,453	904,507	-	(877,457)	-	(877,457)	-	-
Education	17,990,064	-	-	-	(17,990,064)	-	(17,990,064)	-	-
Culture and recreation	2,007,342	158,782	85,450	-	(1,763,110)	-	(1,763,110)	-	-
Libraries	1,251,179	-	-	-	(1,251,179)	-	(1,251,179)	-	-
Resource conservation	474,044	-	-	-	(474,044)	-	(474,044)	-	-
Community development	824,273	-	268,875	-	(555,398)	-	(555,398)	-	-
Debt service - interest	275,586	-	-	-	(275,586)	-	(275,586)	-	-
Total governmental activities	<u>48,057,327</u>	<u>611,058</u>	<u>2,559,559</u>	<u>3,542,247</u>	<u>(41,344,463)</u>	<u>-</u>	<u>(41,344,463)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and wastewater services	4,232,540	2,069,819	129,720	834,259	-	(1,198,742)	(1,198,742)	-	-
Bayside landing	42,143	40,200	1,653	-	-	(290)	(290)	-	-
Total business-type activities	<u>4,274,683</u>	<u>2,110,019</u>	<u>131,373</u>	<u>834,259</u>	<u>-</u>	<u>(1,199,032)</u>	<u>(1,199,032)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$52,332,010</u>	<u>\$ 2,721,077</u>	<u>\$ 2,690,932</u>	<u>\$ 4,376,506</u>	<u>(41,344,463)</u>	<u>(1,199,032)</u>	<u>(42,543,495)</u>	<u>-</u>	<u>-</u>
Component Units:									
Kent County Board of Education	\$33,254,854	\$ 261,078	\$ 7,176,403	\$ -				(25,817,373)	-
Kent County Public Library	1,157,826	14,483	365,950	-				-	(777,393)
Total component units	<u>\$34,412,680</u>	<u>\$ 275,561</u>	<u>\$ 7,542,353</u>	<u>\$ -</u>				<u>(25,817,373)</u>	<u>(777,393)</u>
General revenues:									
Property taxes					30,707,075	-	30,707,075	-	-
Income taxes					13,389,378	-	13,389,378	-	-
Other taxes					2,042,652	-	2,042,652	-	-
Other revenues					733,270	36,799	770,069	226,570	45,899
Grants and contributions not restricted to specific programs					-	-	-	24,006,278	783,314
Transfers					(880,064)	880,064	-	-	-
Total general revenues and transfers					<u>45,992,311</u>	<u>916,863</u>	<u>46,909,174</u>	<u>24,232,848</u>	<u>829,213</u>
Change in net position					4,647,848	(282,169)	4,365,679	(1,584,525)	51,820
Net position - beginning					<u>32,747,074</u>	<u>27,309,128</u>	<u>60,056,202</u>	<u>9,851,516</u>	<u>446,112</u>
Prior period adjustment					(7,938,420)	-	(7,938,420)	(13,328,348)	-
Net position - ending					<u>\$ 29,456,502</u>	<u>\$27,026,959</u>	<u>\$ 56,483,461</u>	<u>\$ (5,061,357)</u>	<u>\$ 497,932</u>

The County Commissioners of Kent County, Maryland
Balance Sheet – Governmental Funds
June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 30,595	\$ -	\$ -	\$ 30,595
Equity in pooled cash	4,782,526	54,425	777,373	5,614,324
Property taxes receivable	1,698,588	-	-	1,698,588
Intergovernmental receivable	3,513,454	9,306	530,921	4,053,681
Other receivables	625,261	-	5,372	630,633
Due from other funds	669,093	-	-	669,093
Inventories	335,683	-	-	335,683
Prepaid items	359,101	189,466	21,995	570,562
Total assets	<u>\$ 12,014,301</u>	<u>\$ 253,197</u>	<u>\$ 1,335,661</u>	<u>\$ 13,603,159</u>
LIABILITIES				
Accounts payable	\$ 718,856	\$ 53,197	\$ 106,024	\$ 878,077
Accrued liabilities	580,021	-	48,661	628,682
Intergovernmental payable	814,620	-	165,285	979,905
Due to other funds	4,790	-	275,337	280,127
Unearned revenue	-	140,000	292,543	432,543
Total liabilities	<u>2,118,287</u>	<u>193,197</u>	<u>887,850</u>	<u>3,199,334</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	3,819,044	-	-	3,819,044
Total deferred inflows of resources	<u>3,819,044</u>	<u>-</u>	<u>-</u>	<u>3,819,044</u>
FUND BALANCES				
Nonspendable:				
Inventory	335,683	-	-	335,683
Prepaid expenditures	359,101	189,466	-	548,567
Restricted:				
General government	-	-	43,387	43,387
Public safety	-	-	71,789	71,789
Social services	-	-	19,405	19,405
Resource conservation	-	-	224,494	224,494
Committed:				
Resource conservation	-	-	30,175	30,175
Subsequent year's budget appropriation of fund balance	1,665,530	-	-	1,665,530
Assigned:				
General government	-	60,000	-	60,000
Parks, recreation, and culture	-	-	2,677	2,677
Public safety	-	-	14,728	14,728
Public works	-	-	41,156	41,156
Social services	-	-	-	-
Unassigned	3,716,656	(189,466)	-	3,527,190
Total fund balances	<u>6,076,970</u>	<u>60,000</u>	<u>447,811</u>	<u>6,584,781</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,014,301</u>	<u>\$ 253,197</u>	<u>\$ 1,335,661</u>	<u>\$ 13,603,159</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, 2018

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

Total fund balance - governmental funds (page 28)	\$	6,584,781
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		7,701,133
Depreciable capital assets:		
Buildings		14,770,729
Improvements		2,590,954
Machinery and equipment		19,145,936
Infrastructure		10,530,293
Total capital assets:		<u>77,416,769</u>
Less accumulated depreciation		<u>(25,645,990)</u>
		51,770,779
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	\$	(8,030,750)
Capital leases		(1,213,917)
Landfill liability		(544,726)
Compensated absences		(982,932)
Net other post-employment benefits liability		(12,934,077)
Net pension liability		(10,227,322)
Accrued interest payable		<u>(92,312)</u>
		(34,026,036)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Taxes	\$	3,819,044
		3,819,044
Deferred outflow of financial resources represents consumption of net position that applies to a future period and therefore are not reported in the funds:		
Pension:		
Change in assumptions in net pension liability	\$	364,121
Net difference between projected and actual earnings on plan investments		649,138
Contributions subsequent to the measurement date		1,094,581
OPEB:		
Difference between actual and expected experience		<u>768</u>
		2,108,608
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:		
Pension:		
Difference between actual and expected experience	\$	(711,888)
OPEB:		
Change in assumptions in net OPEB liability		(88,534)
Net difference between projected and actual earnings on plan investments		<u>(252)</u>
		<u>(800,674)</u>
Net position of governmental activities	\$	<u><u>29,456,502</u></u>

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

The County Commissioners of Kent County, Maryland
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property	\$ 30,207,075	\$ -	\$ -	\$ 30,207,075
Income	12,736,121	-	-	12,736,121
Other	2,040,410	-	2,242	2,042,652
Licenses and permits	311,801	-	-	311,801
Intergovernmental	486,071	271,459	2,093,258	2,850,788
Charges for services	518,187	-	92,871	611,058
Fines and forfeitures	40,001	-	18,949	58,950
Rental income	102,808	-	-	102,808
Miscellaneous	217,941	1,751	40,837	260,529
Total revenues	<u>46,660,415</u>	<u>273,210</u>	<u>2,248,157</u>	<u>49,181,782</u>
EXPENDITURES				
Current:				
General government	5,935,503	-	238,242	6,173,745
Public safety	10,020,685	-	616,602	10,637,287
Public works	5,230,995	-	133,807	5,364,802
Health and social services	851,330	-	972,825	1,824,155
Education	17,710,564	-	-	17,710,564
Parks, recreation and culture	1,616,176	-	93,762	1,709,938
Libraries	680,389	-	-	680,389
Resource conservation and development	344,044	-	130,000	474,044
Community development	562,971	-	240,442	803,413
Intergovernmental	121,360	-	-	121,360
Miscellaneous	(163,593)	-	-	(163,593)
Debt service:				
Principal	1,313,297	-	-	1,313,297
Interest	426,289	-	-	426,289
Capital outlay:				
General government	-	3,804,343	-	3,804,343
Public works	-	378,350	-	378,350
Education	-	279,500	-	279,500
Parks, recreation and culture	-	-	-	-
Libraries	-	570,790	-	570,790
Total expenditures	<u>44,650,010</u>	<u>5,032,983</u>	<u>2,425,680</u>	<u>52,108,673</u>
Excess (deficiency) of revenues over expenditures	<u>2,010,405</u>	<u>(4,759,773)</u>	<u>(177,523)</u>	<u>(2,926,891)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,078	4,779,773	92,721	4,881,572
Transfers out	(5,761,636)	-	-	(5,761,636)
Total other financing sources (uses)	<u>(5,752,558)</u>	<u>4,779,773</u>	<u>92,721</u>	<u>(880,064)</u>
Net change in fund balances	(3,742,153)	20,000	(84,802)	(3,806,955)
Fund balances - beginning	<u>9,819,123</u>	<u>40,000</u>	<u>532,613</u>	<u>10,391,736</u>
Fund balances - ending	<u>\$ 6,076,970</u>	<u>\$ 60,000</u>	<u>\$ 447,811</u>	<u>\$ 6,584,781</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, 2018

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) \$ (3,806,955)

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	\$ 8,123,571	
Depreciation expense	<u>(1,429,768)</u>	6,693,803

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

Taxes	<u>\$ 1,153,257</u>	1,153,257
-------	---------------------	-----------

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

Principal repayments:		
Capital leases	\$ 283,050	
General obligations bond payable	<u>1,030,247</u>	1,313,297

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	\$ 134,411	
Accrued interest payable	16,292	
Net other post-employment benefits liability	(715,457)	
Net pension liability	1,096,753	
Accrued compensated absences	<u>(76,643)</u>	<u>455,356</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:

Pension:		
Change in assumptions in net pension liability	\$ (71,493)	
Net difference between projected and actual earnings on plan investments	(694,892)	
Contributions subsequent to the measurement date	125,193	
OPEB:		
Difference between actual and expected experience	<u>768</u>	(640,424)

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:

Pension:		
Difference between actual and expected experience	\$ (431,700)	
OPEB:		
Change in assumptions in net OPEB liability	(88,534)	
Net difference between projected and actual earnings on plan investments	<u>(252)</u>	<u>(520,486)</u>

Change in net position of governmental activities \$ 4,647,848

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, 2018

	Business-type Activities		
	Water and Wastewater Services	Bayside Landing	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 150	\$ -	\$ 150
Equity in pooled cash	8,701	1,126	9,827
Accounts receivable	840,400	-	840,400
Intergovernmental receivable	303,525	1,652	305,177
Due from other funds	4,790	-	4,790
Inventories	75,751	-	75,751
Prepaid items	6,099	-	6,099
Total current assets	<u>1,239,416</u>	<u>2,778</u>	<u>1,242,194</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	50,049,271	109,500	50,158,771
Construction in progress	228,148	-	228,148
Machinery, equipment, and vehicles	3,470,394	10,887	3,481,281
Less accumulated depreciation	<u>(17,501,935)</u>	<u>(111,222)</u>	<u>(17,613,157)</u>
Total noncurrent assets	<u>38,621,581</u>	<u>1,454,894</u>	<u>40,076,475</u>
Total assets	<u>39,860,997</u>	<u>1,457,672</u>	<u>41,318,669</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	94,303	652	94,955
Accrued liabilities	57,187	1,518	58,705
Bonds payable	502,866	-	502,866
Customer deposits payable	5,936	-	5,936
Accrued interest payable	57,943	-	57,943
Intergovernmental payable	147,594	608	148,202
Due to other funds	393,756	-	393,756
Total current liabilities	<u>1,259,585</u>	<u>2,778</u>	<u>1,262,363</u>
Noncurrent Liabilities:			
Compensated absences	54,593	-	54,593
Bonds payable	<u>12,974,754</u>	-	<u>12,974,754</u>
Total noncurrent liabilities	<u>13,029,347</u>	-	<u>13,029,347</u>
Total liabilities	<u>14,288,932</u>	<u>2,778</u>	<u>14,291,710</u>
NET POSITION			
Net investment in capital assets	25,143,961	1,454,894	26,598,855
Unrestricted	428,104	-	428,104
Total net position	<u>\$ 25,572,065</u>	<u>\$ 1,454,894</u>	<u>\$ 27,026,959</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, 2018

	Business-type Activities		
	Water and Wastewater Services	Bayside Landing	Total Enterprise Funds
Operating revenues:			
Charges for services:			
Water	\$ 573,625	\$ -	\$ 573,625
Sewer	1,375,919	-	1,375,919
Septic	120,275	-	120,275
Public landings	-	40,200	40,200
Miscellaneous	27,679	-	27,679
Total operating revenues	<u>2,097,498</u>	<u>40,200</u>	<u>2,137,698</u>
Operating expenses:			
Water	404,746	-	404,746
Sewer	1,665,548	-	1,665,548
Septic	80,487	-	80,487
Parks and recreation	-	20,873	20,873
Public landings	-	11,901	11,901
Administration	606,849	-	606,849
Depreciation	1,176,905	9,369	1,186,274
Total operating expenses	<u>3,934,535</u>	<u>42,143</u>	<u>3,976,678</u>
Operating income (loss)	<u>(1,837,037)</u>	<u>(1,943)</u>	<u>(1,838,980)</u>
Nonoperating revenues (expenses):			
Intergovernmental	129,720	1,653	131,373
Allocation fees	9,120	-	9,120
Interest expense	(298,005)	-	(298,005)
Total nonoperating revenues (expenses)	<u>(159,165)</u>	<u>1,653</u>	<u>(157,512)</u>
Income (loss) before transfers	<u>(1,996,202)</u>	<u>(290)</u>	<u>(1,996,492)</u>
Capital contributions	834,259	-	834,259
Transfers in	889,142	-	889,142
Transfers out	-	(9,078)	(9,078)
Change in net position	(272,801)	(9,368)	(282,169)
Net position - beginning	25,844,866	1,464,262	27,309,128
Net position - ending	<u>\$ 25,572,065</u>	<u>\$ 1,454,894</u>	<u>\$ 27,026,959</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, 2018

	Business-Type Activities		
	Waste and Wastewater Services	Bayside Landing	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 2,101,213	\$ 38,548	\$ 2,139,761
Payments to suppliers	(1,901,485)	(26,172)	(1,927,657)
Payments to employees	(946,258)	(7,463)	(953,721)
Net cash provided (used) by operating activities	<u>(746,530)</u>	<u>4,913</u>	<u>(741,617)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating subsidies and transfers (to) from other funds	1,232,375	(7,425)	1,224,950
Net cash provided (used) by noncapital financing activities	<u>1,232,375</u>	<u>(7,425)</u>	<u>1,224,950</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants	834,259	-	834,259
Purchases of capital assets	(526,759)	-	(526,759)
Principal paid on capital debt	(484,389)	-	(484,389)
Interest paid on capital debt	(300,255)	-	(300,255)
Net cash used by capital and related financing activities	<u>(477,144)</u>	<u>-</u>	<u>(477,144)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	8,701	(2,512)	6,189
Balances - beginning of year	<u>150</u>	<u>3,638</u>	<u>3,788</u>
Balances - end of year	<u>\$ 8,851</u>	<u>\$ 1,126</u>	<u>\$ 9,977</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,837,037)	\$ (1,943)	\$ (1,838,980)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,176,905	9,369	1,186,274
Changes in assets and liabilities:			
Accounts receivable	(59,665)	-	(59,665)
Intergovernmental receivable	51,939	(1,652)	50,287
Prepaid expenses	(10)	-	(10)
Inventory	(1,847)	-	(1,847)
Due from general fund	315	-	315
Accounts payable and accrued expenses	(36,137)	(441)	(36,578)
Interest payable	(2,250)	-	(2,250)
Intergovernmental payable	(52,119)	(420)	(52,539)
Customer deposits and overpayments	(289)	-	(289)
Compensated absences payable	13,665	-	13,665
Net cash provided by operating activities	<u>\$ (746,530)</u>	<u>\$ 4,913</u>	<u>\$ (741,617)</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, 2018

	Tax Sale Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 34,795
Equity in pooled cash	123,581	58,499
Receivables	23,047	746,134
Total assets	146,628	839,428
LIABILITIES		
Accounts payable	146,628	21,445
Due to other governments	-	817,983
Total liabilities	146,628	\$ 839,428
NET POSITION		
Net position held in trust for property owners involved in tax sale transactions	\$ -	

The County Commissioners of Kent County, Maryland
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2018

	<u>Tax Sale Private Purpose Trust Fund</u>
ADDITIONS	
Tax sale redemptions	\$ 1,368,277
Tax sale deed executions	<u>15,954</u>
Total additions	<u>1,384,231</u>
DEDUCTIONS	
Tax sale redemptions	1,368,277
Tax sale deed executions	<u>15,954</u>
Total deductions	<u>1,384,231</u>
Change in net position	-
Net position - beginning	-
Net position - ending	<u><u>\$ -</u></u>

Notes to Basic Financial Statements

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The County Commissioners of Kent County, Maryland
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

A. Description of government-wide financial statements

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

B. Reporting entity

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

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

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

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

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

Kent County Public Library
408 High Street
Chestertown, MD 21620

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

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

Maryland Environmental Service
259 Najoles Road
Millersville, MD 21108

C. Basis of presentation – government-wide financial statements

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

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

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

D. Basis of presentation – fund financial statements

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

The County reports the following major governmental funds:

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

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

The government reports the following major enterprise funds:

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

Additionally, the County reports the following fund types:

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

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

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

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

E. Measurement focus and basis of accounting

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

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

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

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

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

F. Budgetary information

1. Budgetary basis of accounting

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

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

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

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

1. Cash and cash equivalents

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

2. Investments

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

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

Investments for the County are reported at fair value (generally based on quoted market prices) except for the position in the Maryland Local Government Investment Pool which is reported at the net asset value per share. For the year ended June 30, 2018, the County did not have any investments.

3. Inventories and prepaid items

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

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

4. Capital assets

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

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

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

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

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

5. *Deferred outflows/inflows of resources*

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

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 difference between the actual and expected experience related to the pension plan, change in assumptions in net OPEB liability, and the net difference between projected and actual earnings on pension plan investments, and the net difference between projected and actual earnings on OPEB 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	\$ 335,683	Inventory
	359,101	Prepaid Expenditures
Capital Projects Fund	189,466	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	\$ 23,200	Tax Property Article 13-306 and contributors
Reforestation & Open Space	201,294	Natural Resources Article 5-1610
Inmate Welfare	59,533	Correctional Services Article 10-502
Law Library	42,796	Courts and Judicial Proceedings Article 13-501
Regional Family Services	591	Courts and Judicial Proceedings Article 7-202
Kent Family Center	19,405	Maryland Department of Human Services Agreement
Kent County Drug Task Force	11,160	Kent County Drug Task Force Forfeiture Agreement
Sheriff's Forfeiture	1,096	Federal Forfeiture Regulations

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

Fund	Fund	
	Balance	Committed by
General Fund	\$ 1,665,530	Kent County Budget Document
Special Revenue Fund		
Reforestation & Open Space	30,175	Kent County Land Use Ordinance

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

Fund	Fund	
	Balance	Assigned by
Special Revenue Fund		
Sheriff Forfeitures	\$ 11,460	Kent County Budget Document
Special Events Overtime	2,961	Kent County Budget Document
Shop with a Cop	307	Kent County Budget Document
Platform Tennis	1,793	Kent County Budget Document
Post Prom	884	Kent County Budget Document
Weed Control	41,156	Kent County Budget Document
Capital Projects Fund	60,000	Kent County Budget Document

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

H. Revenues and expenditures/expenses

1. *Program revenues*

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

2. *Property taxes*

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. Payments are due by September 30th for all non-principal residences. Beginning October 1st, interest is charged each month on taxes that remain unpaid. For principal residences and small business with property tax liabilities of less than \$100,000, a two part installment plan is offered. The first installment is due by September 30th. Beginning October 1st, interest is charged on the amount of the first installment only. The second installment is due by December 31st. Beginning January 1st, interest is charged on all outstanding balances. A final billing (mailed on January 1) reflects any adjustments (i.e. new construction) to the current year's actual levy. Beginning April 1st, interest is charged each month on taxes that remain unpaid. Property taxes are levied at rates enacted by the Board of County Commissioners in the annual budget on the assessed value as determined by the Maryland Department of Assessments and Taxation. The tax rate for the fiscal year ended June 30, 2018 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, 2018, a total of \$982,932 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, 2018, 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, 2018, a total of \$35,440 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, 2018, was \$14,260.

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

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

I. Implementation of new accounting principles

The County adopted Governmental Accounting Standard Board (GASB) Statement No. 75 entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86 *Certain Debt Extinguishment Issues*. The adoption of GASB Statement No. 75 had a material effect on the financial statements as detailed throughout the report and in Note III. F. Adoption of all other statements issued were either not applicable or did not have a material effect on the financial statements.

In prior fiscal years, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases*. During the year ended June 30, 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

The County has begun analyzing the effects of these pronouncements and plans to implement them by their respective effective dates.

J. Restatement of Net Position

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASBS 75”). GASBS 75 established standards of accounting and financial reporting for other post-employment benefits provided to the employees of state and local governments. The requirements of GASBS 75 were effective for fiscal years beginning after June 15, 2017. The implementation of GASBS 75 by the County required a restatement of the prior year net position to recognize the County’s net OPEB liability, the liability to employees for benefits provided through the County’s OPEB plan. The County’s net OPEB liability of \$12,934,077 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. A restatement to recognize the net OPEB liability decreased the County’s beginning net position from \$60,056,202 to \$52,117,782. Before this restatement, the County’s government-wide financial statements did not reflect the liability.

II. Reconciliation of government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while

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

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

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

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

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

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

III. Detailed notes on all activities and funds

A. Cash deposits with financial institutions

Primary Government

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

<u>Financial Institution</u>	<u>Bank Balance June 30, 2018</u>
Chesapeake Bank and Trust (main operating account)	\$ 6,424,551
PNC Bank (payroll processing)	13,939
Chesapeake Bank and Trust (transitional insurance program)	251

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

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

Credit risk. As of June 30, 2018, the County was not exposed to credit risk.

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

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, the County was not exposed to any custodial credit risk.

Investment Policy. The County has adopted an investment policy that is designed to provide maximum safety and liquidity of funds while providing a reasonable rate of return. Permissible investments include U.S. Treasury

Obligations, U.S. Government Agency and U.S. Government-Sponsored Enterprises, repurchase agreements, collateralized certificates of deposit, the Maryland Local Government Investment Pool, and mutual funds dealing in government securities. The County's policy and State law require that the underlying collateral for repurchase agreements and certificates of deposit must have a market value of at least 102% of the investment's cost plus accrued interest.

Component Units

Board of Education

As of June 30, 2018, the reported amount of the Board's deposits was \$3,228,030, and the bank balance was \$3,652,437. Of the total deposits, \$3,158,618 was not covered by FDIC but was collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Board's name. The value of the pledged securities exceeded the amount of deposits in excess of coverage by the FDIC.

Public Library

The Library maintains one bank account at PNC Bank. As of June 30, 2018, the carrying amount of the Library's deposits was \$259,776 and the bank balance was \$374,168, \$250,000 of which was insured by the Federal Deposit Insurance Corporation.

B. Receivables

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

Receivables	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	Business-type Funds	Total
Property Tax	\$ 1,698,588	\$ -	\$ -	\$ 1,698,588	\$ -	\$ 1,698,588
Other Accounts:						
Insurance refund	\$ 400,054	\$ -	\$ -	\$ 400,054	\$ -	\$ 400,054
Water and sewer fees	-	-	-	-	600,403	600,403
Hotel tax	88,510	-	-	88,510	-	88,510
Tax sale	-	-	-	-	165,754	165,754
Loan receivable	100,000	-	-	100,000	-	100,000
Other	36,697	-	5,372	42,069	74,243	116,312
	<u>\$ 625,261</u>	<u>\$ -</u>	<u>\$ 5,372</u>	<u>\$ 630,633</u>	<u>\$ 840,400</u>	<u>\$ 1,471,033</u>
Intergovernmental:						
Income taxes	\$ 3,011,089	\$ -	\$ -	\$ 3,011,089	\$ -	\$ 3,011,089
Recordation tax	194,144	-	-	194,144	-	194,144
Maryland family network	-	-	72,300	72,300	-	72,300
Property transfer tax	111,331	-	-	111,331	-	111,331
Highway user	115,972	-	-	115,972	-	115,972
Governors Office	-	-	164,319	164,319	-	164,319
Department of Natural Resources	180	9,306	89,891	99,377	-	99,377
Department of Housing	-	-	24,869	24,869	-	24,869
Department of Education	-	-	22,084	22,084	-	22,084
Water wastewater grants	-	-	-	-	301,049	301,049
Tourism grant	-	-	40,442	40,442	-	40,442
Regional family services	-	-	46,720	46,720	-	46,720
911 fees	32,751	-	-	32,751	-	32,751
Homeland security	-	-	16,708	16,708	-	16,708
Other	47,987	-	53,588	101,575	4,128	105,703
	<u>\$ 3,513,454</u>	<u>\$ 9,306</u>	<u>\$ 530,921</u>	<u>\$ 4,053,681</u>	<u>\$ 305,177</u>	<u>\$ 4,358,858</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 \$3,011,089 of the County's income tax revenue for tax years 2017 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, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 22,677,724	\$ -	\$ -	\$ 22,677,724
Construction in progress	566,774	7,134,359	-	7,701,133
Total capital assets, not being depreciated	<u>23,244,498</u>	<u>7,134,359</u>	<u>-</u>	<u>30,378,857</u>
Capital assets, being depreciated:				
Buildings	14,770,729	-	-	14,770,729
Improvements	2,590,954	-	-	2,590,954
Machinery and equipment	18,156,724	1,139,739	150,527	19,145,936
Infrastructure	10,530,293	-	-	10,530,293
Total capital assets, being depreciated	<u>46,048,700</u>	<u>1,139,739</u>	<u>150,527</u>	<u>47,037,912</u>
Less accumulated depreciation for:				
Buildings	5,078,187	285,415	-	5,363,602
Improvements	984,631	181,256	-	1,165,887
Machinery and equipment	12,540,819	972,865	139,316	13,374,368
Infrastructure	5,612,585	129,548	-	5,742,133
Total accumulated depreciation	<u>24,216,222</u>	<u>1,569,084</u>	<u>139,316</u>	<u>25,645,990</u>
Total capital assets being depreciated, net	<u>21,832,478</u>	<u>(429,345)</u>	<u>11,211</u>	<u>21,391,922</u>
Governmental activities capital assets, net	<u>\$ 45,076,976</u>	<u>\$ 6,705,014</u>	<u>\$ 11,211</u>	<u>\$ 51,770,779</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,731,536	\$ -	\$ -	\$ 1,731,536
Construction in progress	1,191,438	46,460	1,009,750	228,148
Total capital assets, not being depreciated	<u>2,922,974</u>	<u>46,460</u>	<u>1,009,750</u>	<u>1,959,684</u>
Capital assets, being depreciated:				
Buildings	1,758,244	-	-	1,758,244
Improvements	331,652	-	-	331,652
Infrastructure	48,696,152	1,462,619	-	50,158,771
Machinery and equipment	3,453,851	27,430	-	3,481,281
Total capital assets, being depreciated	<u>54,239,899</u>	<u>1,490,049</u>	<u>-</u>	<u>55,729,948</u>
Less accumulated depreciation for:				
Buildings	279,406	35,165	-	314,571
Improvements	112,725	16,583	-	129,308
Infrastructure	13,769,272	974,038	-	14,743,310
Machinery and equipment	2,265,480	160,488	-	2,425,968
Total accumulated depreciation	<u>16,426,883</u>	<u>1,186,274</u>	<u>-</u>	<u>17,613,157</u>
Total capital assets, being depreciated, net	<u>37,813,016</u>	<u>303,775</u>	<u>-</u>	<u>38,116,791</u>
Business-type activities capital assets, net	<u>\$ 40,735,990</u>	<u>\$ 350,235</u>	<u>\$ 1,009,750</u>	<u>\$ 40,076,475</u>

Depreciation expense for the year ended June 30, 2018, was charged to the functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 271,008
Public safety	467,653
Public works	370,708
Parks, recreation and culture	315,023
Community development	5,376
Total depreciation expense - governmental activities	<u>\$ 1,429,768</u>

Business-type activities:

Water and wastewater services	\$ 1,176,905
Bayside landing	9,369
Total depreciation expense - business-type activities	<u>\$ 1,186,274</u>

Component Units

Board of Education

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Government activities				
Capital assets, not being depreciated:				
Land	\$ 147,475	\$ -	\$ -	\$ 147,475
Construction in progress	11,862	390,230	290,412	111,680
Total capital assets, not being depreciated	<u>159,337</u>	<u>390,230</u>	<u>290,412</u>	<u>259,155</u>
Capital assets, being depreciated:				
Land improvements	726,079	-	-	726,079
Buildings, furniture, fixtures and equipment	55,827,435	611,187	900,386	55,538,236
Vehicles	382,332	1,233,522	-	1,615,854
Total capital assets, being depreciated	<u>56,935,846</u>	<u>1,844,709</u>	<u>900,386</u>	<u>57,880,169</u>
Less accumulated depreciation for:				
Land improvements	279,180	37,579	-	316,759
Buildings, furniture, fixtures and equipment	38,379,328	1,435,185	880,367	38,934,146
Vehicles	283,097	76,183	-	359,280
Total accumulated depreciation	<u>38,941,605</u>	<u>1,548,947</u>	<u>880,367</u>	<u>39,610,185</u>
Total capital assets, being depreciated, net	<u>17,994,241</u>	<u>295,762</u>	<u>20,019</u>	<u>18,269,984</u>
Governmental activities capital assets, net	<u>\$ 18,153,578</u>	<u>\$ 685,992</u>	<u>\$ 310,431</u>	<u>\$ 18,529,139</u>

Public Library

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Computers and equipment	\$ 90,804	\$ -	\$ -	\$ 90,804
Furniture and fixtures	58,476	-	-	58,476
Library improvements	33,614	-	-	33,614
Less accumulated depreciation	174,157	772	-	174,929
Capital assets, net	<u>\$ 8,737</u>	<u>\$ (772)</u>	<u>\$ -</u>	<u>\$ 7,965</u>

Library collections and related accumulated amortization activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets	\$ 806,432	\$ 57,575	\$ 87,641	\$ 776,366
Less accumulated depreciation	584,331	62,571	87,641	559,261
Capital assets, net	<u>\$ 222,101</u>	<u>\$ (4,996)</u>	<u>\$ -</u>	<u>\$ 217,105</u>

D. Accrued liabilities

Accrued liabilities reported by governmental funds at June 30, 2018, were as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 580,021	\$ 38,786	\$ 618,807
Other	-	9,875	9,875
Total accrued liabilities	<u>\$ 580,021</u>	<u>\$ 48,661</u>	<u>\$ 628,682</u>

E. Pension obligations

Primary Government

The County participates in the Maryland State Retirement and Pension System (MSRPS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Maryland. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. For the year ended June 30, 2018, the County recognized aggregated pension expense of \$1,182,181 for the pension system.

Benefits under the Maryland 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 MSRPS 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

The MSRPS covers three classes of employees

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. 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, becomes eligible for a vested retirement allowance at age 62.

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 employees hired after June 30, 2002, plus eligible employees with service as of July 1, 2002. Members may retire after 25 years of service or at age 50 with at least 5 years of service. A member who joined prior to July 1, 2012 is eligible for vesting after 5 years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 50. A member who joined after July 1, 2012 is eligible for vesting after 10 years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 65.

Funding Policy

Obligations to contribute to the plan were established under Title 21 and Title 26 of the Annotated Code of Maryland – State Personnel and Pensions. Members contributed 7% of their gross regular employee compensation during fiscal year 2018.

Required contributions under the plans, which are not funded by employee contributions, are funded entirely by the County. Contributions by the County to MSRPS 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, 2018 is based on salaries for the year ending June 30, 2017. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees. The contributions for the fiscal years ending June 30th were equal to the actuarially determined amounts as follows:

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
MSRPS Contributions	\$ 1,094,581	\$ 969,388	\$ 948,188

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

As of June 30, 2018, the County reported a liability of \$10,227,322 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the County's proportion was 0.047%.

For the year ended June 30, 2018, the County recognized pension expenses of \$1,182,181. As of June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 364,121	\$ -
County contribution subsequent to the measurement date	1,094,581	-
Net difference between projected vs actual investment earnings	649,138	-
Difference between actual and expected experience	-	711,888
Total	<u>\$ 2,107,840</u>	<u>\$ 711,888</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,	
2019	\$ 174,203
2020	351,551
2021	141,726
2022	(195,462)
2023	(170,647)

Actuarial Assumptions - The key actuarial assumptions used to perform the June 30, 2018, pension liability calculation are as follows:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.65% general, 3.15% wage
Salary increases	3.15% to 9.15%, including inflation
Investment rate of return	7.50%

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	36%	5.3%
Private Equity	11%	7.0%
Rate Sensitive	21%	1.2%
Credit Opportunity	9%	3.6%
Real Assets	15%	5.7%
Absolute Return	8%	3.1%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
County's proportionate share of the net pension liability	\$ 14,494,134	\$ 10,227,322	\$ 6,687,066

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, 2017. This can be found at www.sra.state.md.us.

F. Other post-employment benefit (OPEB) obligations

Primary Government

Post-employment Benefits Other than Pensions (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kent County Other Post-Employment Benefit Plan and additions to/deductions from the County’s Other Post-Employment Benefit Plan’s fiduciary net position have been determined on the same basis as they are reported by Kent County’s Other Post-Employment Benefit Plan. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Plan Description – The County’s Other Post-Employment Benefit Plan (OPEB) is an agent multiple-employer defined benefit healthcare plan whose assets are held by Queen Anne’s County, Maryland. 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.

Benefits Provided - An employee retiring from Kent County Government on or after July 2, 2002, who has accumulated thirty (30) years of service or a law enforcement employee who has accumulated twenty-five (25) years of service, 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 2018 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.

Employees Covered by Benefit Terms— At June 30, 2018, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefit payments	27
Inactive employees entitled to but not yet receiving benefits	1
Active employees	193
	221

Contributions – 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 2018 the County contributed \$219,349 (\$219,349 for pay-as-you-go premiums and \$0 to the trust). Plan members receiving benefits contributed \$28,106.

Net OPEB Liability

The County’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions— The total OPEB liability as of June 30, 2018, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions used in the latest actuarial valuation were:

Inflation rate	2.30%
Salary increases	State of Maryland General and LEOPS Retirement and Pension System salary scale assumptions
Investment rate of return	2.30%
Discount rate	3.62%
Bond rate	3.62%
Healthcare cost trend rate	Society of Actuaries Long Run Medical Cost Trend Model
Mortality	<u>Pre-Retirement Healthy Mortality</u> - RP-2014 Blue Collar Mortality Table, fully generational, projected to 2014 as of 2014 using Scale MP-2014
	<u>Post-Retirement Healthy Mortality</u> - RP-2014 Blue Collar Mortality Table, fully generational, projected to 2010 for males and 2012 for females as of 2014 using Scale MP-2014
	<u>Disabled</u> - RP-2014 Disabled Annuitant Mortality Table, not generational, set forward 2 years for males and 3 years for females

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

The long term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100%	0.00%
Total	100%	

Discount Rate—The discount rate used to measure the total OPEB liability was 3.62% as of June 30, 2018. The projection of cash flows used to determine the discount rate assume that the County will contribute to the trust at the same level as in recent years. Based on that assumption, the liabilities for the plan will be determined using the June 30, 2018 bond rate of 3.62% as a discount rate. The discount rate changed from the prior measurement period. The discount rate was 3.58% for the June 30, 2017 measurement date.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of 06/30/17	\$ 12,375,950	\$ 157,330	\$ 12,218,620
Changes for the year:			
Service cost	567,667	-	567,667
Interest	439,652	-	439,652
Differences between expected and actual experience	878	-	878
Contributions - employer	-	191,243	(191,243)
Net investment income	-	315	(315)
Changes in assumptions	(101,182)	-	(101,182)
Benefit payments	(191,243)	(191,243)	-
Net changes	<u>715,772</u>	<u>315</u>	<u>715,457</u>
Balance as of 06/30/18	<u>\$ 13,091,722</u>	<u>\$ 157,645</u>	<u>\$ 12,934,077</u>

Sensitivity of the net OPEB liability to changes in the discount rate - the following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Net OPEB liability (Asset)	\$ 15,817,808	\$ 12,934,077	\$ 10,718,727

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

	1% Decrease (2.90%)	Health Care Cost Trend Rates (3.90%)	1% Increase (4.90%)
Net OPEB liability (Asset)	\$ 10,246,411	\$ 12,934,077	\$ 16,616,692

OPEB Fiduciary Net Position- Detailed information about the OPEB's fiduciary net position is available in the separately issued Queen Anne's County comprehensive annual financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the County recognized OPEB expense of \$994,718. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 88,534
Net difference between projected and actual investment earnings	-	252
Difference between actual and expected experience	768	-
Total	<u>\$ 768</u>	<u>\$ 88,786</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ (12,601)
2020	(12,601)
2021	(12,601)
2022	(12,601)
2023	(12,538)
Thereafter	(25,076)

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. This plan does not include pension benefits. The Plan does not issue a separate, publicly available report.

Annual OPEB Cost and Net OPEB Liability - The Board's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2%
Salary Increases	0.2% - 5.7%
Investment Rate of Return	3.58%
Healthcare Cost Trend Rates	5.9% initially, reduced by decrements to an ultimate rate of 3.9%

Mortality rates were based on the RP2014 EE mortality/Annuitant mortality with scale MP2014 for active healthy participants, SOA RP-2014 White Collar Mortality with Scale MP-2014 Base Year Male 2016, Female 2012 for inactive healthy participants, and RP2014 Disabled Mortality (set forward 1 Year for Males) for inactive disabled participants.

The long-term expected rate of return on OPEB plan investments was determined using a combination of building-block methodology and third party consultants to develop the best possible estimate ranges of expected future real rates of return. 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 the expected inflation. Expected returns, net of OPEB plan investment expense and inflation are arithmetically developed for each major asset class corresponding with the long term time horizons, discount rate, and tolerance for risk. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long Term Expected Rate of Return
Large Cap	16.0%	6.50%
Mid Cap	7.0%	7.10%
Small Cap	7.5%	7.60%
Int'l Developed Equities	16.5%	8.60%
Int'l Emerging Mkt Equities	8.0%	10.80%
US Real Estate	5.0%	7.70%
US Investment Grade Bonds	30.0%	3.70%
US High Yield Bonds	6.0%	6.00%
Emerging Markets Bonds	1.0%	5.70%
Cash	3.0%	2.30%
	<u>100.0%</u>	

Discount rate – The discount rate used to measure the total OEPB liability was 3.58%. The projection of cash flows used to determine the discount rate assumed that Board contributions will be used to fund current contribution levels. Based on those assumptions, the unfunded rate was used. The unfunded rate is determined by using the 20 year Treasury bond. Any increase in the discount rate due to the assets of the trust is not deemed material. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate changed from the prior measurement date. The discount rate was 2.85% for the June 30, 2016 measurement date.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2016 for FYE 2017	\$ 22,389,308	\$ 915,590	\$ 21,473,718
Changes for the Year:			
Service Cost	753,715	-	753,715
Interest	629,260	-	629,260
ER Trust Contribution	-	620,000	(620,000)
Net Investment Income	-	103,414	(103,414)
Changes in Assumptions	(2,500,064)	-	(2,500,064)
Benefit Payments	(620,000)	(620,000)	-
Administrative Expense	-	(7,642)	7,642
Net Changes	<u>(1,737,089)</u>	<u>95,772</u>	<u>(1,832,861)</u>
Balance as of June 30, 2017 for FYE 2018	<u>\$ 20,652,219</u>	<u>\$ 1,011,362</u>	<u>\$ 19,640,857</u>

For the year ended June 30, 2018, the Board recognized OPEB expense of \$998,725.

The detailed plan information is included in the Board's current year audited financial statements.

G. Deferred compensation plan

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

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

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

H. Risk management

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

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

The County pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per

occurrence dollar limits. No insurance settlement has exceeded the coverage to date.

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

Complete financial statements can be obtained from their administrative offices:

Local Government Insurance Trust
 7225 Parkway Drive
 Hanover, MD 21076

I. Lease obligations

1. Capital lease

Primary Government

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

The assets acquired through this capital lease are as follows:

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

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Fiscal Year Ending June 30,</u>	Governmental Activities	Business-Type Activities	Total
2019	\$ 325,071	\$ -	\$ 325,071
2020	325,071	-	325,071
2021	325,071	-	325,071
2022	325,071	-	325,071
Total minimum lease payments	1,300,284	-	1,300,284
Less: amount representing interest	(86,367)	-	(86,367)
Present value of minimum lease payments	\$ 1,213,917	\$ -	\$ 1,213,917

2. *Operating lease*

Primary Government

The County leases buildings for the library, state's attorney, election office, family and community partnerships of Kent County and health department operations. It also leases office and technology equipment. Total costs for operating leases were approximately \$395,578 for the year ended June 30, 2018. Future minimum lease payments under significant non-cancelable operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 196,540
2020	74,964
2021	46,243
Total	<u>\$ 317,747</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, 2018, was \$0.

Component Units

Public Library

During 2018, 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, 2018, are as follows:

Governmental Activities:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2018
General obligation bonds					
<u>United States Department of Agriculture</u>					
FY11 Nicholson Ground Water Recovery Treatment	12/16/10	\$ 154,000	2.250%	12/16/50	\$ 134,563
<u>Maryland Water Quality Financing</u>					
FY01 Dulin Landfill Closure	04/05/01	689,000	2.200%	02/01/20	57,206
<u>Manufacturers & Traders Trust Company</u>					
FY06 Board of Education Capital Projects	05/02/06	7,130,000	4.210%	05/02/21	1,802,836
<u>SunTrust Bank</u>					
FY09 Community Center	04/03/09	8,500,000	4.450%	04/03/29	5,563,785
FY11 Refinance - FY98 Public Works Complex	05/02/11	784,100	3.820%	05/02/26	472,360
					\$ 8,030,750

Business-type Activities:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2018
General obligation bonds					
<u>SunTrust</u>					
Worton Debt Refinance	05/02/11	\$ 155,300	3.260%	05/02/21	\$ 51,923
<u>Maryland Department of the Environment - Water Quality</u>					
Allen's Lane Sewer Extension	07/26/07	1,152,308	1.000%	02/01/25	481,264
Fairlee/Piney Neck/Tolchester/Spring Cove Debt Refinance	04/28/04	2,027,478	1.000%	02/01/24	651,141
Worton Wastewater Treatment Plant Upgrade	07/30/09	2,700,000	1.000%	02/01/30	1,763,465
<u>United States Department of Agriculture</u>					
Worton Water Treatment Plant	01/28/10	338,000	2.375%	01/28/50	291,745
Chesterville Sewer Extension	12/16/10	476,000	2.250%	12/16/50	415,889
Worton Wastewater Treatment Plant	07/15/10	5,367,082	4.000%	07/15/50	4,870,914
Worton Wastewater Treatment Plant	12/16/10	2,253,000	3.750%	12/16/50	2,041,276
Edesville Wastewater Treatment Plant	11/18/10	60,000	2.250%	11/18/50	52,418
Worton Wastewater Treatment Plant	07/01/11	601,000	2.500%	07/01/51	536,536
Quaker Neck Sewer Extension	12/16/11	780,000	2.250%	12/16/51	695,606
Delta Heights Extension	12/22/16	476,000	1.375%	12/22/56	462,443
Galena Wastewater Treatment Plant & Collection System	12/22/16	1,163,000	1.375%	12/22/56	1,163,000
					\$ 13,477,620

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

Governmental Activities:

Fiscal Year Ending June 30,	Principal		Build America Bonds Interest		Total	
2019	\$	1,073,752	\$	341,764	\$ (1,051)	\$ 1,414,465
2020		1,094,948		296,409	(1,032)	1,390,325
2021		1,124,521		247,662	(1,006)	1,371,177
2022		520,042		206,067	(982)	725,127
2023		542,754		183,355	(958)	725,151
2024 - 2028		2,948,900		542,370	(4,412)	3,486,858
2029 - 2033		641,457		38,339	(3,717)	676,079
2034 - 2038		20,854		8,406	(2,942)	26,318
2039 - 2043		23,331		5,929	(2,075)	27,185
2044 - 2048		26,101		3,159	(1,105)	28,155
2049 - 2053		14,090		447	(158)	14,379
	\$	8,030,750	\$	1,873,907	\$ (19,438)	\$ 9,885,219

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

Business-type activities:

Fiscal Year Ending June 30,	Principal		Build America Bonds Interest		Total	
2019	\$	502,866	\$	393,903	\$ (98,118)	\$ 798,651
2020		523,082		377,291	(96,787)	803,586
2021		533,593		366,779	(94,875)	805,497
2022		525,099		356,827	(93,154)	788,772
2023		534,722		347,204	(91,364)	790,562
2024 - 2028		2,110,415		1,560,523	(427,948)	3,242,990
2029 - 2033		1,639,554		1,291,334	(371,282)	2,559,606
2034 - 2038		1,565,415		1,037,065	(302,899)	2,299,581
2039 - 2043		1,845,649		756,831	(219,999)	2,382,481
2044 - 2048		2,180,754		421,726	(119,515)	2,482,965
2049 - 2053		1,330,301		75,155	(15,795)	1,389,661
2054 - 2057		186,170		4,813	-	190,983
	\$	13,477,620	\$	6,989,451	\$ (1,931,736)	\$ 18,535,335

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 2018, the County did not issue any new debt.

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 9,060,997	\$ -	\$ (1,030,247)	\$ 8,030,750	\$ 1,073,752
Capital leases	1,496,967	-	(283,050)	1,213,917	290,996
Compensated absences	906,289	756,091	(679,448)	982,932	62,466
Landfill liability	679,137	-	(134,411)	544,726	98,873
Net other post-employment benefit liability	12,218,620	715,457	-	12,934,077	-
Net pension liability	11,324,075	-	(1,096,753)	10,227,322	-
Governmental activities long-term liabilities	<u>\$ 35,686,085</u>	<u>\$ 1,471,548</u>	<u>\$ (3,223,909)</u>	<u>\$ 33,933,724</u>	<u>\$ 1,526,087</u>

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Business-Type Activities:					
General obligation bonds	\$ 13,962,009	\$ -	\$ (484,389)	\$ 13,477,620	\$ 502,866
Compensated absences	40,928	87,905	(74,240)	54,593	1,320
Business-type activities long-term liabilities	<u>\$ 14,002,937</u>	<u>\$ 87,905</u>	<u>\$ (558,629)</u>	<u>\$ 13,532,213</u>	<u>\$ 504,186</u>

Funding Sources for Other Non-Debt Related Liabilities

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

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

Component Units

Board of Education

A summary of long-term liability activity for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Net other post-employment benefit obligation	\$ 21,473,718	\$ -	\$ (1,832,861)	\$ 19,640,857	\$ -
Capital lease	-	1,220,426	(141,425)	1,079,001	115,817
Net pension liability	2,938,934	-	(312,636)	2,626,298	-
	<u>\$ 24,412,652</u>	<u>\$ 1,220,426</u>	<u>\$ (2,286,922)</u>	<u>\$ 23,346,156</u>	<u>\$ 115,817</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. This year, for the first time since fiscal year 2006, the County's ending unassigned fund balance of 7.4% is slightly below its target of 7.5%.

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, 2018, the stabilization reserve is \$208,543.

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, 2018, is as follows:

	Due From All Funds	Due To All Funds
General fund	\$ 669,093	\$ 4,790
Non-major governmental funds	-	275,337
Enterprise fund - water and wastewater services	4,790	393,756
Total	<u>\$ 673,883</u>	<u>\$ 673,883</u>

N. Interfund transfers

Interfund transfers represent a transfer of resources from one fund to another without expectation of repayment. Usually these transfers are undertaken to enable the receiving entity to provide services that the government has determined to be in the best interest of the County. The composition of interfund transfers for the year ended June 30, 2018, is as follows:

	Transfers In	Transfers Out
General fund	\$ 9,078	\$ (5,761,636)
Capital projects fund	4,779,773	-
Non-major governmental funds	92,721	-
Enterprise fund - water and wastewater services	889,142	-
Enterprise fund - bayside landing	-	(9,078)
Total	<u>\$ 5,770,714</u>	<u>\$ (5,770,714)</u>

Significant interfund transfers in 2018 included:

- \$4,779,773 transfer from the general fund to the capital projects fund for the installation of a fiber network throughout Kent County, Nicholson landfill upgrades, football field repairs at Kent County High School, Turner's Creek bulkhead project, and the Public Library project.
- \$889,142 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 \$2,412,369 in post closure costs in the last twenty-two years and estimates the cost to provide post-closure care for the remaining nine years at \$544,726. The total current cost of the landfill closure and post-closure care is an estimate subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations. 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 \$153,050 in tipping fees to the facility during fiscal year 2018.

The participating counties are contingently liable for closure costs of the landfills. The County's potential share of the liability is \$2,588,846. 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 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, 2018, the value of all the deferred loan agreements was \$183,176.

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 30,656,683	\$ 30,656,683	\$ 30,207,075	\$ (449,608)
Income	12,777,728	12,777,728	12,736,121	(41,607)
Other	2,355,368	2,025,000	2,040,410	15,410
Licenses and permits	308,325	308,325	311,801	3,476
Intergovernmental	284,051	509,977	486,071	(23,906)
Charges for services	469,662	481,405	518,187	36,782
Fines and forfeitures	12,900	17,900	40,001	22,101
Rental income	110,171	110,171	102,808	(7,363)
Miscellaneous	37,560	65,363	217,941	152,578
Total Revenues	<u>47,012,448</u>	<u>46,952,552</u>	<u>46,660,415</u>	<u>(292,137)</u>
EXPENDITURES				
General government				
County commissioners office	452,801	452,801	434,162	18,639
State's attorney's office	724,722	724,722	698,194	26,528
Circuit court	248,131	260,354	258,747	1,607
Orphan's court	57,932	57,932	54,362	3,570
Election office	484,763	484,763	353,613	131,150
Finance office	712,647	709,247	691,041	18,206
State department of assessment & taxation	120,000	-	-	-
Legal counsel	80,350	75,350	61,015	14,335
Human resources	366,741	369,085	351,263	17,822
Planning and zoning	707,904	704,305	676,219	28,086
Information technology	1,127,294	990,388	894,151	96,237
Building maintenance	1,168,465	1,295,958	1,251,829	44,129
General services	69,927	223,153	210,907	12,246
Total general government	<u>6,321,677</u>	<u>6,348,058</u>	<u>5,935,503</u>	<u>412,555</u>
Public safety				
Sheriff's office	3,071,880	3,062,725	2,903,041	159,684
Volunteer fire company	1,104,319	1,114,267	1,105,898	8,369
Detention center	3,254,915	3,333,818	3,096,794	237,024
Community work program	8,098	8,098	8,098	-
Alcoholic beverage inspection	64,604	64,604	57,641	6,963
Building inspector	32,425	32,524	24,487	8,037
Emergency management	1,592,017	1,574,778	1,411,694	163,084
Communications division	1,169,257	1,170,566	1,120,174	50,392
Humane society	292,876	292,876	292,858	18
Total public safety	<u>10,590,391</u>	<u>10,654,256</u>	<u>10,020,685</u>	<u>633,571</u>

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

(Continued)

The County Commissioners of Kent County, Maryland
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Public works				
Administration	\$ 323,260	\$ 323,360	\$ 272,283	\$ 51,077
Highways and streets	3,803,339	3,728,736	3,601,679	127,057
Environmental operations	1,280,967	1,426,337	1,357,033	69,304
Total public works	<u>5,407,566</u>	<u>5,478,433</u>	<u>5,230,995</u>	<u>247,438</u>
Health				
Health department	446,045	446,045	446,045	-
Mosquito control	34,784	34,784	31,567	3,217
Total health	<u>480,829</u>	<u>480,829</u>	<u>477,612</u>	<u>3,217</u>
Social services				
Department of social services	21,416	21,416	20,866	550
Mid shore council on family violence	7,000	7,675	7,675	-
Upper shore aging	140,214	140,214	140,214	-
Delmarva community service	114,316	114,316	114,316	-
Commission on aging	3,720	3,720	3,647	73
Community mediation	9,000	9,000	9,000	-
Kent center	55,000	34,868	34,868	-
Maryland health & mental hygiene	-	20,132	20,132	-
Saint martin's ministries	8,000	8,000	8,000	-
Midshore regional council	5,000	5,000	5,000	-
Casa	10,000	10,000	10,000	-
Total social services	<u>373,666</u>	<u>374,341</u>	<u>373,718</u>	<u>623</u>
Education				
Kent county public schools	17,242,043	17,242,043	17,225,281	16,762
Chesapeake college	482,783	482,783	482,783	-
Kent county learning center	2,500	2,500	2,500	-
Total education	<u>17,727,326</u>	<u>17,727,326</u>	<u>17,710,564</u>	<u>16,762</u>
Parks, recreation and culture				
Recreation	1,205,464	1,201,004	1,058,731	142,273
Parks	623,384	622,285	542,445	79,840
Culture	15,000	15,000	15,000	-
Total parks, recreation and culture	<u>1,843,848</u>	<u>1,838,289</u>	<u>1,616,176</u>	<u>222,113</u>
Library	<u>642,389</u>	<u>680,389</u>	<u>680,389</u>	<u>-</u>

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

(Continued)

The County Commissioners of Kent County, Maryland
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Resource conservation and development				
Agriculture land preservation	\$ -	\$ -	\$ -	\$ -
Extension office	132,093	132,093	131,522	571
Soil conservation service	191,829	191,829	191,829	-
Forestry board	1,693	1,693	1,693	-
Clean chesapeake coalition	17,000	17,000	17,000	-
Kent conservation & preservation	-	2,000	2,000	-
Total resource conservation and development	<u>342,615</u>	<u>344,615</u>	<u>344,044</u>	<u>571</u>
Community development				
Economic development	245,428	245,428	145,238	100,190
Tourism	436,090	436,090	417,733	18,357
Total community development	<u>681,518</u>	<u>681,518</u>	<u>562,971</u>	<u>118,547</u>
Debt service				
Debt service principal	1,030,248	1,030,248	1,030,247	1
Debt service interest	384,195	384,269	384,269	-
Capital lease principal	283,050	283,050	283,050	-
Capital lease interest	42,021	42,021	42,020	1
Total debt service	<u>1,739,514</u>	<u>1,739,588</u>	<u>1,739,586</u>	<u>2</u>
Intergovernmental				
Municipalities	3,576	3,576	3,576	-
State department of assessment & taxation	-	120,000	117,784	2,216
Total community development	<u>3,576</u>	<u>123,576</u>	<u>121,360</u>	<u>2,216</u>
Miscellaneous				
Insurance & non departmental benefits	100,050	97,706	(163,593)	261,299
Contingencies	400,000	204,283	-	204,283
Total miscellaneous	<u>500,050</u>	<u>301,989</u>	<u>(163,593)</u>	<u>465,582</u>
 Total expenditures	 <u>46,654,965</u>	 <u>46,773,207</u>	 <u>44,650,010</u>	 <u>2,123,197</u>
 Excess (deficiency) of revenues over expenditures	 <u>357,483</u>	 <u>179,345</u>	 <u>2,010,405</u>	 <u>1,831,060</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	6,467	6,239	9,078	2,839
Transfers out	(2,818,482)	(5,893,106)	(5,761,636)	131,470
Total Other Financing Sources (Uses)	<u>(2,812,015)</u>	<u>(5,886,867)</u>	<u>(5,752,558)</u>	<u>134,309</u>
 Net change in fund balances*	 (2,454,532)	 (5,707,522)	 (3,742,153)	 1,965,369
Fund balance - beginning			9,819,123	
Fund balance - ending			<u>\$ 6,076,970</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 Investment Returns for the Retiree Health Benefit Plan
 For the Year Ended June 30, 2018**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual money-weighted rate of return net of investment expense	0.17%	0.19%	0.15%	0.16%	0.14%	0.19%	0.20%	0.22%	0.25%	n/a

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

The County Commissioners of Kent County, Maryland
Schedule of Changes in the County's Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

Total OPEB Liability	<u>2018</u>	<u>2017</u>
Service cost	\$ 567,667	\$ 717,357
Interest cost	439,652	380,019
Changes in benefit terms	-	-
Differences between expected and actual experience	878	(26,927)
Changes in assumptions	(101,182)	(1,933,327)
Benefit payments	<u>(191,243)</u>	<u>(190,365)</u>
Net change in total OPEB liability	715,772	(1,053,243)
Total OPEB liability - beginning of year	<u>12,375,950</u>	<u>13,429,193</u>
Total OPEB liability - ending of year	<u><u>\$ 13,091,722</u></u>	<u><u>\$ 12,375,950</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 191,243	\$ 190,365
Net investment income	315	297
Benefit payments	<u>(191,243)</u>	<u>(190,365)</u>
Net change in fiduciary net position	315	297
Fiduciary net position - beginning of year	<u>157,330</u>	<u>157,033</u>
Fiduciary net position - ending of year	<u><u>\$ 157,645</u></u>	<u><u>\$ 157,330</u></u>
Net OPEB liability	<u>\$ 12,934,077</u>	<u>\$ 12,218,620</u>
Fiduciary net position as a % of total OPEB liability	<u>1.20%</u>	<u>1.27%</u>

Covered-employee payroll 1)
Net OPEB liability as a % of payroll 1)

Notes to Schedule:

Benefits changes: none

Changes in assumptions: none

<u>Discount rate:</u>	
6/30/2017	3.58%
6/30/2018	3.62%

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

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

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

Employee's Pension Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.0470%	0.0480%	0.0459%	4.2100%
County's proportionate share of the net pension liability	<u>\$10,227,322</u>	<u>\$11,324,075</u>	<u>\$ 9,528,916</u>	<u>\$ 7,468,023</u>
Total	<u>\$10,227,322</u>	<u>\$11,324,075</u>	<u>\$ 9,528,916</u>	<u>\$ 7,468,023</u>
County's covered payroll	\$ 8,894,900	\$ 7,544,607	\$ 8,149,823	\$ 8,051,282
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	114.98%	150.09%	116.92%	92.76%
Plan fiduciary net position as a percentage of the total pension liability	69.38%	65.79%	68.78%	71.87%

Schedule of County Contributions

Employee's Pension Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,094,581	\$ 969,388	\$ 948,188	\$ 983,563
Contributions in relation to the contractually required contribution	<u>(1,094,581)</u>	<u>(969,388)</u>	<u>(948,188)</u>	<u>(983,563)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 9,492,407	\$ 8,894,900	\$ 7,544,607	\$ 8,149,823
Contributions as a percentage of covered payroll	11.53%	10.90%	12.57%	12.07%

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



Nonmajor Governmental Funds

Special Revenue Funds

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

The County Commissioners of Kent County, Maryland
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2018

	<u>Grants</u>	<u>Agricultural Preservation</u>	<u>Inmate Welfare</u>	<u>Reforestation & Open Space</u>	<u>Law Library</u>	<u>Regional Family Services</u>	<u>Weed Control</u>	<u>Kent Family Center</u>	<u>Local Management Board</u>
ASSETS									
Equity in pooled cash	\$ 72,654	\$ 23,400	\$ 65,845	\$ 231,469	\$ 51,293	\$ 591	\$ 25,295	\$ -	\$ -
Intergovernmental receivable	139,837	-	-	-	579	-	18,825	77,718	211,271
Receivables	-	-	5,372	-	-	-	-	-	-
Prepaid	-	-	-	-	-	-	-	3,840	18,155
Total assets	<u>\$ 212,491</u>	<u>\$ 23,400</u>	<u>\$ 71,217</u>	<u>\$ 231,469</u>	<u>\$ 51,872</u>	<u>\$ 591</u>	<u>\$ 44,120</u>	<u>\$ 81,558</u>	<u>\$ 229,426</u>
LIABILITIES									
Accounts payable	\$ 9,909	\$ -	\$ 11,684	\$ -	\$ 1,576	\$ -	\$ 198	\$ 10,577	\$ 58,339
Accrued liabilities	11,311	-	-	-	-	-	2,766	14,936	9,772
Intergovernmental payable	-	200	-	-	7,500	-	-	-	111,805
Due to other funds	118,745	-	-	-	-	-	-	35,958	49,510
Unearned revenue	72,526	-	-	-	-	-	-	682	-
Total liabilities	<u>212,491</u>	<u>200</u>	<u>11,684</u>	<u>-</u>	<u>9,076</u>	<u>-</u>	<u>2,964</u>	<u>62,153</u>	<u>229,426</u>
FUND BALANCES									
Restricted	-	23,200	59,533	201,294	42,796	591	-	19,405	-
Committed	-	-	-	30,175	-	-	-	-	-
Assigned	-	-	-	-	-	-	41,156	-	-
Total fund balances	<u>-</u>	<u>23,200</u>	<u>59,533</u>	<u>231,469</u>	<u>42,796</u>	<u>591</u>	<u>41,156</u>	<u>19,405</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 212,491</u>	<u>\$ 23,400</u>	<u>\$ 71,217</u>	<u>\$ 231,469</u>	<u>\$ 51,872</u>	<u>\$ 591</u>	<u>\$ 44,120</u>	<u>\$ 81,558</u>	<u>\$ 229,426</u>

The County Commissioners of Kent County, Maryland
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2018

	Kent County Drug Task Force	Sheriff's Forfeitures	Shop With A Cop	Kennedyville Development	Housing & Community Development	Special Events Overtime	Platform Tennis	Post Prom	Project Open Space	Nonmajor Governmental Funds
ASSETS										
Equity in pooled cash	\$ 19,103	\$ 16,663	\$ 307	\$ 219,335	\$ 45,780	\$ 2,961	\$ 1,793	\$ 884	\$ -	\$ 777,373
Intergovernmental receivable	-	-	-	-	-	-	-	-	82,691	530,921
Receivables	-	-	-	-	-	-	-	-	-	5,372
Prepaid	-	-	-	-	-	-	-	-	-	21,995
Total assets	<u>\$ 19,103</u>	<u>\$ 16,663</u>	<u>\$ 307</u>	<u>\$ 219,335</u>	<u>\$ 45,780</u>	<u>\$ 2,961</u>	<u>\$ 1,793</u>	<u>\$ 884</u>	<u>\$ 82,691</u>	<u>\$ 1,335,661</u>
LIABILITIES										
Accounts payable	\$ 1,649	\$ 525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,567	\$ 106,024
Accrued liabilities	6,294	3,582	-	-	-	-	-	-	-	48,661
Intergovernmental payable	-	-	-	-	45,780	-	-	-	-	165,285
Due to other funds	-	-	-	-	-	-	-	-	71,124	275,337
Unearned revenue	-	-	-	219,335	-	-	-	-	-	292,543
Total liabilities	<u>7,943</u>	<u>4,107</u>	<u>-</u>	<u>219,335</u>	<u>45,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,691</u>	<u>887,850</u>
FUND BALANCES										
Restricted	11,160	1,096	-	-	-	-	-	-	-	359,075
Committed	-	-	-	-	-	-	-	-	-	30,175
Assigned	-	11,460	307	-	-	2,961	1,793	884	-	58,561
Total fund balances	<u>11,160</u>	<u>12,556</u>	<u>307</u>	<u>-</u>	<u>-</u>	<u>2,961</u>	<u>1,793</u>	<u>884</u>	<u>-</u>	<u>447,811</u>
Total liabilities and fund balances	<u>\$ 19,103</u>	<u>\$ 16,663</u>	<u>\$ 307</u>	<u>\$ 219,335</u>	<u>\$ 45,780</u>	<u>\$ 2,961</u>	<u>\$ 1,793</u>	<u>\$ 884</u>	<u>\$ 82,691</u>	<u>\$ 1,335,661</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, 2018

	Grants	Agricultural Preservation	Inmate Welfare	Reforestation & Open Space	Law Library	Regional Family Services	Weed Control	Kent Family Center	Local Management Board
REVENUES									
Taxes	\$ -	\$ 2,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,172,576	-	-	-	6,809	-	-	329,111	500,721
Charges for services	-	-	-	-	-	-	52,191	38,700	-
Fines and forfeitures	-	-	-	5,251	-	-	-	-	-
Miscellaneous	-	-	38,908	-	-	-	-	-	-
Total revenues	<u>1,172,576</u>	<u>2,242</u>	<u>38,908</u>	<u>5,251</u>	<u>6,809</u>	<u>-</u>	<u>52,191</u>	<u>367,811</u>	<u>500,721</u>
EXPENDITURES									
Current									
General government	220,185	-	-	-	18,057	-	-	-	-
Public safety	545,562	-	38,723	-	-	-	-	-	-
Public works	112,317	-	-	-	-	-	21,490	-	-
Social services	70,000	-	-	-	-	-	-	349,078	553,747
Parks recreation & culture	-	-	-	-	-	-	-	-	-
Resource conservation & development	-	130,000	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Tourism & economic development	240,442	-	-	-	-	-	-	-	-
Total expenditures	<u>1,188,506</u>	<u>130,000</u>	<u>38,723</u>	<u>-</u>	<u>18,057</u>	<u>-</u>	<u>21,490</u>	<u>349,078</u>	<u>553,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,930)</u>	<u>(127,758)</u>	<u>185</u>	<u>5,251</u>	<u>(11,248)</u>	<u>-</u>	<u>30,701</u>	<u>18,733</u>	<u>(53,026)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	15,930	299	-	-	13,000	-	-	-	53,026
Total other financing sources (uses)	<u>15,930</u>	<u>299</u>	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,026</u>
Net change in fund balances	-	(127,459)	185	5,251	1,752	-	30,701	18,733	-
Fund balances - beginning	-	150,659	59,348	226,218	41,044	591	10,455	672	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 23,200</u>	<u>\$ 59,533</u>	<u>\$ 231,469</u>	<u>\$ 42,796</u>	<u>\$ 591</u>	<u>\$ 41,156</u>	<u>\$ 19,405</u>	<u>\$ -</u>

The County Commissioners of Kent County, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Kent County Drug Task Force	Sheriff's Forfeitures	Shop With A Cop	Kennedyville Development	Housing & Community Development	Special Events Overtime	Platform Tennis	Post Prom	Project Open Space	Total Nonmajor Governmental Funds
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,242
Intergovernmental	1,350	-	-	-	-	-	-	-	82,691	2,093,258
Charges for services	-	-	-	-	-	1,980	-	-	-	92,871
Fines and forfeitures	5,839	7,859	-	-	-	-	-	-	-	18,949
Miscellaneous	-	330	1,599	-	-	-	-	-	-	40,837
Total revenues	<u>7,189</u>	<u>8,189</u>	<u>1,599</u>	<u>-</u>	<u>-</u>	<u>1,980</u>	<u>-</u>	<u>-</u>	<u>82,691</u>	<u>2,248,157</u>
EXPENDITURES										
Current										
General government	-	-	-	-	-	-	-	-	-	238,242
Public safety	10,635	18,076	2,000	-	-	1,606	-	-	-	616,602
Public works	-	-	-	-	-	-	-	-	-	133,807
Social services	-	-	-	-	-	-	-	-	-	972,825
Parks recreation & culture	-	-	-	-	-	-	91	514	93,157	93,762
Resource conservation & development	-	-	-	-	-	-	-	-	-	130,000
Housing	-	-	-	-	-	-	-	-	-	-
Tourism & economic development	-	-	-	-	-	-	-	-	-	240,442
Total expenditures	<u>10,635</u>	<u>18,076</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>1,606</u>	<u>91</u>	<u>514</u>	<u>93,157</u>	<u>2,425,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,446)</u>	<u>(9,887)</u>	<u>(401)</u>	<u>-</u>	<u>-</u>	<u>374</u>	<u>(91)</u>	<u>(514)</u>	<u>(10,466)</u>	<u>(177,523)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	10,466	92,721
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,466</u>	<u>92,721</u>
Net change in fund balances	(3,446)	(9,887)	(401)	-	-	374	(91)	(514)	-	(84,802)
Fund balances - beginning	14,606	22,443	708	-	-	2,587	1,884	1,398	-	532,613
Fund balances - ending	<u>\$ 11,160</u>	<u>\$ 12,556</u>	<u>\$ 307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,961</u>	<u>\$ 1,793</u>	<u>\$ 884</u>	<u>\$ -</u>	<u>\$ 447,811</u>



Fiduciary Funds

Agency Funds

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

The County Commissioners of Kent County, Maryland
Statement of Assets and Liabilities – Agency Funds
June 30, 2018

	State and Town	Millington	Inmate	Motor Vehicle	
	Tax Collections	Public Drainage	Accounts	Administration	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 21,445	\$ 13,350	\$ 34,795
Equity in pooled cash	56,581	1,918	-	-	58,499
Receivables	746,007	47	-	80	746,134
Total assets	\$ 802,588	\$ 1,965	\$ 21,445	\$ 13,430	\$ 839,428
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 21,445.00	\$ -	\$ 21,445.00
Due to other governments	802,588	1,965	-	13,430	817,983
Total liabilities	\$ 802,588	\$ 1,965	\$ 21,445	\$ 13,430	\$ 839,428

The County Commissioners of Kent County, Maryland
Statement of Changes in Assets and Liabilities – Agency Funds
For the Year Ended June 30, 2018

	<u>Cash and Cash Equivalents</u>	<u>Equity in Pooled Cash</u>	<u>Accounts Receivable</u>	<u>Total Assets</u>	<u>Accounts Payable</u>	<u>Due to Other Governments</u>	<u>Total Liabilities</u>
<u>STATE AND TOWN TAX COLLECTIONS</u>							
Balance 07/01/17	\$ -	\$ 74,331	\$ 739,699	\$ 814,030	\$ -	\$ 814,030	\$ 814,030
Additions	-	7,400,753	13,669,416	21,070,169	-	18,462,484	18,462,484
Deductions	-	(7,418,503)	(13,663,108)	(21,081,611)	-	(18,473,926)	(18,473,926)
Balance 06/30/18	<u>\$ -</u>	<u>\$ 56,581</u>	<u>\$ 746,007</u>	<u>\$ 802,588</u>	<u>\$ -</u>	<u>\$ 802,588</u>	<u>\$ 802,588</u>
<u>MILLINGTON PUBLIC DRAINAGE ASSOCIATION</u>							
Balance 07/01/17	\$ -	\$ 2,431	\$ 35	\$ 2,466	\$ -	\$ 2,466	\$ 2,466
Additions	-	1,472	1,484	2,956	1,985	1,985	3,970
Deductions	-	(1,985)	(1,472)	(3,457)	(1,985)	(2,486)	(4,471)
Balance 06/30/18	<u>\$ -</u>	<u>\$ 1,918</u>	<u>\$ 47</u>	<u>\$ 1,965</u>	<u>\$ -</u>	<u>\$ 1,965</u>	<u>\$ 1,965</u>
<u>INMATE ACCOUNTS</u>							
Balance 07/01/17	\$ 20,610	\$ -	\$ -	\$ 20,610	\$ 20,610	\$ -	\$ 20,610
Additions	162,890	-	-	162,890	162,890	-	162,890
Deductions	(162,055)	-	-	(162,055)	(162,055)	-	(162,055)
Balance 06/30/18	<u>\$ 21,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,445</u>	<u>\$ 21,445</u>	<u>\$ -</u>	<u>\$ 21,445</u>
<u>MOTOR VEHICLE ADMINISTRATION</u>							
Balance 07/01/17	\$ 15,853	\$ -	\$ -	\$ 15,853	\$ -	\$ 15,853	\$ 15,853
Additions	317,722	-	705	318,427	-	317,097	317,097
Deductions	(320,225)	-	(625)	(320,850)	-	(319,520)	(319,520)
Balance 06/30/18	<u>\$ 13,350</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ 13,430</u>	<u>\$ -</u>	<u>\$ 13,430</u>	<u>\$ 13,430</u>
<u>TOTAL - ALL AGENCY FUNDS</u>							
Balance 07/01/17	\$ 36,463	\$ 76,762	\$ 739,734	\$ 852,959	\$ 20,610	\$ 832,349	\$ 852,959
Additions	480,612	7,402,225	13,671,605	21,554,442	164,875	18,781,566	18,946,441
Deductions	(482,280)	(7,420,488)	(13,665,205)	(21,567,973)	(164,040)	(18,795,932)	(18,959,972)
Balance 06/30/18	<u>\$ 34,795</u>	<u>\$ 58,499</u>	<u>\$ 746,134</u>	<u>\$ 839,428</u>	<u>\$ 21,445</u>	<u>\$ 817,983</u>	<u>\$ 839,428</u>



Local Management Board

County Commissioners of Kent County, Maryland

**Combining Balance Sheet – Local Management Board
June 30, 2018**

	Home Visiting	Total Non Community Partnership Agreement	Community Partnership Agreement
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ (31,589)
Intergovernmental receivable	22,084	22,084	164,318
Receivables	-	-	-
Prepaid	-	-	-
Total assets	<u>\$ 22,084</u>	<u>\$ 22,084</u>	<u>\$ 132,729</u>
LIABILITIES			
Accounts payable	\$ 15	\$ 15	\$ 33,583
Accrued liabilities	-	-	9,772
Intergovernmental payable	10,909	10,909	69,307
Due to other funds	11,160	11,160	20,067
Unearned revenue	-	-	-
Total liabilities	<u>22,084</u>	<u>22,084</u>	<u>132,729</u>
FUND BALANCES			
Nonspendable	-	-	-
Prepaid	-	-	-
Restricted	-	-	-
Assigned	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 22,084</u>	<u>\$ 22,084</u>	<u>\$ 132,729</u>

**Combining Balance Sheet – Local Management Board
June 30, 2018**

	<u>Incentive Reinvestment</u>	<u>County Funded Programs</u>	<u>Other Programs</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 31,589	\$ -	\$ -	\$ -
Intergovernmental receivable	-	-	24,869	211,271
Receivables	-	-	-	-
Prepaid	-	-	18,155	18,155
Total assets	<u>\$ 31,589</u>	<u>\$ -</u>	<u>\$ 43,024</u>	<u>\$ 229,426</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 24,741	\$ 58,339
Accrued liabilities	-	-	-	9,772
Intergovernmental payable	31,589	-	-	111,805
Due to other funds	-	-	18,283	49,510
Unearned revenue	-	-	-	-
Total liabilities	<u>31,589</u>	<u>-</u>	<u>43,024</u>	<u>229,426</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Prepaid	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 31,589</u>	<u>\$ -</u>	<u>\$ 43,024</u>	<u>\$ 229,426</u>

The County Commissioners of Kent County, Maryland
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Local Management Board
For the Year Ended June 30, 2018

	Home Visiting	Total Non Community Partnership Agreement	Community Partnership Agreement
REVENUES			
Community partnership agreement:			
Earned reinvestment	\$ -	\$ -	\$ -
Children's cabinet	-	-	391,613
Total community partnership agreement	-	-	391,613
Non-community partnership agreement	60,606	60,606	-
Other intergovernmental revenue	-	-	-
Other Revenue	-	-	-
Interest	-	-	-
Total revenues	60,606	60,606	391,613
EXPENDITURES			
Administration:			
Salaries	-	-	52,663
Fringe costs	-	-	23,301
Contract services	-	-	1,875
Rent	1,359	1,359	-
Advertising	452	452	-
Printing/Copies	-	-	127
Dues, subscriptions and licenses	-	-	299
Conferences and conventions	-	-	535
Business travel	272	272	705
Supplies	1,134	1,134	300
Postage	-	-	77
Fixed assets	-	-	426
Passthrough	-	-	-
Total administration expenditures	3,217	3,217	80,308
Programs:			
Healthy families mid-shore	-	-	102,394
Local care team	-	-	25,000
Circlebuild	-	-	112,911
Reconnect for life	-	-	71,000
Home visiting	57,389	57,389	-
Total program expenditures	57,389	57,389	311,305
Total expenditures	60,606	60,606	391,613
Excess (deficiency) of revenues over (under) expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning			
Fund balances - ending			

The County Commissioners of Kent County, Maryland
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Local Management Board
For the Year Ended June 30, 2018

	<u>Incentive Reinvestment</u>	<u>County Funded Programs</u>	<u>Other Programs</u>	<u>Total</u>
REVENUES				
Community partnership agreement:				
Earned reinvestment	\$ -	\$ -	\$ -	\$ -
Children's cabinet	-	-	23,633	415,246
Total community partnership agreement	-	-	23,633	415,246
Non-community partnership agreement	-	-	-	60,606
Other intergovernmental revenue	-	-	24,869	24,869
Other Revenue	-	-	-	-
Interest	-	-	-	-
Total revenues	-	-	48,502	500,721
EXPENDITURES				
Administration:				
Salaries	-	38,003	-	90,666
Fringe costs	-	14,983	-	38,284
Contract services	-	40	2,090	4,005
Rent	-	-	1,800	3,159
Advertising	-	-	-	452
Printing/Copies	-	-	-	127
Dues, subscriptions and licenses	-	-	-	299
Conferences and conventions	-	-	-	535
Business travel	-	-	1,000	1,977
Supplies	-	-	1,110	2,544
Postage	-	-	-	77
Fixed assets	-	-	-	426
Passthrough	-	-	42,502	42,502
Total administration expenditures	-	53,026	48,502	185,053
Programs:				
Healthy families mid-shore	-	-	-	102,394
Local care team	-	-	-	25,000
Circlebuild	-	-	-	112,911
Reconnect for life	-	-	-	71,000
Home visiting	-	-	-	57,389
Total program expenditures	-	-	-	368,694
Total expenditures	-	53,026	48,502	553,747
Excess (deficiency) of revenues over (under) expenditures	-	(53,026)	-	(53,026)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	53,026	-	53,026
Transfers out	-	-	-	-
Total other financing sources (uses)	-	53,026	-	53,026
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning				-
Fund balances - ending				\$ -



Statistical Section

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

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

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

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

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

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

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in										
Capital Assets	\$ 35,198,925	\$ 32,394,866	\$ 38,477,969	\$ 37,991,441	\$ 37,586,951	\$ 36,984,619	\$ 37,891,332	\$ 37,465,079	\$ 36,695,641	\$ 44,386,154
Restricted	6,975,755	3,358,627	2,418,209	2,371,959	1,142,970	1,237,555	969,743	1,100,385	1,324,904	1,202,595
Unrestricted (deficit)	(7,509,997)	(3,003,225)	(8,395,251)	(6,738,725)	(4,878,061)	536,589	(3,981,945)	(3,878,581)	(5,273,471)	(16,132,247)
	<u>34,664,683</u>	<u>32,750,268</u>	<u>32,500,927</u>	<u>33,624,675</u>	<u>33,851,860</u>	<u>38,758,763</u>	<u>34,879,130</u>	<u>34,686,883</u>	<u>32,747,074</u>	<u>29,456,502</u>
Business-Type Activities										
Net Investment in										
Capital Assets	25,827,406	30,491,745	25,639,311	27,796,135	30,340,789	29,509,790	28,871,869	28,687,052	26,773,981	26,598,855
Restricted	337,935	366,941	223,731	259,780	-	-	-	-	-	-
Unrestricted (deficit)	(2,733,973)	(6,717,781)	(743,183)	375,461	579,741	590,544	323,881	(167,473)	535,147	428,104
	<u>23,431,368</u>	<u>24,140,905</u>	<u>25,119,859</u>	<u>28,431,376</u>	<u>30,920,530</u>	<u>30,100,334</u>	<u>29,195,750</u>	<u>28,519,579</u>	<u>27,309,128</u>	<u>27,026,959</u>
Primary Government										
Net Investment in										
Capital Assets	61,026,331	62,886,611	64,117,280	65,787,576	67,927,740	66,494,409	66,763,201	66,152,131	63,469,622	70,985,009
Restricted	7,313,690	3,725,568	2,641,940	2,631,739	1,142,970	1,237,555	969,743	1,100,385	1,324,904	1,202,595
Unrestricted (deficit)	(10,243,970)	(9,721,006)	(9,138,434)	(6,363,264)	(4,298,320)	1,127,133	(3,658,064)	(4,046,054)	(4,738,324)	(15,704,143)
	<u>\$ 58,096,051</u>	<u>\$ 56,891,173</u>	<u>\$ 57,620,786</u>	<u>\$ 62,056,051</u>	<u>\$ 64,772,390</u>	<u>\$ 68,859,097</u>	<u>\$ 64,074,880</u>	<u>\$ 63,206,462</u>	<u>\$ 60,056,202</u>	<u>\$ 56,483,461</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Primary government										
General government	\$ 5,817,579	\$ 5,726,512	\$ 5,257,335	\$ 5,281,932	\$ 5,545,858	\$ 7,975,935	\$ 5,472,627	\$ 6,996,288	\$ 13,156,835	\$ 6,778,790
Public safety	9,452,858	9,252,249	9,377,712	9,305,524	9,053,031	9,769,705	10,297,034	10,925,385	11,047,333	10,913,983
Public works	4,227,461	4,072,419	4,834,514	4,059,808	3,465,575	3,929,895	4,669,683	4,838,919	5,129,235	5,709,649
Health and social services	2,366,162	2,177,583	2,077,007	1,839,876	1,344,342	1,311,827	1,439,401	2,091,870	1,839,334	1,832,417
Education	19,999,754	19,386,662	18,386,474	17,706,142	17,934,858	18,735,806	18,587,895	18,454,631	17,624,105	17,990,064
Culture and recreation	1,294,570	1,278,549	1,433,196	1,493,210	1,416,562	1,588,880	1,821,506	1,871,969	2,057,603	2,007,342
Libraries	1,449,884	569,753	541,266	542,000	542,000	554,018	602,841	725,264	692,436	1,251,179
Resource conservation	495,801	312,748	407,128	404,578	336,852	347,017	378,754	393,922	353,331	474,044
Community development	752,226	894,696	946,040	537,809	957,230	791,118	641,490	807,887	625,041	824,273
Debt service	1,923,747	1,190,063	1,091,278	1,302,170	1,148,914	1,202,550	1,089,455	1,053,398	1,124,064	275,586
Total governmental activities expense	47,780,042	44,861,234	44,351,950	42,473,049	41,745,222	46,206,751	45,000,686	48,159,533	53,649,317	48,057,327
Business-type activities										
Water and wastewater services	3,346,299	3,541,173	3,468,563	3,788,995	3,660,250	3,848,899	3,990,466	3,668,292	4,952,221	4,232,540
Bayside landing	193,625	41,374	30,326	22,367	22,252	22,783	45,942	28,759	29,835	42,143
Total business-type activities expense	3,539,924	3,582,547	3,498,889	3,811,362	3,682,502	3,871,682	4,036,408	3,697,051	4,982,056	4,274,683
Total Primary Government Expenses	\$ 51,319,966	\$ 48,443,781	\$ 47,850,839	\$ 46,284,411	\$ 45,427,724	\$ 50,078,433	\$ 49,037,094	\$ 51,856,584	\$ 58,631,373	\$ 52,332,010
Program Revenues										
Primary government										
General government										
Charges for services	\$ 67,264	\$ 103,028	\$ 75,083	\$ 62,781	\$ 103,833	\$ 110,786	\$ 132,700	\$ 117,283	\$ 115,473	\$ 116,728
Operating grants and contributions	255,694	334,439	275,674	302,319	205,184	403,079	149,743	157,690	173,386	231,493
Capital grants and contributions	-	113,672	39,735	85,909	4,622	2,490,368	-	15,125	3,630,596	3,251,018
Total revenue	322,958	551,139	390,492	451,009	313,639	3,004,233	282,443	290,098	3,919,455	3,599,239
Public safety										
Charges for services	380,114	201,802	167,124	132,013	106,284	119,722	64,028	149,570	100,752	105,542
Operating grants and contributions	650,488	659,472	673,353	621,711	610,266	616,730	615,283	797,698	664,706	667,560
Capital grants and contributions	341,106	682,374	186,123	135,819	212,261	58,359	91,293	23,926	42,133	19,770
Total revenue	1,371,708	1,543,648	1,026,600	889,543	928,811	794,811	770,604	971,194	807,591	792,872
Public works										
Charges for services	175,439	114,533	173,609	219,920	136,352	109,912	109,122	108,899	161,647	179,553
Operating grants and contributions	1,911,662	244,587	222,973	494,335	257,320	235,086	442,188	325,310	303,315	401,674
Capital grants and contributions	78,406	64,998	182,842	295,918	176,944	64,998	51,107	94,654	94,892	271,459
Total revenue	2,165,507	424,118	579,424	1,010,173	570,616	409,996	602,417	528,863	559,854	852,686

(Continued)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Health and social services										
Charges for services	9,435	35,559	43,729	23,999	15,559	11,711	14,692	12,458	12,582	50,453
Operating grants and contributions	764,984	775,498	1,122,776	849,130	342,710	509,937	492,992	1,170,115	925,792	904,507
Capital grants and contributions	-	-	-	-	-	-	95,054	1,200	-	-
Total revenue	774,419	811,057	1,166,505	873,129	358,269	521,648	602,738	1,183,773	938,374	954,960
Culture and recreation										
Charges for services	142,094	143,674	193,282	211,853	213,773	210,373	165,654	179,414	189,572	158,782
Operating grants and contributions	95,211	46,552	28,985	21,136	12,400	10,580	2,995	26,747	4,192	85,450
Capital grants and contributions	979,393	1,515,987	138,185	-	-	92,222	185,313	97,790	217,596	-
Total revenue	1,216,698	1,706,213	360,452	232,989	226,173	313,175	353,962	303,951	411,360	244,232
Resource and conservation										
Operating grants and contributions	28,434	28,434	28,434	28,434	-	-	-	-	-	-
Total revenue	28,434	28,434	28,434	28,434	-	-	-	-	-	-
Community development										
Operating grants and contributions	78,690	38,719	56,211	55,358	82,691	74,986	140,597	72,791	87,868	268,875
Capital grants and contributions	40,426	220,000	133,328	19,491	56,749	18,815	19,823	51,960	-	-
Total revenue	119,116	258,719	189,539	74,849	139,440	93,801	160,420	124,751	87,868	268,875
Total primary government activities program revenues	5,998,840	5,323,328	3,741,446	3,560,126	2,536,948	5,137,664	2,772,584	3,402,630	6,724,502	6,712,864
Business-type activities program revenue										
Water and wastewater services										
Charges for services	1,898,858	1,913,988	2,010,351	2,107,744	2,169,794	2,095,703	2,033,565	2,081,552	2,052,616	2,069,819
Operating grants and contributions	-	-	-	-	272,558	20,601	-	2,760	-	129,720
Capital grants and contributions	295,709	1,443,557	1,604,522	1,227,853	33,615	-	10,809	-	810,475	834,259
Total revenue	2,194,567	3,357,545	3,614,873	3,335,597	2,475,967	2,116,304	2,044,374	2,084,312	2,863,091	3,033,798
Bayside landing										
Charges for services	40,875	41,440	40,729	41,269	41,631	41,210	39,922	42,641	42,781	40,200
Operating grants and contributions	-	-	-	-	-	-	-	-	-	1,653
Capital grants and contributions	236,076	7,594	-	-	-	9,811	13,398	-	-	-
Total revenue	276,951	49,034	40,729	41,269	41,631	51,021	53,320	42,641	42,781	41,853
Total business-type activities program revenues	2,471,518	3,406,579	3,655,602	3,376,866	2,517,598	2,167,325	2,097,694	2,126,953	2,905,872	3,075,651
Net (Expense) Revenue										
Governmental activities	(41,781,202)	(39,537,906)	(40,610,504)	(38,912,923)	(39,208,274)	(41,069,087)	(42,228,102)	(44,756,903)	(46,924,815)	(41,344,463)
Business-type activities	(1,068,406)	(175,968)	156,713	(434,496)	(1,164,904)	(1,704,357)	(1,938,714)	(1,570,098)	(2,076,184)	(1,199,032)
Total primary government net expense	<u>\$(42,849,608)</u>	<u>\$(39,713,874)</u>	<u>\$(40,453,791)</u>	<u>\$(39,347,419)</u>	<u>\$(40,373,178)</u>	<u>\$(42,773,444)</u>	<u>\$(44,166,816)</u>	<u>\$(46,327,001)</u>	<u>\$(49,000,999)</u>	<u>\$(42,543,495)</u>

(Continued)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net assets										
Government activities										
Property taxes	\$ 25,655,349	\$ 27,447,599	\$ 30,680,082	\$ 30,405,080	\$ 30,174,622	\$ 30,212,617	\$ 30,188,083	\$ 30,451,731	\$ 30,486,484	\$ 30,707,075
County income taxes	11,932,652	7,902,019	8,259,472	9,807,119	10,143,953	14,119,602	13,687,506	12,341,494	12,732,081	13,389,378
Other taxes	1,765,341	1,723,138	1,493,242	1,477,379	1,687,666	1,833,864	2,067,843	1,965,759	1,949,634	2,042,652
Licenses and permits	208,923	262,030	286,859	321,467	-	-	-	-	-	-
Fines and forfeitures	102,041	41,279	34,324	68,872	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Other revenues	622,596	1,027,982	261,166	2,132,585	1,037,126	663,676	659,615	673,819	641,837	733,270
Capital contributions - developers	-	-	-	-	-	-	-	-	-	-
Transfers	(838,376)	(779,001)	(653,982)	(3,667,989)	(3,600,908)	(848,869)	(1,001,689)	(868,147)	(825,030)	(880,064)
Total governmental activities	39,448,526	37,625,046	40,361,163	40,544,513	39,442,459	45,980,890	45,601,358	44,564,656	44,985,006	45,992,311
Business-type activities										
Investment income	2,866	(3,392)	(65)	(549)	-	-	-	-	-	-
Other revenues	28,912	108,341	168,324	74,082	46,150	27,892	32,441	25,780	40,703	36,799
Transfers	823,977	779,001	653,982	3,667,989	3,600,908	851,369	1,001,689	868,147	825,030	880,064
Total business-type activities	855,755	883,950	822,241	3,741,522	3,647,058	879,261	1,034,130	893,927	865,733	916,863
Total primary government	40,304,281	38,508,996	41,183,404	44,286,035	43,089,517	46,860,151	46,635,488	45,458,583	45,850,739	46,909,174
Change in net position										
Governmental activities	(2,332,676)	(1,912,860)	(249,341)	1,631,590	234,185	4,911,803	3,373,256	(192,247)	(1,939,809)	4,647,848
Business-type activities	(212,651)	707,982	978,954	3,307,026	2,482,154	(825,096)	(904,584)	(676,171)	(1,210,451)	(282,169)
Total primary government	\$ (2,545,327)	\$ (1,204,878)	\$ 729,613	\$ 4,938,616	\$ 2,716,339	\$ 4,086,707	\$ 2,468,672	\$ (868,418)	\$ (3,150,260)	\$ 4,365,679

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,535,618	\$ 1,596,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated for future year's expenditures	791,753	511,619	-	-	-	-	-	-	-	-
Undesignated	4,633,030	10,416,815	-	-	-	-	-	-	-	-
Nonspendable (1)	-	-	614,320	732,260	713,988	786,218	436,901	517,604	752,291	694,784
Restricted (1)	-	-	156,240	163,010	172,019	-	-	-	-	-
Committed (1)	-	-	611,947	514,570	29,425	-	-	5,134,904	3,770,373	1,665,530
Assigned (1)	-	-	-	-	-	-	-	-	-	-
Unassigned (1)	-	-	4,254,516	5,240,154	5,233,714	9,643,390	9,756,212	4,967,599	5,296,459	3,716,656
Total General Fund	<u>6,960,401</u>	<u>12,524,639</u>	<u>5,637,023</u>	<u>6,649,994</u>	<u>6,149,146</u>	<u>10,429,608</u>	<u>10,193,113</u>	<u>10,620,107</u>	<u>9,819,123</u>	<u>6,076,970</u>
All Other Governmental Funds										
Reserved	358,814	2,500	-	-	-	-	-	-	-	-
Unreserved, designated for future year's expenditures	3,452,894	-	-	-	-	-	-	-	-	-
Undesignated, reported in:										
Capital projects	-	-	-	-	-	-	-	-	-	-
Special revenue funds	836,676	1,248,303	-	-	-	-	-	-	-	-
Nonspendable (1)	-	-	3,320	798	5,506	4,950	-	-	-	189,466
Restricted (1)	-	-	1,012,581	516,511	196,001	384,469	463,776	496,897	467,438	359,075
Committed (1)	-	-	19,801	10,573	-	30,175	30,175	30,175	30,175	30,175
Assigned (1)	-	-	-	-	26,031	31,743	38,891	55,709	75,000	118,561
Unassigned (1)	-	-	-	434,237	-	-	-	-	-	(189,466)
Total All Other Governmental Funds	<u>4,648,384</u>	<u>1,250,803</u>	<u>1,035,702</u>	<u>962,119</u>	<u>227,538</u>	<u>451,337</u>	<u>532,842</u>	<u>582,781</u>	<u>572,613</u>	<u>507,811</u>
Total All Governmental Funds	<u>\$ 11,608,785</u>	<u>\$ 13,775,442</u>	<u>\$ 6,672,725</u>	<u>\$ 7,612,113</u>	<u>\$ 6,376,684</u>	<u>\$ 10,880,945</u>	<u>\$ 10,725,955</u>	<u>\$ 11,202,888</u>	<u>\$ 10,391,736</u>	<u>\$ 6,584,781</u>

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

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

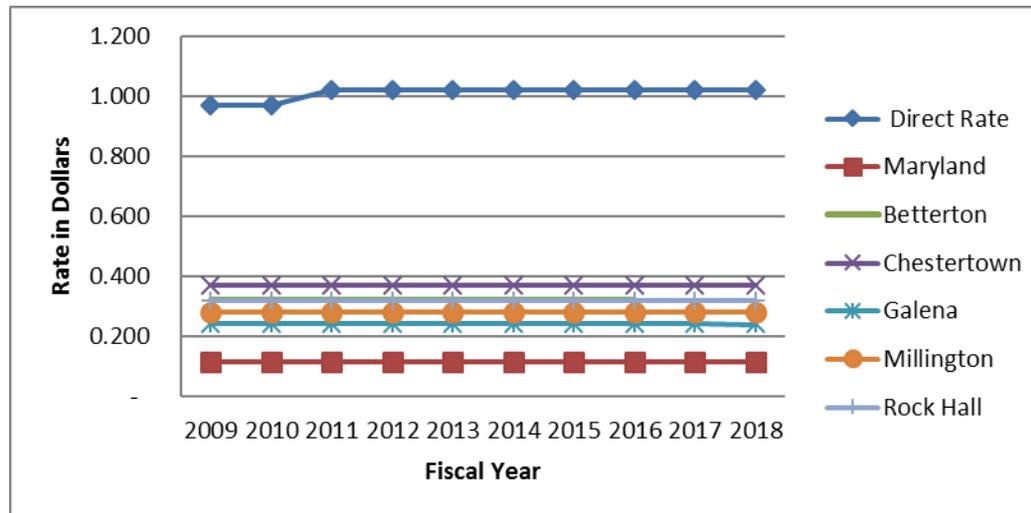
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes										
Property	\$ 25,655,349	\$ 27,447,599	\$ 30,680,082	\$ 30,405,080	\$ 30,174,622	\$ 30,212,617	\$ 29,888,083	\$ 29,951,731	\$ 29,986,484	\$ 30,207,075
Income	12,100,769	9,306,233	8,200,260	10,335,245	11,047,174	13,696,595	12,973,495	12,232,681	12,986,434	12,736,121
Other	1,765,341	1,723,138	1,493,242	1,477,379	1,687,666	1,833,864	2,067,843	1,965,759	1,949,634	2,042,652
State shared	1,898,272	113,492	152,110	113,412	201,738	211,318	222,422	228,948	224,873	-
Licenses and permits	208,923	262,030	286,859	321,467	303,533	302,045	318,992	325,727	339,840	311,801
Intergovernmental revenue	3,503,723	4,619,288	2,963,091	2,555,280	2,014,246	4,363,842	2,063,966	2,606,058	5,919,603	2,850,788
Service charges for current services	774,346	576,096	662,825	660,080	578,789	562,504	486,196	567,624	580,026	611,058
Fines and forfeitures	102,041	41,279	34,324	68,422	111,929	53,715	120,636	31,409	44,233	58,950
Miscellaneous revenue	845,406	1,023,146	483,264	3,902,895	272,794	606,480	255,692	329,514	294,924	363,337
Total revenues	46,854,170	45,112,301	44,956,057	49,839,260	46,392,491	51,842,980	48,397,325	48,239,451	52,326,051	49,181,782
Expenditures										
General government	5,360,492	5,356,693	4,988,556	4,904,035	5,363,134	7,777,559	5,664,787	6,110,099	9,787,805	6,131,512
Public safety	8,614,187	9,174,023	8,660,969	8,540,445	8,722,860	8,947,991	9,501,735	9,846,912	9,862,691	10,637,287
Public works	3,934,099	3,606,415	4,163,704	3,616,118	3,231,618	3,784,820	4,598,055	5,064,993	4,704,314	5,364,802
Health and social services	2,359,783	2,177,941	2,092,176	1,849,855	1,344,159	1,311,902	1,465,597	2,070,808	1,806,377	1,824,155
Education	18,292,447	17,878,178	17,773,673	16,706,142	17,934,858	17,721,320	17,759,230	17,982,973	17,613,193	17,710,564
Parks, recreation, and culture	1,192,976	1,116,406	1,142,849	1,180,179	1,118,836	1,275,957	1,449,062	1,493,879	1,516,010	1,709,938
Libraries	595,495	569,753	541,266	542,000	542,000	554,018	596,027	611,828	626,098	680,389
Resources conservation and development	494,260	406,148	407,128	414,878	336,852	347,017	378,754	393,922	353,331	474,044
Community development	891,386	885,508	941,182	530,249	955,209	513,246	648,410	798,178	603,126	803,413
Debt service										
Principal	1,354,721	1,753,129	11,491,903	2,104,233	3,818,574	2,092,002	3,615,959	1,216,255	1,263,843	1,313,297
Interest	606,010	989,225	961,939	855,907	910,712	769,643	657,775	523,290	475,723	426,289
Capital outlay	9,367,219	6,592,284	1,417,588	5,949,115	-	1,394,375	1,215,235	781,234	3,699,662	5,032,983
Total expenditures	53,063,075	50,505,703	54,582,933	47,193,156	44,278,812	46,489,850	47,550,626	46,894,371	52,312,173	52,108,673
Excess/(deficiency) of revenues over expenditures	(6,208,905)	(5,393,402)	(9,626,876)	2,646,104	2,113,679	5,353,130	846,699	1,345,080	13,878	(2,926,891)
Other financing sources (uses)										
Transfers in	605,276	1,418,730	177,458	596,343	903,768	1,853,579	1,102,976	783,003	3,550,919	4,881,572
Transfers out	(1,443,652)	(2,197,731)	(831,440)	(4,264,332)	(4,504,676)	(2,702,448)	(2,104,665)	(1,651,150)	(4,375,949)	(5,761,636)
Capital contributions - developers	-	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	2,464,624	-	-	-	-	-	-
Proceeds from loans and capital leases	10,100,000	8,339,060	3,178,139	-	251,800	-	-	-	-	-
	9,261,624	7,560,059	2,524,157	(1,203,365)	(3,349,108)	(848,869)	(1,001,689)	(868,147)	(825,030)	(880,064)
Net increase (decrease) in fund balance	\$ 3,052,719	\$ 2,166,657	\$ (7,102,719)	\$ 1,442,739	\$ (1,235,429)	\$ 4,504,261	\$ (154,990)	\$ 476,933	\$ (811,152)	\$ (3,806,955)
Debt service as a percentage of noncapital expenditures	4.22%	6.11%	23.00%	6.97%	10.83%	6.24%	9.21%	3.83%	3.35%	3.95%

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
2009	0.972	0.112	0.320	0.370	0.2400	0.280	0.320
2010	0.972	0.112	0.320	0.370	0.2400	0.280	0.320
2011	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2012	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2013	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2014	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2015	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2016	1.022	0.112	0.320	0.370	0.2400	0.280	0.320
2017	1.022	0.112	0.320	0.370	0.2403	0.280	0.320
2018	1.022	0.112	0.320	0.370	0.2398	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

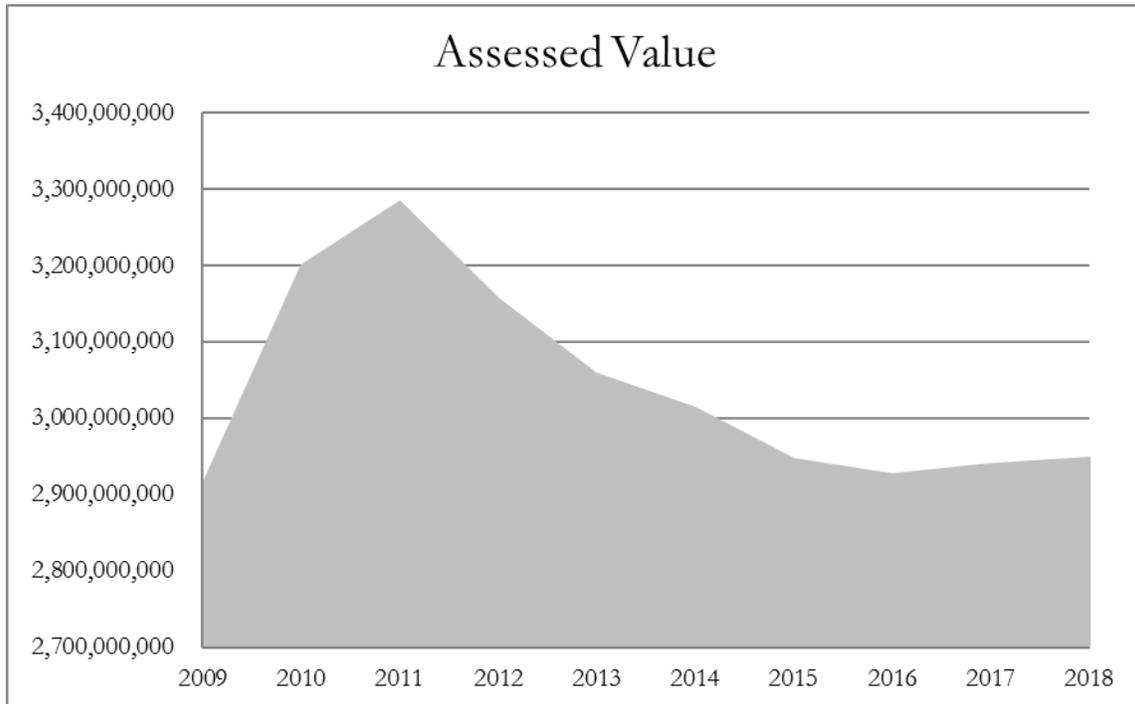


Source: State of Maryland and Towns of Betterton, Chestertown, Galena, Millington and Rock Hall.

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
2009	2,874,970,705	352,096,591	2,522,874,114	0.972	36,828,490	2,911,799,195
2010	3,176,535,019	430,315,526	2,746,219,493	0.972	22,524,020	3,199,059,039
2011	3,247,911,464	399,620,285	2,848,291,179	1.022	35,483,440	3,283,394,904
2012	3,119,862,537	270,928,884	2,848,933,653	1.022	36,210,250	3,156,072,787
2013	3,020,454,365	194,526,863	2,825,927,502	1.022	37,126,710	3,057,581,075
2014	2,975,066,005	142,063,007	2,833,002,998	1.022	37,514,800	3,012,580,805
2015	2,905,026,301	78,538,367	2,826,487,934	1.022	40,834,410	2,945,860,711
2016	2,906,711,725	60,881,252	2,845,830,473	1.022	18,888,010	2,925,599,735
2017	2,896,170,648	44,108,770	2,852,061,878	1.022	43,656,410	2,939,827,058
2018	2,904,904,108	32,440,332	2,872,463,776	1.022	43,452,270	2,948,356,378

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, 2018

Taxpayer	Tax Billed	% of Levy
Delmarva Power and Light	\$ 693,822	2.28%
PUMH of Maryland, Inc	406,282	1.34%
Choptank Electric Co-op, Inc	220,698	0.73%
Verizon-MD	201,389	0.66%
Kent Research and Mfg, Inc	194,807	0.64%
SGM Realty LLC	152,933	0.50%
Kent Plaza Associates	126,509	0.42%
415 Morgnec Road LLC	116,531	0.38%
Kent Crossing	115,355	0.38%
Brawner Company, Inc	89,274	0.29%

For the Fiscal Year Ended June 30, 2009

Taxpayer	Tax Billed	% of Levy
Delmarva Power and Light	\$ 415,461	1.64%
Verizon-MD	387,906	1.53%
PUMH of Maryland, Inc	380,775	1.50%
Kent Crossing	162,593	0.64%
SGM Realty LLC	136,299	0.54%
Kent Research and Mfg, Inc	120,850	0.48%
Choptank Electric Co-op, Inc	116,113	0.46%
Kent Plaza Associates	107,931	0.43%
Great Oak Landing, LP	76,838	0.30%
Brawner Company, Inc	72,763	0.29%

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

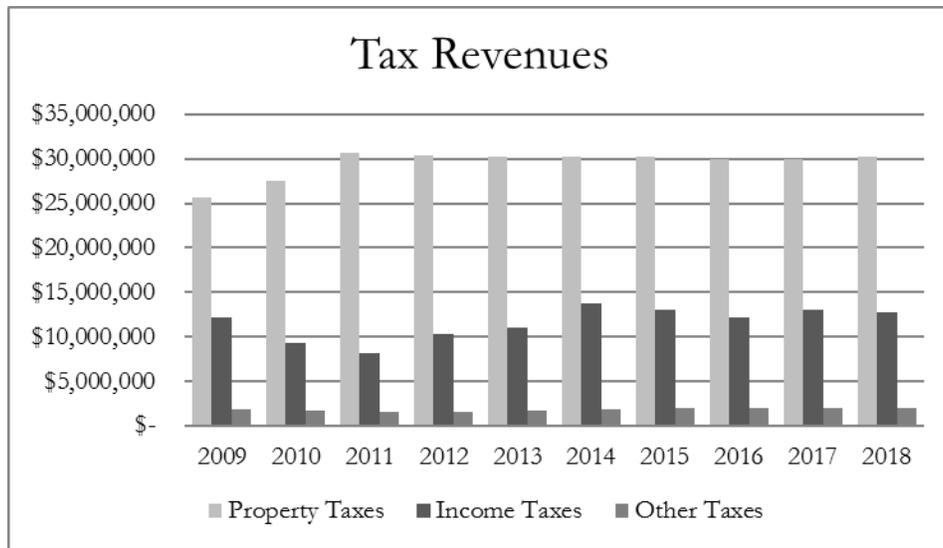
Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2009	\$ 25,303,211	\$ 24,002,446	94.86%	\$ 1,297,014	\$ 25,299,460	99.99%
2010	27,507,814	25,808,857	93.82%	1,693,951	27,502,808	99.98%
2011	29,930,941	28,367,186	94.78%	1,543,077	29,910,263	99.93%
2012	29,992,561	28,439,362	94.82%	1,511,740	29,951,102	99.86%
2013	29,794,618	28,276,920	94.91%	1,457,761	29,734,681	99.80%
2014	29,881,782	28,460,998	95.25%	1,352,870	29,813,868	99.77%
2015	29,891,994	28,612,997	95.72%	1,216,362	29,829,359	99.79%
2016	30,125,879	28,783,368	95.54%	1,209,614	29,992,982	99.56%
2017	30,232,217	28,922,743	95.67%	1,220,302	30,143,045	99.71%
2018	30,429,820	29,090,693	95.60%	n/a	28,922,743	95.05%

*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

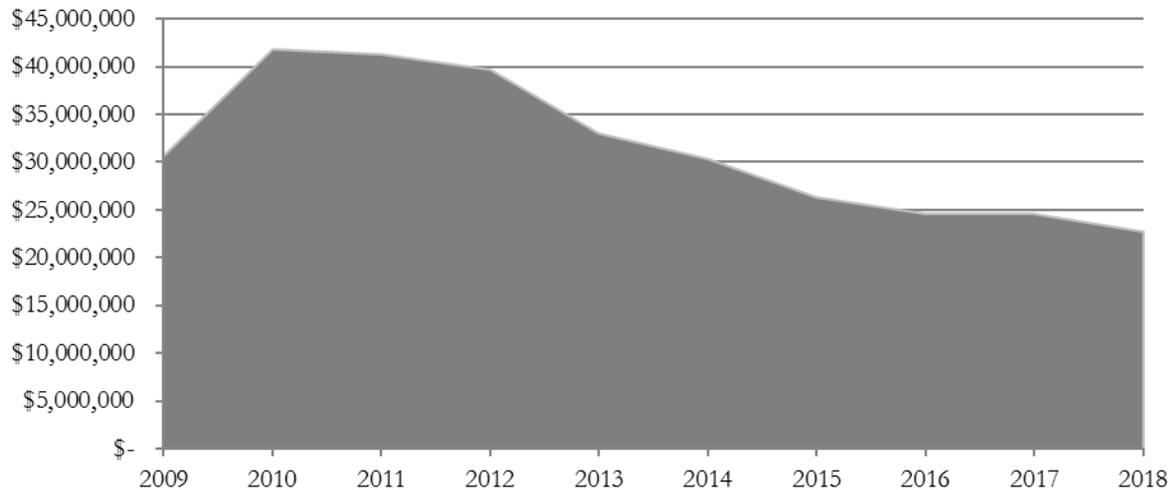
Local General Tax Revenues

	Property Taxes	Income Taxes	Other Taxes	Total Taxes
2009	\$ 25,655,349	\$ 12,100,769	\$ 1,765,341	\$ 39,521,459
2010	27,447,599	9,306,233	1,723,138	38,476,970
2011	30,680,082	8,200,260	1,493,242	40,373,584
2012	30,405,080	10,335,245	1,477,379	42,217,704
2013	30,174,622	11,047,174	1,687,366	42,909,162
2014	30,212,617	13,696,595	1,789,859	45,699,071
2015	30,188,083	12,973,495	2,029,337	45,190,915
2016	29,951,731	12,232,681	1,965,759	44,150,171
2017	29,986,484	12,986,434	1,949,634	44,922,552
2018	30,207,075	12,736,121	2,042,652	44,985,848



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
2009	\$ 23,018,128	\$ 353,741	\$ -	\$ 23,371,869	\$ 7,102,321	\$ 93,624	\$ 7,195,945	\$ 30,567,814	2009	3.33%	\$ 1,517.01
2010	29,600,773	319,472	-	29,920,245	9,051,116	2,779,940	11,831,056	41,751,301	2010	4.85%	2,073.88
2011	21,368,121	279,001	-	21,647,122	19,537,450	67,295	19,604,745	41,251,867	2011	4.80%	2,042.47
2012	19,271,251	273,301	2,464,624	22,009,176	17,581,206	53,959	17,635,165	39,644,341	2012	4.41%	1,962.20
2013	16,045,136	197,538	2,553,968	18,796,642	14,176,039	-	14,176,039	32,972,681	2013	3.48%	1,633.04
2014	14,200,087	153,452	2,240,000	16,593,539	13,726,642	-	13,726,642	30,320,181	2014	3.07%	1,501.67
2015	10,998,014	-	2,040,095	13,038,109	13,268,902	-	13,268,902	26,307,011	2015	2.63%	1,327.30
2016	10,049,518	-	1,772,290	11,821,808	12,802,590	-	12,802,590	24,624,398	2016	2.42%	1,244.47
2017	9,060,997	-	1,496,967	10,557,964	13,962,009	-	13,962,009	24,519,973	2017	n/a	1,239.20
2018	8,030,750	-	1,213,917	9,244,667	13,477,620	-	13,477,620	22,722,287	2018	n/a	1,172.22



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

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

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

Fiscal Year	General Bonded Debt (1)	Percentage of Total Taxable Assessable Base (2)	Per Capita(3)
2009	\$ 30,120,449	1.177%	\$ 1,494.81
2010	38,651,889	1.396%	1,919.92
2011	40,905,571	1.418%	2,025.33
2012	36,852,457	1.277%	1,824.02
2013	30,221,175	1.056%	1,496.76
2014	27,926,729	0.973%	1,400.26
2015	24,266,916	0.846%	1,224.37
2016	22,852,108	0.798%	1,154.91
2017	23,023,006	0.795%	1,163.54
2018	21,508,370	0.738%	1,109.59

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

- (1) General bonded debt is comprised of both governmental and business-type activities from the previous table.
- (2) See Assessed Value of Taxable and Exempt Property on page 95
- (3) See Demographic Statistics for population data on page 103

The County Commissioners of Kent County, Maryland
Debt Capacity: Computation of Net Direct and Overlapping Debt
June 30, 2018

Name of Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Towns (2)			
Betterton	n/a	100%	n/a
Chestertown (3)	n/a	100%	n/a
Galena	1,750,740	100%	1,750,740
Millington	1,165,000	95%	1,106,750
Rock Hall	n/a	100%	n/a
Subtotal overlapping debt			2,857,490
Kent County Government direct debt (1)			9,244,667
Total direct and overlapping debt			<u>\$ 12,102,157</u>

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

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

(3) n/a data not readily available or not available in a manner consistent with this display

Source: Towns of Betterton, Chestertown, Galena, Millington and Rock Hall

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	10,267,940	13,242,000	11,822,782	3,845,624	281,800	-	-	-	1,639,000	-
Legal Debt Margin	\$ 9,732,060	\$ 6,758,000	\$ 8,177,218	\$ 16,154,376	\$ 19,718,200	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 18,361,000	\$ 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 (2)	Unemployment Rate (3)
2008	20,150	918,703	45,593	5.00%
2009	20,132	861,001	42,768	7.70%
2010	20,197	860,025	42,567	8.30%
2011	20,204	898,852	44,489	7.60%
2012	20,191	948,016	32,579	7.50%
2013	19,944	987,134	31,502	7.10%
2014	19,820	999,301	28,411	6.50%
2015	19,787	1,019,350	30,081	5.40%
2016	19,730	1,078,070	30,080	4.40%
2017	19,384	n/a	n/a	4.30%

(1) Source: US Census Bureau

(2) Source: Bureau of Economic Analysis

(3) Source: Bureau of Labor Statistics

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, 2017

Employer	Employees	Rank
Washington College	625	1
Dixon Valve & Coupling Co.	385	2
Kent County Board of Education	312	3
University of MD Shore Regional Health	275	4
Kent County Government	232	5
LaMotte Industries	225	6
David A. Bramble, Inc.	215	7
Heron Point of Chestertown	210	8
Angelica Nurseries	175	9
YMCA Camp Tockwogh	140	10

For the Calendar Year Ended December 31, 2008

Employer	Employees	Rank
Chester River Hospital	642	1
Washington College	485	2
Dixon Valve & Coupling Co.	362	3
Kent County Government	251	4
David A. Bramble, Inc.	240	5
Heron Point	200	6
Kent County Board of Education	177	7
LaMotte Chemical Products	152	8
Angelica Nurseries	144	9
Chestertown Nursing and Rehab	110	10

Source: Department of Economic Development

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Part time positions (FTE)	22	23	22	20	20	21	21	26	27	28
Exempt	37	38	35	34	29	28	29	30	37	36
Full Time Employees	192	180	173	168	163	165	169	173	166	168
Total County Government Employees	251	241	230	222	212	214	219	229	230	232

Source: Department of Human Resources

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

GENERAL GOVERNMENT	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Commissioner's Office (1)	6	6	4	4	4	4	4	4	4	4
Planning, Housing & Zoning	12	11	10	9	8	8	9	9	9	9
Human Resources	3	3	3	3	3	3	3	3	3	3
Finance	9	9	8	8	7	7	7	7	7	7
Information Technology	6	5	5	5	5	5	6	6	6	6
Tourism & Economic Development	4	2	3	3	3	3	3	4	4	4
State's Attorney's Office (2)	5	5	5	5	5	5	5	6	6	7
Circuit Court (2)	3	3	3	3	3	3	3	3	3	3
Soil Conservation Service (2)	5	5	5	5	0	0	0	0	0	0
Family & Community Partnerships	5	4	2	2	2	2	2	3	3	3
Weed Control (3)	1	1	1	0	0	0	0	0	0	0
PUBLIC SAFETY										
Sheriff's Office (2)	27	27	26	26	26	28	28	27	27	25
Detention Center	33	32	32	29	28	27	28	29	29	29
Office of Emergency Services	25	26	25	25	24	25	26	26	26	28
PUBLIC WORKS										
Administration	4	4	4	4	3	2	2	2	2	2
County Roads	28	28	30	30	30	29	29	29	29	29
Waste Management	17	13	8	7	7	8	8	8	8	8
Public Landings	1	1	1	1	1	1	1	1	1	1
Buildings & Grounds (4)	8	11	11	11	11	13	13	13	13	13
LEISURE SERVICES										
Parks & Recreation	6	6	6	6	6	6	6	8	8	8
Shop (4)	4	0	0	0	0	0	0	0	0	0
BUSINESS-TYPE ACTIVITIES										
Water & Wastewater Services	17	16	16	16	16	15	15	15	15	15
	229	218	208	202	192	194	198	203	203	204

(1) Includes Liquor Inspector

(2) County Funded State Positions

(3) Combined with County Roads in FY12

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

Source: Department of Human Resources

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Facilities										
Police Stations in County	3	3	3	3	3	3	3	3	3	3
Fire & Rescue Stations	7	7	7	7	7	7	7	7	7	7
Parks/Recreation Facilities	11	11	11	11	11	11	11	11	11	11
Senior Centers										
Libraries	3	3	3	3	3	3	3	3	3	3
Public Schools										
Elementary Schools	4	4	5	5	5	5	5	5	3	3
Middle Schools	3	3	1	1	1	1	1	1	1	1
High Schools	1	1	1	1	1	1	1	1	1	1
Department of Public Works										
Miles of County Maintained Paved Roads	272.11	272.11	272.11	272.23	272.23	272.23	272.23	272.23	272.23	272.23
Water Treatment Plants	4	4	4	4	4	4	4	4	4	4
Water Towers	4	4	4	4	4	4	4	4	4	4
Wastewater Treatment Plants	3	3	3	3	3	3	3	3	3	3
Lagoons	1	1	1	1	1	1	1	1	1	1
Pump Stations	24	24	24	24	24	24	24	24	24	24
Shared Septic Systems	2	2	2	2	2	2	2	2	2	2
Meters/Meter Vaults	2	2	2	2	2	2	2	2	2	2
Kent County Sheriff Department										
Vehicles in Service	27	26	27	27	24	27	27	26	28	28

Source: County Departments, Component Units, and Outside Agencies

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
General Government										
Planning & Zoning (1)										
Number of Permits Issued for:										
Accessory Buildings/Garages/Carports	105	61	73	79	75	70	77	87	89	77
Agricultural Buildings	28	14	18	32	26	23	23	16	21	21
Boat Lift	-	-	-	-	-	-	3	3	-	-
Commercial Addition/Alteration	8	6	10	12	11	7	13	9	8	6
Deck/Porch	33	25	34	27	28	31	23	41	27	34
New Commercial Building	3	4	3	1	2	1	7	6	7	3
New Single Family Residence	61	38	21	35	21	33	44	18	23	26
Other	30	15	28	33	33	28	46	25	0	0
Pier	23	20	9	25	19	21	14	19	22	14
Residential Addition/Alteration/Attached Garage	73	59	77	55	48	53	53	63	84	103
Sediment Control	39	34	21	30	45	20	29	36	21	27
Sign	5	4	7	11	7	12	7	4	8	12
Solar Panels	-	-	-	-	-	-	34	69	51	-
Swimming Pool	33	11	12	5	13	9	13	16	12	11
Bulkhead/Retaining Wall	13	6	7	12	5	5	7	13	4	-
Demolition	57	51	38	50	56	72	98	68	77	69
Logging	8	7	10	23	14	18	22	15	9	23
Use Permit	12	11	9	11	9	12	19	11	24	11
Total Permits Issued	531	366	377	441	412	415	532	519	487	437
Public Safety										
Alcohol Beverage Control										
Number of Licenses Issued	64	60	65	63	59	64	67	69	72	63
Number of Violations	5	2	2	11	2	6	2	-	2	1
Sheriff's Office (1)										
Number of Physical Arrests	1,208	1,015	996	1,279	1,380	1,557	596	436	575	604
Traffic Violations	2,383	2,204	3,044	3,787	3,902	3,678	3,580	3,711	4,212	4,155
Public Works										
Total Water Treated Annually (millions of gallons)	50	47	48	49	44	46	51	49	53	48
Total Wastewater Treated Annually (millions of gallons)	55	73	66	60	41	82	76	57	49	55

(Continued)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Education										
Number of Personnel										
Teachers	177	179	185	175	152	164	156	161	158	159
Administrators	27	26	28	25	26	21	19	23	21	17
Support	82	81	78	78	72	118	123	111	115	116
Other	68	67	63	60	59	18	16	13	12	20
Number of Students	2219	2184	2183	2162	2130	2117	2106	2030	1895	1965
Number of High School Graduates	162	162	145	165	160	142	161	126	133	140

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

Source: County Departments, Component Units, and Outside Agencies



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