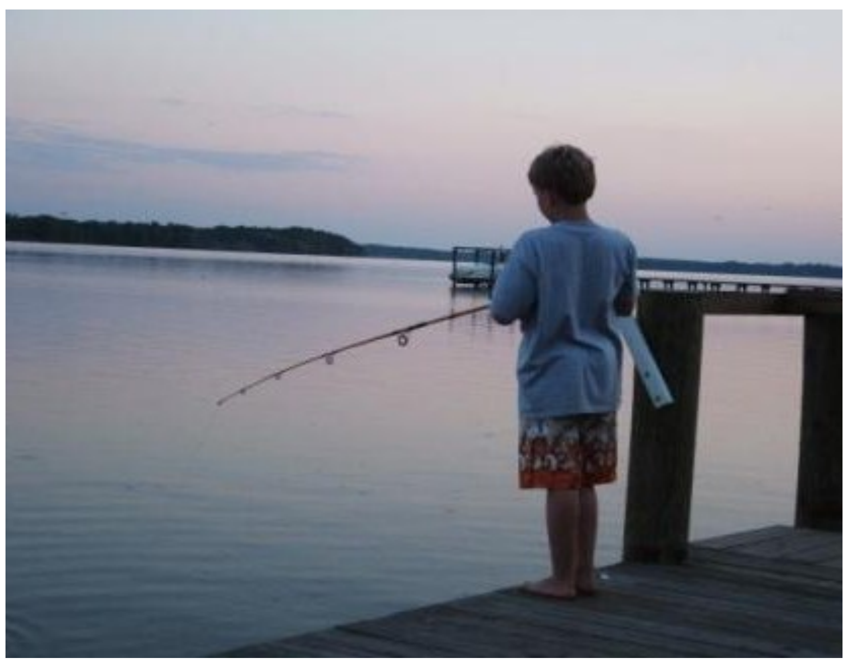
New Kent
COUNTY
VIRGINIA



County of New Kent, Virginia
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012

COUNTY OF NEW KENT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared By:
Department of Financial Services

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COUNTY OF NEW KENT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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COUNTY OF NEW KENT, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2012

BOARD OF SUPERVISORS

James H. Burrell, Chairman .... District 3
W. R. "Ray" Davis, Jr., Vice Chairman .... District 5
Thomas W. Evelyn .... District 1
C. Thomas Tiller, Jr. .... District 2
Ron Stiers .... District 4

CONSTITUTIONAL OFFICERS

Karen A. Butler .... Clerk of Circuit Court
Laura M. Ecimovic .... Commissioner of the Revenue
C. Linwood Gregory .... Commonwealth's Attorney
Farrar W. "Wakie" Howard, Jr. .... Sheriff
Norma C. Holmes .... Treasurer

COUNTY ADMINISTRATIVE OFFICERS

G. Cabell Lawton, IV .... County Administrator
Rodney A. Hathaway .... Assistant County Administrator/Economic Development and Tourism Director
Michelle M. Gowdy .... County Attorney
Clarence G. Jackson .... Building Official and Building Development Director
Mary F. Altemus .... Financial Services Director
G. Cabell Lawton, IV .... Interim Fire Chief and Emergency Management Coordinator
Kimberly Turner .... Parks and Recreation Director
Lawrence A. Dame .... Public Utilities Director
S. Michelle Cowling .... Social Services Director
William L. Kelly, III .... Airport Manager

SCHOOL BOARD

Dr. Gail B. Hardinge, Chairman .... District 5
Leigh R. Quick, Vice Chairman .... District 3
Brett C. Marshall .... District 1
Dean M. Simmons .... District 2
Sarah Grier Barber .... District 4

SCHOOL BOARD ADMINISTRATIVE OFFICERS

Robert F. "Rick" Richardson, Jr. .... Superintendent
Cynthia M. Pitts .... Executive Director of Administration
Thomas N. "Nate" Collins .... Executive Director of Curriculum and Instruction
Ralph L. Westbay .... Executive Director of Finance and Budget
Ross Miller .... Director of Instructional Technology, Testing & Accountability
DeDreama Harrod .... Director of Special Education

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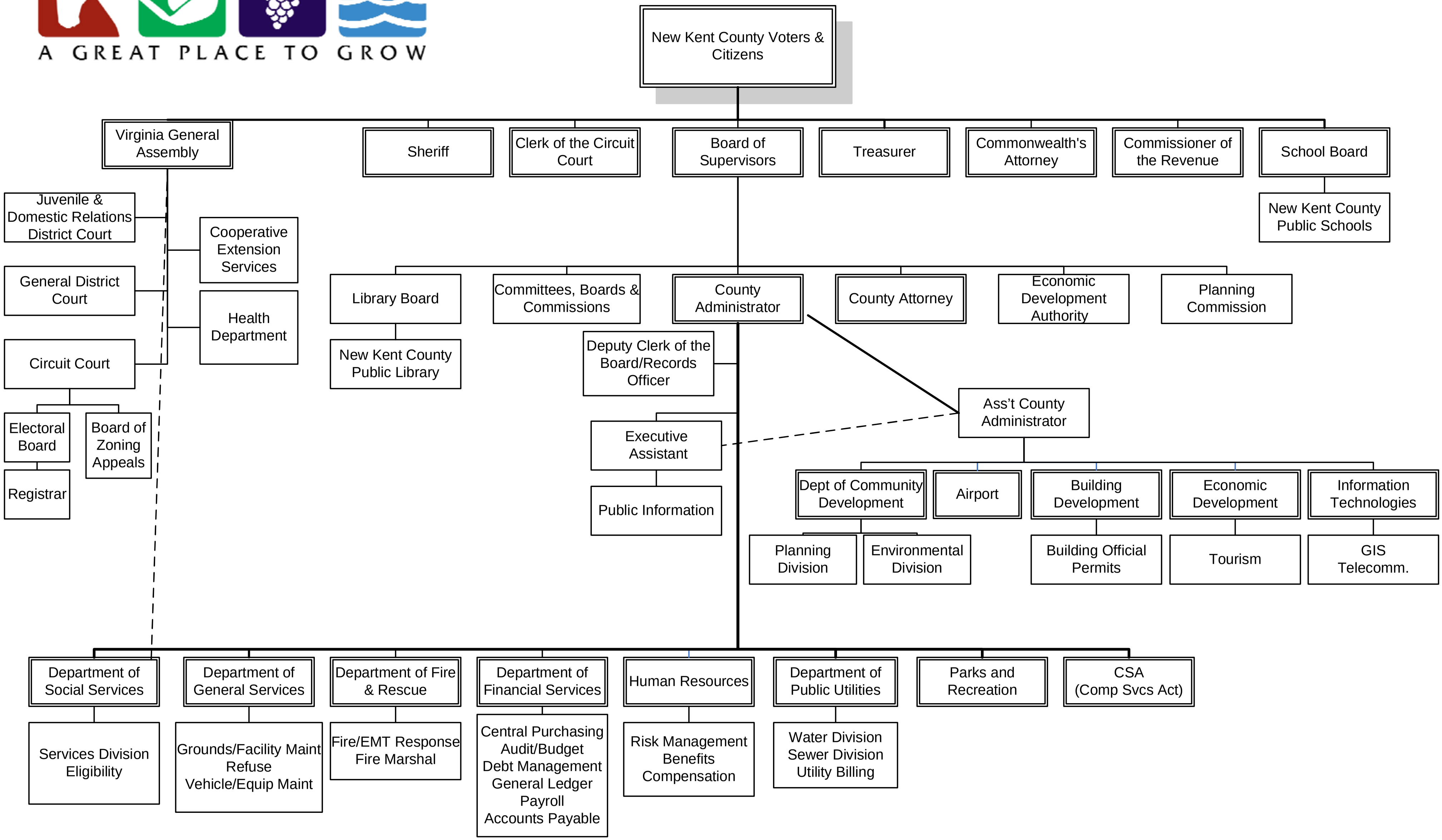
Organization of General Government Administrative Functions
June 30, 2012



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of New Kent Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Christopher P Morrill
President

Jeffrey R. Esser
Executive Director

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December 1, 2012

To The Honorable Members of the Board of Supervisors and the Citizens of the County of New Kent:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of New Kent County (the County) for the fiscal year ended June 30, 2012. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United State of America by a firm of licensed certified public accounts. This report has been prepared by the Department of Financial Services in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Account Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects, and presents fairly the financial position and results of operations of the various funds and component units of the County.

The County's financial statements have been audited by Robinson, Farmer, Cox Associates, 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, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

12007 Courthouse Circle, P O Box 150, New Kent VA 23124
New Kent (804) 966-9861/Toano (757) 564-3480/Fax (804) 966-9370

The independent audit of the financial statements of the County was part of a broader federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the Compliance 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 the MD&A and should be read in conjunction with the document. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

The County of New Kent (the "County") is home to approximately 19,158 people. At the time of the 2010 census, the population of the County was approximately 18,429. Even though the population density is at approximately 90 persons per square mile, demonstrating the County still remains primarily rural; the County has undergone significant development over the past several years with growth spread fairly evenly throughout the County.

The County is comprised of about 212 square miles and is strategically located between two of the nation's most dynamic Metropolitan Statistical Areas (MSA): Richmond-Petersburg and Williamsburg-Hampton Roads. At the heart of the Central East Coast, New Kent is within 750 miles of over 55% of the nation's population and nearly 60% of its personal income and consumer expenditures. Richmond is 15 miles to the west, Williamsburg is 15 miles east, Norfolk is 60 miles southeast and Washington D.C. is 100 miles north. It is bisected by I-64 with four high-traffic count exits, and its intersection with I-295 is just 3 miles to the west. While the County's rural atmosphere has been preserved, the I-64 corridor with its utilities, business sites, and amenities is growing with commercial and residential activity.

The County was created by an act of the House of Burgesses on November 20, 1654. The settlers were of English stock and the County was named for Kent of England. Land grants to the early settlers along the rivers led to large plantations and palatial manor houses, fostering a way of life long associated with our colonial era. The European history of New Kent began with the visit of Captain John Smith in 1607. At that time, it encompassed portions of today's surrounding counties: Hanover, King William, King and Queen, James City, Charles City and Henrico.

The County of New Kent has a County Administrator form of Government with five voter-elected members of the Board of Supervisors (the "Board") who serve four-year terms and represent five distinct election districts. The Board of Supervisors appoints a County Administrator who serves at the pleasure of the Board and is the County's chief administrative officer. The duties of the County Administrator include implementing the approved ordinances and policies of the Board of Supervisors, appointing the County's Department Directors, and overseeing the daily administration of the County Government. The Board has overall administrative and legislative responsibilities including levying County taxes, appropriating funds, and approving and enforcing the County's Comprehensive Plan and ordinances. A Chairman and Vice Chairman are selected by the Board on an annual basis from among the members of the Board. In addition to the Board, other elected County officials include the Clerk of the Circuit Court, Commissioner of the Revenue, Commonwealth's Attorney, Sheriff and Treasurer. There is also an elected five-member School Board.

The County government is responsible for providing a wide array of governmental services for its citizens including animal control, building inspections, planning and community development, economic development, tourism, water and sewer services, disposal of refuse, parks and recreation, libraries/culture, police and fire services, emergency medical services, E911 and emergency services, and health and social services. Other services provided by the County, which receive partial funding from the State and Federal governments, include: 1) public education in grades kindergarten through twelve; 2) certain technical, vocational and special education programs; 3) mental health assistance; 4) agricultural services; 5) judicial activities; juvenile detention services and 6) airport services. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and infrastructure located within the County.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well at its component units, which are legally separate organizations for which the County is financially accountable. Discretely presented component units qualifying for inclusion in this report are the New Kent County School Board (the "School Board") and the New Kent County Economic Development Authority (the "EDA"). Discretely presented component units are reported separately in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions, results of operation and cash flows from those of the primary government.

The annual budget serves as the foundation of the County's financial planning and control. The County Administrator conducts an annual budget kick-off meeting in November. Each year budget submission packages are emailed to County departments and outside agencies, and are due to the Department of Financial Services in January. The County Administrator uses these requests as the starting point for developing a proposed budget. The proposed budget is reviewed by the Budget Team made up of the County Administrator, Financial Services Director, Financial Services Assistant Director, and a departmental Director selected on a rotating basis. The Budget Team meets with Department Heads to discuss individual requests, goals and objectives and service requirements. Budget cuts and sometimes additions are made as the departments justify their requests by aligning them with the County's key performance areas. Before submission of a draft budget to the Board of Supervisors, the County Administrator convenes a meeting of the County Finance Committee to discuss funding challenges, service requirements and to solicit feedback.

In early March, the County Administrator submits a draft budget to the Board of Supervisors for consideration. This is a working document intended to facilitate Board work sessions to establish a blueprint for a funding and expenditure plan. The draft budget is simply a printout of departmental line-item budgets and does not include the wide array of information reflected in the adopted budget. A proposed budget is issued in April, and a public hearing is held in May to inform residents and to obtain citizen input. The Board of Supervisors is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the County's fiscal year. A final budget is legally adopted through passage of a Budget Appropriation motion not later than June 30 for a fiscal year commencing on July 1. The proposed and adopted budgets also include funding for the first year of the five-year Capital Improvements Plan. The Budget Appropriation motion establishes budgetary appropriation amounts at the fund level (e.g., General Fund). The Code of Virginia requires that the School Board's requested budget be submitted in its entirety to the Board. Legislation passed in the 1978 General Assembly requires the County to approve an annual education budget by May 1 or within 30 days of the receipt of estimates of educational funds to the County. Activities of the general fund, special revenue funds, capital projects, debt service, school funds, and proprietary funds are included in the annual appropriated budget.

The Board reviews its Bylaws at its January meeting and amends, as necessary, and readopts Bylaws at the February meeting. Included in the Bylaws are procedures for financial control. The Bylaws effectively establish a *legal level of* budgetary control, the lowest level at which the County Administrator may not reallocate resources without Board approval, at the department level. He is authorized to transfer appropriations by line item within departments, except for payroll and employee benefits line items. The County Administrator does not have authority to transfer appropriations between departments within the primary government's governmental funds. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.

All transfers are reported to the Board of Supervisors on a monthly basis. Budget-to-actual comparisons are provided in this report for which an appropriated annual budget has been adopted. These comparisons are presented in the Other Required Supplementary Information Section of the financial statements.

The County also maintains an encumbrance accounting system as one method of maintaining budgetary control. Appropriations and encumbered amounts lapse at year-end. However, outstanding encumbrances and reserved fund balances outstanding at June 30 generally are re-appropriated on a case-by-case basis to the following fiscal year through supplemental appropriations.

Economic Overview

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy:

Despite challenging national economic conditions, New Kent has maintained population growth, business investment, and positive economic activity. While the adopted FY12 Budget did not anticipate a reduction in existing services, going forward the County will face revenue and operational cost challenges that will test our ability to maintain our current service levels. It is anticipated that any recovery of the U.S. and State economies will be modest and slow to materialize in the local housing market. The housing market in New Kent County has not fallen to the extent seen in other parts of the country. Median sales prices have increased slightly, the number of home sales have increased but houses are staying on the market longer. We believe the local economy continues to be positioned to weather these tough economic conditions better than most localities but it will still be a challenge.

The County enjoys the fifth-highest median household income and the second-lowest poverty rate of the fourteen jurisdictions in the Richmond/Petersburg, VA Metropolitan Statistical Area. (Source:

U.S. Bureau of the Census 2010 Quick-Facts) While the County continues to be largely a bedroom community as documented in 2010 Census Bureau data with a negative 4,770 Net In-Commuters, it has maintained a moderate unemployment rate compared to the rates of the surrounding region, Virginia, and the United States. As of June 2012, the County had an unemployment rate of 5.6% compared to 6.0% and 8.4% for Virginia and the United States respectively. (Source: Virginia Workforce Connection – Labor Force Information; Virginia Employment Commission, Local Area Unemployment Statistics; U. S. Bureau of Labor Statistics)

Although residential building permit activity in the County had been increasing in recent years, there was a moderate decrease in the past several years due to the weakening economy. New home permits issued for Calendar Years 2003-2008 range from 255 in 2003 to 340 in 2005 down to 235 in 2008 with a further decrease in 2009 to 130. There was a slight increase in new home permits in 2010 for a total of 146. Calendar Year 2011 had a total of 156 new home permits showing a slow but steady increase over the last two years. (Source: University of Virginia, Weldon Cooper Center) There has been an increase in non-residential construction in the County. Thirteen commercial building permits were issued for new construction in FY 2012 - the same as for FY 2011. Commercial building permits issued for additions and alterations increased to 29 compared to 20 issued in FY 2011. (Source: New Kent County Building Official and Building Development Office) Based on approved developments building out as projected, as well as continued single-site development, approximately 2,300 new homes are proposed to be constructed by 2015. (Source: New Kent County Department of Community Development)

New Kent taxable sales have steadily increased over the last twenty years. There was a 213% increase from 1996 - 2008. There was a decrease from a high of $94,688,177 in 2008 to $84,614,389 for 2009. In 2011, taxable sales increased 2.78% from the prior year to $91,441,150. The increase can be attributed to the increase in the business classification of Food and Beverage Stores which also is indicative of the increase in meals tax revenues. (Source: Virginia Department of Taxation, Taxable Sales in Virginia Counties and Cities Based on Retail Sales Tax Revenues – published quarterly with annual summary)

Economic development update: New Kent County is predominately rural in nature with approximately 72% of the County covered in forests. Farming and forestry have been prominent to the New Kent County economy for many years. However, trends are changing, as the agricultural and forestry industries are declining. In the first quarter of 2012, the largest employment industries were government (federal, state and local), followed by construction, health care and social assistance, retail trade and accommodation & food services. (Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 2nd Quarter (April, May, June) 2012) The County's convenient access to surrounding metropolitan areas, via four interchanges of Interstate 64, has helped sustain the residential and economic expansion although slightly repressed from prior fiscal years.

Due to the imbalance between residential and commercial activity, the County has increased its investment to promote business growth. The school and other public service demands resulting from a growing residential population have required the County to take positive steps toward the promotion of economic development and the maximization of the economic potential of its interstate interchanges. In order to address this potential challenge, the County leadership has proactively undertaken the following steps to position New Kent for continued economic growth:

- The County is host to Colonial Downs, the only pari-mutual horse track in the Commonwealth of Virginia. As host of this facility, the County also receives a share of the revenues generated from the Off-Track-Betting facilities located in other communities in the Commonwealth. There are presently eleven such facilities statewide.

- The Kentland Planned Unit Development (PUD) occupies approximately 3,165 acres and is located within the southeast quadrant of the Route 155/I-64 Interchange. The Kentland community will consist of a variety of residential, office, retail, and recreational uses designed to complement the Colonial Downs racetrack and the Legends of New Kent golf complex. The Kentland PUD currently consists of approximately 1,300 lots that have been created for residential use and is approved for an additional 1,900 residential lots. Also, a commercial area has been established that consists of a gas station, several restaurants, spa and the New Kent County Library.

- The Farms of New Kent is a mixed use PUD that consists of approximately 2,500 acres located in the central area of the County near the Talleysville exit along State Route 106. This development will consist of approximately 2,400 residential units and up to one million square feet of commercial space. The New Kent Winery opened in May 2008.

- Weir Creek Commerce Park, located on U. S. Route 33 is a 150 acre tract of land planned for an industrial park. Currently, the first phase of site preparation is complete which involves the construction of an access road and three pad sites that total approximately 36 acres.

- Rock Creek Villas is a development consisting of approximately 14.2 acres that proposes 60 age-restricted attached units to be supported by an 18,000 square foot commercial facility. The commercial facility has been fully constructed and leased. This leased space includes two restaurants, a fitness center, hair and nail spa, a dentist office, a community meeting room, and office space for small businesses.

- The Patriots Landing PUD consists of 253 acres in the western portion of the County located at the I-64 and Route 60 intersection. This development is planned for up to 638 residential units and new commercial and office uses will be located on both sides of the Food Lion grocery store, continuing along the Route 33/I-64 frontage totaling 29.5 acres. Single-family residential development is underway with approximately 235 new single family homes completed and 24 new townhomes completed.

- There are a number of eateries that have obtained their permits and have begun building including Wendy's and Burger King.

Further indicators of economic strength and financial condition are as follows:

- The County has approximately 7,940 housing units. The total number of housing units in New Kent County has increased approximately 44% since 2000. New Kent has a wide variety of single-family detached homes that range in quality, style, age, size and condition. The average sale price was $266,666 in 2012 with an average cost of $116.91 per square foot ($251,830 in 2011). The average sold square footage in 2012 was 2280 whereas the square footage in 2011 was 2180 with a price of $114.84 per square foot. When all properties are given weight, the average property value for housing in the County is $232,940 whereas in FY 2011 it was $232,765 (2010 was $269,593). The housing market in New Kent County appears to have stabilized, with new construction up from 123 in 2011 to 140 in 2012. There were 173 new homes in 2010 and 164 in 2009. (Source: New Kent County Commissioner of the Revenue).

To internally assess our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows that New Kent has the 25th lowest level of fiscal stress and the 20th highest median income. A component of the fiscal stress index is a locality's tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to raise their taxes. New Kent County's growth does place stress upon our budgetary process as the services sought by many residents in the County are similar to services offered by higher taxing localities. The preceding economic highlights are indicators of good fiscal health and are also indicative of the traditionally strong indicators that the County has improved over many years but the County is seeing the effect of the downturn in the economy. The median household income remained constant at 20th in FY 2009 and FY 2010 whereas the fiscal stress indicator declined slightly from 24th to 25th. (Source: Commission on Local Government's Report on the *Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Counties and Cities, for FY 2010*)

Long-term financial planning:

The County uses Financial Advisors to guide it through the long-term financial planning needed to address the growth of the County. The same firm, Davenport & Company LLC, has served the County on a contractual basis for eight years.

The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment, and vehicles and includes those items with a unit cost greater than $25,000. The CIP serves as a planning tool for the efficient, effective, and equitable distribution of public improvements throughout the County. The County long had a non-debt funding strategy for the CIP that helped to strengthen the County's debt ratios. The Board members recognized that there was a need to improve and build new infrastructure, therefore, they increased borrowing and the debt ratios increased accordingly in recent years but realized its first decline since FY 2005 in FY 2010. To offset the County's increased debt due to school renovations and the commitment to build a new high school, the Board voted in FY 2005 to set aside six cents of the real estate tax rate for future school capital debt expenditures and one cent of the tax rate for County capital. The practice continued in FY 2010 to set aside six cents of the real estate tax rate for school debt expenditures but one cent of the tax rate for County capital was not funded in FY 2010. The practice to set aside six cents of the real estate tax rate ended in FY 2011 although there are funds remaining from this practice that will allow the County to off-set debt service expenditures by $300,000 annually through FY 2016. The County Capital Improvement fund has accumulated funds due to the Board's policy requiring any funds in excess of 15% of budgeted revenues to be transferred from the General Fund into the Capital Fund. This plan was designed to reserve County savings for capital improvement projects that may have otherwise been debt financed. The County developed and the Board voted to accept a Five-Year Capital Improvements Plan. It represents the County's attempt to quantify the impacts of future needs matched with a projection of available resources. Each year this plan is reviewed, updated and adopted by the Board, thereby indicating the priority of projects, etc. The County's CIP policy requires that the County will ensure that all operating costs arising from approved capital projects are accounted for in the operating budget, will maintain its physical assets at a level adequate to protect the County's capital investment, and minimize future maintenance and replacement costs.

The County continues to maintain their conservative approach toward debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy of 12% of governmental fund expenditures.

The County is strategically positioned to take advantage of a large and diversified workforce running the gamut from industrial laborers to high tech specialists. The County's EDA offers free assistance to companies wishing to establish, relocate, or expand their business in New Kent.

Relevant financial policies: The County Treasurer is responsible for investing County funds. Allowable investments include savings accounts, certificates of deposit, U. S. agency securities, corporate notes, banker's acceptances, commercial paper, money market accounts, mutual funds, state bonds, local bonds, mortgage-backed securities and repurchase agreements. The County Treasurer seeks to safeguard principal, meet liquidity objectives and seek fair value rates of return. The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County maintains a General Fund Balance sufficient to fund all cash flows of the County, to provide financial reserves for unanticipated expenditures and revenue shortfalls, and to provide funds for all existing encumbrances. Policy guidelines have established this amount at a minimum of 15% of governmental fund budgeted revenues.

The County recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing policies and procedures.

Major initiatives and accomplishments: The County has aligned its professionalism, goals, and standards of operation with those of jurisdictions with much larger populations. Some of the initiatives completed over the past four years include:

- Renovated the Courthouse to provide adequate work space for the Juvenile and Domestic Court and Commonwealth's Attorney.
- Updated the Historic Courthouse to provide more efficient space for the Voter Registrar.
- Relocated the New Kent Office of Virginia Cooperative Extension to the historic school near the Courthouse Complex. This move not only brought Extension close to other County offices, but also saves in rent expenditures because the County now owns the historic school.
- Took advantage of countless federal, state, private and foundation grant opportunities for County programs, services, and capital programs.
- In January 2009, the Board of Supervisors adopted significant zoning changes.
- Continued to formulate and review Formal Fiscal Management Policies for Board Approval.
- Initiated and implemented energy savings programs and policies.
- Launched a reverse E-911 system to notify residents of emergency situations.
- Implemented economic development initiatives which included the reduction in fees for building permits.
- Leased out the Human Services Building to provide adequate space for the Social Services Department in addition to bringing together other agencies related to the welfare of our citizens such as Bay Transit, the Health Department, and Colonial Water and Conservation.
- Improved the Cable Access Channel Equipment/Technology for the recording of the Board of Supervisor meetings.

- Refurbished the Administration Building.
- Modifications were made to the Historic School Gymnasium for Parks and Recreation use.
- Repairs were made to Fire Stations 1, 2, 3 & 4, as well as equipment purchases for fire stations.
- Renovations were made to George Watkins Elementary School.
- Continued to purchase Sheriff's vehicles enabling the department to keep its fleet current.
- Continued to provide annual funding to the Computer Fund to have funds to replace computers at least every 5 years and to provide funds for the update of IT equipment.
- Improvements were made to the Animal Shelter.
- Purchased a new ambulance.

Through careful monitoring of revenues and expenditures, adjustments in County spending were implemented, including holding vacant positions open. Capital purchases were made with cash-as-you-go funding to ensure the County would end the fiscal year in sound financial condition. The Board of Supervisors has fostered this environment through consistently demanding innovation, effective planning, and financial prudence when allocating public resources.

Acknowledgements

The County utilizes its Website www.co.new-kent.va.us for a variety of purposes, which include presentation of the proposed budget document. The budget document serves as the best source for the variety of accomplishments of County functions, new initiatives and changes in service levels. In addition, the website also provides many other topics of interest including the minutes of the Board of Supervisors meetings. While many of those accomplishments could also be made in this report, it is the County's current intention to focus this report on the results of operations and analysis of the financial statements.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of New Kent, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the eighth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Thanks also to the Office of the Commissioner of the Revenue, the Office of the Treasurer, the Community Development Department, Building Codes and Compliance Department, the Human Resources Department, the Economic Development Director, and the School Board Office. The cover design was created by Krista M. Jones, Executive Assistant to the County Administrator. Special thanks must also be given to our independent accounting firm, Robinson, Farmer, Cox Associates for their support and assistance in conducting the audit and for their insights and guidance on improving our financial reporting. In addition, credit also must be given to the

Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of the County finances.

Respectfully submitted,

Rodney A. Hathaway
Acting County Administrator

Mary F. Altemus

Mary F. Altemus, CPA
Director of Financial Services

Independent Auditors' Report

To The Honorable Members of the Board of Supervisors
County of New Kent
New Kent, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of New Kent, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2012, on our consideration of the County of New Kent, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of New Kent, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of New Kent, Virginia. The combining and individual fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 30, 2012

County of New Kent, Virginia

Management's Discussion and Analysis

This section of the County of New Kent's (the "County") comprehensive annual financial report offers a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012 (FY 2012). Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2012

- The assets of the County, on a government-wide basis excluding component units, exceeded its liabilities by $120,428,021 (net assets) at the close of the most recent fiscal year. Of this amount, $32,326,442 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net assets, excluding component units, decreased by $199,867 of which the governmental activities decreased by $136,877 and business-type activities decreased by $62,990.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $24,814,196, a decrease of $1,260,970 in comparison with the prior year. Approximately 93.3% of this total amount, $23,157,837, is *available for spending* at the County's discretion (*Assigned and Unassigned Fund Balance*). The $23,157,837 consists of $7,718,777 unassigned in the General Fund, $14,771,627 assigned in the County Capital Improvements Fund and $667,433 assigned in the School Construction Fund. Approximately $5.7 million of the $14,771,627 in the County Capital Improvements Fund is currently unencumbered.

- At the end of the current fiscal year, assigned and unassigned fund balance for the General Fund totaled $7,718,777 or 15.67% of governmental fund expenditures and transfers to other funds. FY 2011 reflected an assigned and unassigned fund balance for the General Fund of $7,688,117 or 17.25% of governmental fund expenditures and transfers to other funds.

- On the government-wide basis for governmental activities, expenses net of program revenue totaled $31,110,781. Expenses net of program revenues exceeded the general revenues of $30,973,904 by $136,877. The $31,110,781 represents the amount by which governmental expenses exceeded charges for services and operating/capital grants. It is a good indicator of the government's reliance on tax revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised 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 in addition to the basic financial statements themselves.

For over 20 years, the primary focus of local government financial statements was to summarize fund type information on a current financial resource basis to provide short-term information about the County's overall financial status. This approach was modified with issuance of the Governmental Accounting Standards Board (GASB) Statement 34. Since fiscal year 2003, the County's financial statements have presented two kinds of statements, each with a different snapshot of the County's finances. The focus is on both the County as a whole (government-wide) and the fund financial statements (general, special revenue, capital projects, enterprise, and fiduciary funds). The government-wide statements provide both short-term and long-term information about the County's overall financial status. The fund financial statements focus on individual parts of the County government, reporting the County's operations in more detail and reinforcing the information provided in the government-wide statements.

GOVERNMENT-WIDE STATEMENTS

The *government-wide financial statements* report information about the County as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the County's finances is, "Is the County as a whole in better or worse financial condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the County's net assets and the changes in them. The County's net assets - the difference between assets and liabilities - is one way to measure the County's financial health, or financial position. Over time, increases and decreases in the County's net assets is one indicator of whether its financial health is improving or deteriorating. In addition, other nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure will need to be considered in order to assess overall financial health.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three types of activities:

- **Governmental Activities** – Most of the County's basic services are reported here: general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development. Property taxes, other local taxes, and state and federal grants finance most of these activities.

- **Business-Type Activities** – The County's operation, maintenance and construction of the County-owned water and wastewater (sewer) utility are reported here as the County charges a fee to customers to cover all or most of the cost of the services these operations provide. The County provides no financial support to this fund.

- **Component Units** – The County includes two separate legal entities in its report – the County of New Kent School Board (the School Board) and the Economic Development Authority (the EDA). Although legally separate, these "component units" are important because the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 23-25 of this report.

FUND FINANCIAL STATEMENTS

The *fund financial statements* focus on the County's most significant funds, not the County as a whole. 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 fiscal accountability and budgetary control. All of the funds of the County can be divided into three types of funds:

- **Governmental Funds** – The County maintains seven 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, Airport Fund, Debt Service Fund, County Capital Improvements Fund and the School Construction Fund, all of which are considered major funds. Data from the other two governmental funds are combined into a single, aggregated presentation, Other Governmental Funds, and are considered to be non-major funds: Human Services and Meals Tax. Effective with FY 2012, meals tax receipts will be reflected in the General Fund, and therefore, the Meals Tax Fund will be eliminated from the basic financial statements for FY 2013 and going forward. Meals tax revenues will now be available for general appropriation by the Board of Supervisors and no longer restricted for schools, economic development and parks. The FY 2012 CAFR reflects a $218,818 transfer of the Meals Tax Fund balance to the General Fund. Individual fund data for each of these funds is provided in the form of *combining statements* elsewhere in this report.

  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. The governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance County programs. Since this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or reconciles the differences) between the two types of statements (Exhibits 4 and 6). The basic governmental fund financial statements can be found starting on page 26 of this report.

- **Proprietary Funds** – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information.

  The County's Enterprise Fund (one type of proprietary fund) is the same as the business-type activities included in the government-wide statements, but the fund financial statements provide more detail and additional information, such as cash flow. The Enterprise Fund accounts for the operation of the County's water and sewer utility fund. The proprietary fund financial statements can be found starting on page 30 of this report.

- **<u>Fiduciary Funds</u>** – The County is the trustee, or fiduciary, for Agency Funds. The County is responsible for ensuring that the assets reported in these Funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in assets and liabilities. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its own operations. The basic fiduciary fund financial statement can be found on page 33 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 34 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary comparisons of the General Fund and Airport Fund and the County's progress in funding its obligation to provide pension benefits to its employees as well as its progress in funding the Schools' retiree healthcare plan. Required supplementary information can be found starting on page 69 of this report.

Other Supplementary Information contains the schedule of revenues, expenditures and changes in fund balances for the Debt Service Fund, County Capital Improvements Fund, and the School Construction Fund. Also included are the combining balance sheet and combining schedule of revenues, expenditures, and changes in fund balance for the non-major special revenue funds: Human Services Fund and Meals Tax Fund. The last two exhibits included in this section are the combining statement of fiduciary net assets and the statement of change in assets and liabilities for agency funds. Combining and individual fund statements and schedules can be found starting on page 73 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $120,428,021 at the close of the most recent fiscal year.

A large portion of the County's net assets ($88,067,841, 73.1% of total) reflects its investment in capital assets (e.g., land, building, machinery, and equipment) less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate related liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

Statement of Net Assets

The following table reflects a summary of condensed information on the County's net assets at June 30, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Current and other assets	$ 28,610,538	$ 29,109,047	$ 7,912,419	$ 8,361,931	$ 36,522,957	$ 37,470,978	$ 4,545,239	$ 4,745,065
Capital assets	83,070,228	85,091,451	82,815,987	82,909,297	165,886,215	168,000,748	18,974,198	17,801,321
Total assets	$ 111,680,766	$ 114,200,498	$ 90,728,406	$ 91,271,228	$ 202,409,172	$ 205,471,726	$ 23,519,437	$ 22,546,386
Current and other Liabili	$ 2,883,858	$ 2,388,849	$ 506,346	$ 591,876	$ 3,390,204	$ 2,980,725	$ 2,731,913	$ 2,852,397
Long-term liabilities	62,750,009	65,627,873	15,840,938	16,235,240	78,590,947	81,863,113	700,608	619,323
Total Liabilities	$ 65,633,867	$ 68,016,722	$ 16,347,284	$ 16,827,116	$ 81,981,151	$ 84,843,838	$ 3,432,521	$ 3,471,720
Net assets								
Invested in capital assets, net of related debt	$ 21,006,854	$ 20,138,682	$ 67,060,987	$ 66,749,297	$ 88,067,841	$ 86,887,979	$ 18,974,198	$ 17,801,321
Restricted For:								
E-911	7,414	-	-	-	7,414	-	-	-
Asset Forfeiture	26,322	-	-	-	26,322	-	-	-
Litter Control	2	-	-	-	2	-	-	-
Unrestricted (deficit)	25,006,307	26,045,094	7,320,135	7,694,815	32,326,442	33,739,909	1,112,718	1,273,345
Total Net Assets	$ 46,046,899	$ 46,183,776	$ 74,381,122	$ 74,444,112	$ 120,428,021	$ 120,627,888	$ 20,086,916	$ 19,074,666

Current and other assets for the primary government decreased $948,021 from the prior year. Of this amount, there was an overall $2,145,287 reduction in cash that is primarily due to the cash outlays related to major capital projects at the Historic School ($148,170), administration building HVAC upgrades ($398,386) and completion of the Waste Water Treatment Plant Expansion ($461,040). In addition, the County purchased vehicles totaling $836,546 and an ambulance totaling $234,155. Total primary government receivables increased $1,247,030; of which, a total of $954,731 is related to outstanding Federal Emergency Management Agency (FEMA) reimbursements for Hurricane Irene. Enterprise fund receivables declined $127,872, of which, $379,057 is related to the collection of connection fees related to various County capital projects from FY 2010. For Governmental Activities there was an $184,155 increase in net taxes receivable, with $85,290 of this increase is related to a reduction in the allowance for uncollectible accounts. During the economic downturn, the County has maintained real estate and personal property collection rates of 97% and 96%, respectively. Current and other assets of the Component Units declined $199,826 due to an $113,787 reduction in receivables and an $86,039 reduction in cash. Neither decline is considered material and is well within expected annual fluctuations.

Capital assets for governmental activities declined a total of $2,021,223. Of this amount new asset additions for the governmental funds totaled $636,877 and depreciation totaled $2,658,100. The $93,310 overall decline in capital assets in business-type activities is due to a $942,974 increase in capital purchases, and an increase in depreciation totaling $1,036,284.

Current and other liabilities of the primary government increased $409,479. Of this amount governmental liabilities increased $495,009 which is directly related to unearned FEMA revenue totaling $727,127 for Hurricane Irene. Long-term liabilities declined in accordance with existing amortization schedules and no new debt was issued during the fiscal year.

The net assets of the primary government decreased $199,867 or 0.17% when compared to fiscal year 2011. Total assets and liabilities declined $3,062,554 and $2,862,687, respectively. The majority of the County's net assets reflect its investment in capital assets, less any related outstanding debt used to acquire those assets. These assets are used to provide services to citizens and consequently are not available for future spending. Unrestricted net assets represent available funds that can be used to finance day-to-day operations. At June 30, 2012, the County reported unrestricted net assets of $32,326,442.

In the case of the component units, the School Board and EDA, assets exceeded liabilities by $20,086,916 at the close of fiscal year 2012, an increase of $1,012,250 over FY 2011. Most of this increase is related to capital assets of the Schools (net of accumulated depreciation) which increased by $1,172,877. The Schools' net assets increased due to the transfer of jointly owned assets. In reviewing and comparing the individual totals of assets and liabilities for the component units there were no major variances from FY 2011 to FY 2012 that were outside normal fluctuations and warrant additional explanation.

The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. Schools are jointly owned with the County. The County maintains ownership of the capital asset until any debt owed on the asset is paid. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit. The effect of this law for the year ended June 30, 2012, is that School-financed assets (net of accumulated depreciation) in the amount of $53,438,849 are reported in the primary government for financial reporting purposes.

Schedule of Activities

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also shows the general revenue sources that fund governmental operations. The following table summarizes the revenue and expenses of government-wide activities for the fiscal years ended June 30, 2012 and 2011:

Schedule of Activities

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues:								
Program revenues:								
Charges for services	$ 1,257,283	$ 1,103,716	$ 3,829,640	$ 3,483,729	$ 5,086,923	$ 4,587,445	$ 595,551	$ 607,645
Operating grants and contributions	3,850,528	3,361,044	-	-	3,850,528	3,361,044	13,800,125	13,991,350
Capital grants and contributions	-	14,818	305,348	2,942,658	305,348	2,957,476	-	-
General revenues:								
Property taxes	23,080,188	22,263,513	127,667	117,658	23,207,855	22,381,171	-	-
Other taxes *1	3,428,191	3,263,107	-	-	3,428,191	3,263,107	-	-
Unrestricted revenues from use of money and property	632,029	797,493	82,190	203,188	714,219	1,000,681	16,770	27,072
Miscellaneous	865,267	781,793	-	-	865,267	781,793	157,068	132,638
Grant and contributions not restricted to specific programs	2,968,229	2,944,540	-	-	2,968,229	2,944,540	-	-
Payment from New Kent County	-	-	-	-	-	-	13,881,218	13,318,430
Transfers	-	(3,660)	-	3,660	-	-	-	-
Total Revenue	$ 36,081,715	$ 34,526,364	$ 4,344,845	$ 6,750,893	$ 40,426,560	$ 41,277,257	$ 28,450,732	$ 28,077,135

*1 - For FY 2012, the APA required that Communications Sales Tax (CST) be classified as State revenue; whereas, it was classified as local in prior years. For comparsion, FY 2011 CST totaling $621,081 has been reclassified from "Other taxes" to "Grant and contributions not restricted to specific programs".

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Expenses:								
General government administration	$ 3,249,773	$ 3,127,903	$ -	$ -	$ 3,249,773	$ 3,127,903	$ -	$ -
Judicial administration	1,689,574	1,626,082	-	-	1,689,574	1,626,082	-	-
Public safety	8,096,297	6,873,657	-	-	8,096,297	6,873,657	-	-
Public works	1,917,625	2,135,389	-	-	1,917,625	2,135,389	-	-
Health and welfare	2,443,203	2,632,900	-	-	2,443,203	2,632,900	-	-
Education	14,503,170	13,735,944	-	-	14,503,170	13,735,944	-	-
Parks, recreation, and cultural	711,281	710,686	-	-	711,281	710,686	-	-
Community development	894,520	1,194,287	-	-	894,520	1,194,287	-	-
Interest on long-term debt	2,713,149	2,896,772	-	-	2,713,149	2,896,772	-	-
Business type activities:								
Water & Sewer	-	-	3,380,899	3,043,612	3,380,899	3,043,612	-	-
Bottoms Bridge	-	-	1,026,936	1,040,173	1,026,936	1,040,173	-	-
Component Units:								
School Board	-	-	-	-	-	-	27,385,042	26,953,150
Economic Development Authority	-	-	-	-	-	-	53,440	107,195
Total Expenses	$ 36,218,592	$ 34,933,620	$ 4,407,835	$ 4,083,785	$ 40,626,427	$ 39,017,405	$ 27,438,482	$ 27,060,345
Change in net assets, before transfers	$ (136,877)	$ (407,256)	$ (62,990)	$ 2,667,108	$ (199,867)	$ 2,259,852	$ 1,012,250	$ 1,016,790
Transfers	-	-	-	-	-	-	-	-
Change in net assets	(136,877)	(407,256)	(62,990)	2,667,108	(199,867)	2,259,852	1,012,250	1,016,790
Net assets at beginning of year	46,183,776	46,591,032	74,444,112	71,777,004	120,627,888	118,368,036	19,074,666	18,057,876
Net assets at end of year	$ 46,046,899	$ 46,183,776	$ 74,381,122	$ 74,444,112	$ 120,428,021	$ 120,627,888	$ 20,086,916	$ 19,074,666

Governmental Activities

For the fiscal year ended June 30, 2012, revenues for governmental activities totaled $36,081,715, an increase of $1,555,351, or 4.5% when compared to FY 2011. This increase is primarily related to the following factors:

- The $153,567 increase in charges for services was due to reimbursements for fire and police protection at events held at Colonial Downs, New Kent Winery, Rockahock Campgrounds and New Kent Public Schools.
- The $489,484 increase in operating grants is related to Fire Department grants, such as; 1) Staffing for Adequate Fire and Emergency Response (SAFER); and 2) Virginia Department of Emergency Management (VDEM) emergency preparedness grants. The SAFER grant partially funded six fire/EMS positions, while the VDEM grants funded operational equipment purchases.

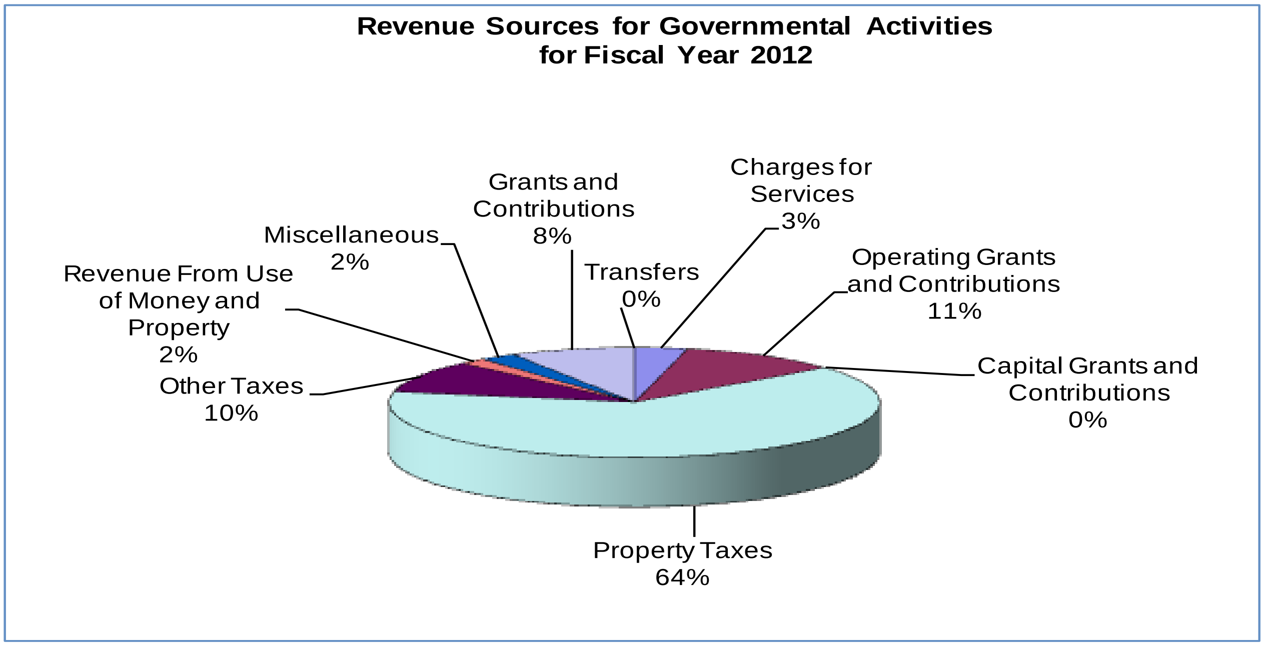
- Property taxes collections increased $816,675 due to a $373,893 increase in personal property, a $154,759 increase in real estate and a $91,281 increase in public service corporations. The increase in personal property tax collections was related to higher vehicle values resulting from government incentive programs such as cash for clunkers. The real estate increase was due to retail business growth in the County. There was no increase in personal property and real estate tax rates for FY 2012. Personal property tax collections do not include $2,217,883 that the County receives annually from the Commonwealth of Virginia relative to the Personal Property Tax Relief Act (PPTRA). These revenues are included in state revenues.
- Other taxes increased $165,084 due to strong meals and sales tax collections related to several fast food and retail businesses that have located in the County in recent years. Currently, there are additional retail businesses under construction and therefore it is expected that this trend will continue. Other taxes include revenue from local sales and use taxes, meals tax, business license taxes and motor vehicle registration fees. (Note: In prior years Communication Sales Tax, which totaled $621,081 for FY 2011, was included in "Other taxes". Per instructions received from the State Auditor of Public Accounts, these revenues will be classified as State revenues beginning with FY 2012 to reflect a change in collection responsibility from local jurisdictions to the Commonwealth. For FY 2012 Communication Sales Tax totaled $608,459.)
- The $165,464 decrease in revenues from the use of money and property is primarily due to a decline in interest revenue relative to the Federal Reserve's quantitative easing policies and the County's spend down of cash balances relative to debt issued in prior years for capital projects.

Fiscal year 2012 expenses, which totaled $36,218,592, exceeded fiscal year 2011 expenses by $1,284,972 due to the following.

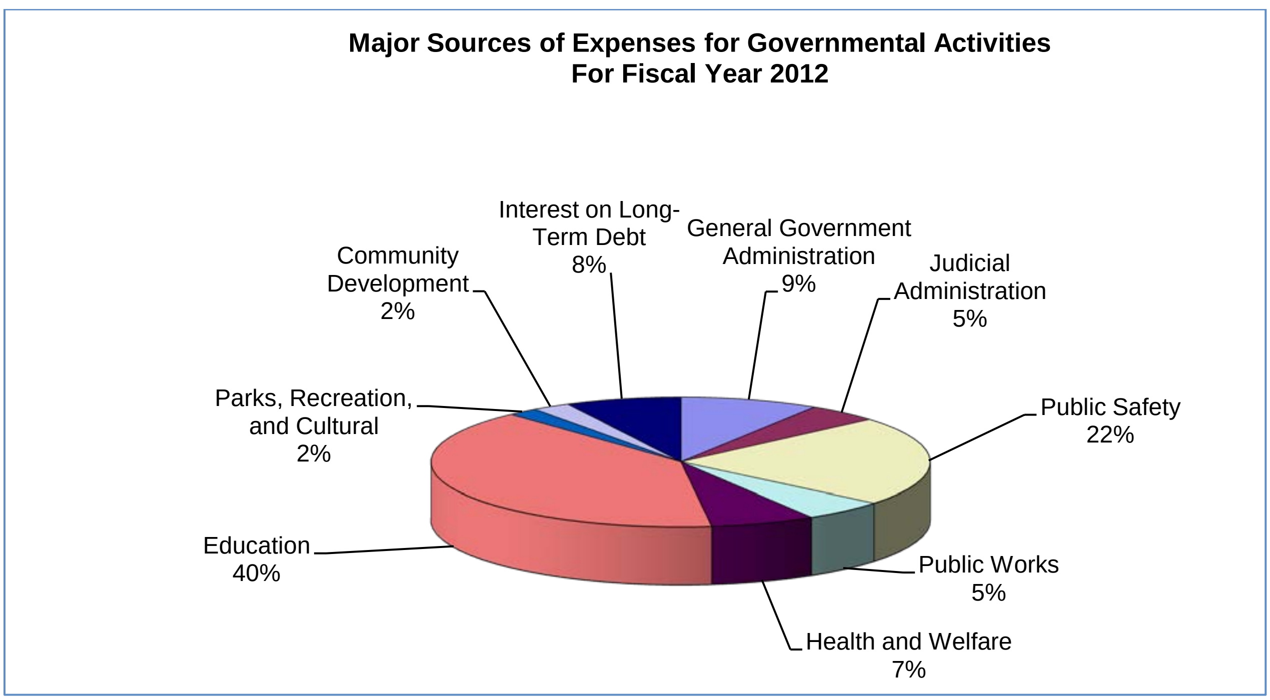
- Most of this increase is related to Hurricane Irene expenses that totaled $897,212. The County suffered extensive damage when Hurricane Irene moved into Virginia on August 27, 2011. The County established teams that responded to the emergency and documented storm related expenses. As of June 30, 2012, the County had received and accrued $375,680 of the expected $1,090,307 total reimbursement from FEMA (Federal and State) relative to the storm.
- Funding for education increased $767,226; of which, operating transfers increased $625,409. As the County's FY 2012 contribution to schools increased $236,000, a portion of the $625,409 was related to a prior year carry-forward.
- The $299,767 reduction in community development was due to vacancy savings relative to the director's positions in the Community and Economic Development departments.
- The $183,623 decline in interest on long-term debt is in accordance with existing amortization schedules.

Business-type (W&S) revenues totaled $4,344,845, which equates to a $2,406,048 decline when compared to fiscal year 2011. The decrease is directly related to one-time Department of Environmental Quality capital grants received in FY 2011. Charges for services, which total $3,829,640, increased $345,911 as a result of natural growth in the system and an eight-percent rate increase that was effective July 1, 2011. W&S expenses increased $324,050 primarily due to a $68,749 increase in personnel costs and a $279,684 increase in operating costs which is related to growth in the system, higher commodity prices and a one-time payment of prior year connection fees totaling $267,547.

Revenues: The following pie chart summarizes the major sources of revenues for the governmental activities.



Expenses: The following chart summarizes the major sources of expenses for the governmental activities.



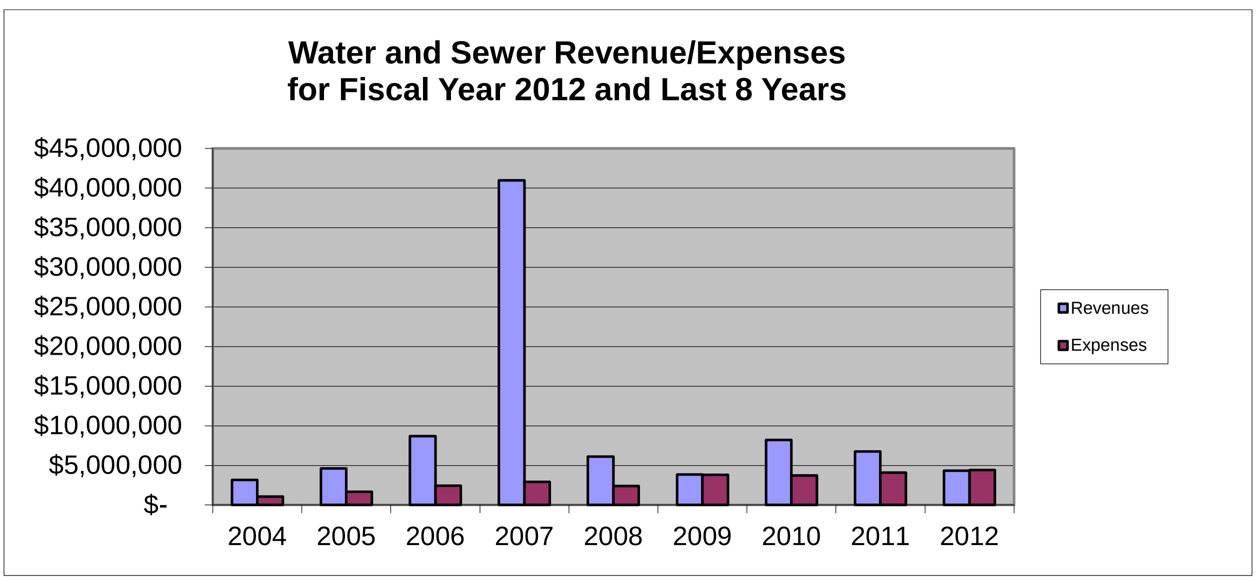
As indicated in the revenue chart above, property (64%) and other (10%) taxes comprise 74% of County's revenue base. While the Board of Supervisors has statutory authority to increase property tax rates, there is very little opportunity for additional revenues relative to other taxes as rates and fees are restricted by the Code of Virginia in many cases. One penny on the real estate tax rate for FY 2012 totals approximately $253,331. Combined, grants and contributions make up 19% of County revenues, but are uncertain due to fiscal stress at the federal and state levels.

For FY 2012, program expenses for governmental activities totaled $36,218,592 which includes payments for education to the New Kent County School Board (transfers). Of this amount, $1,257,283 was financed with charges for services and $3,850,528 from operating grants. The $31,110,781 remainder was primarily funded with tax revenues totaling $26,508,379, which demonstrates the County's reliance on this revenue source.

As a result of the GASB Statement No. 34 financial reporting requirements, depreciation expense is allocated to governmental activities. The County's largest funded programs are local support for education, public safety and capital projects. Education continues to be one of the County's highest priorities and commitments. The County's operating subsidy to the Schools totaled $11,310,508 for FY 2012. In addition, the County continued its policy of allowing the School to carry forward unspent funds to its Capital Fund to be used for unplanned capital expenditures.

Business-Type Activities: Business-type activities decreased the County's net assets by $62,990 for FY 2012. Similar to changes in net assets attributable to governmental activities, changes in business-type activity net assets also result from the difference between revenues and expenses. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. Although the W&S fund experienced a $255,992 positive change in net assets, the Bottoms Bridge Service District reflected a negative change in net assets of $318,982 which is directly related to depreciation.

The following chart reflects a summary of water and sewer income and expenses for the current and last eight fiscal years.



For fiscal year 2012, revenues for business-type activities totaled $4,344,845, a decrease of $2,406,048 when compared to FY 2011. All of this decrease is related to $2.9 million of construction grants received in fiscal year 2011. Fiscal year 2012 construction grants totaled $305,348. Service fees and federal grant funds make up the largest portion of the total revenues. Total revenue from property taxes was $127,667 or 2.9% of revenues. These tax revenues are related to the Bottoms Bridge Service District which was established to support utility improvements in the designated area.

For FY 2012, operating revenues, which totaled $2,958,440, exceeded prior year revenues by $409,189 due to an 8% rate adjustment and slight rise in the number of utility customers. Operating expenses totaled $3,698,170, which reflects a $335,575 increase over the prior year. The higher operating expenses resulted from a $68,749 increase in personnel costs due to a 2% cost of living adjustment and a $279,684 increase in other charges that is directly related to a $267,547 payment of prior year connection fees. The 8% rate adjustment was recommended by the County's financial advisors to prepare for future debt service payments, and eventually to cover its operating expenditures with operating revenues. Connection and availability fees decreased $63,278 due to the continued slowdown in the economy.

Component Unit – School Board: For FY 2012, revenues for the School Board totaled $28,444,405. The annual transfer from the County is the largest component of revenues totaling $13,881,218, or 48.8% of the total revenues. Operating Grants and Contributions is the second largest component of revenues for the School Board totaling $13,800,125 or 48.5% of the total revenues. The School Board received $12,117,541 from the Commonwealth, an increase of $350,750 from FY 2011. Most of this increase is related to student growth in the system. Federal revenues totaled $1,682,584, a decrease of $541,975 from the prior year. We anticipate that federal revenues will continue to decline in the short-term which will place additional stress on state and local budgets.

Component Unit – Economic Development Authority: The net assets of the EDA decreased $47,113 from the prior year. The revenues for the EDA, $6,327, are made up entirely of revenues from investments held by the EDA. Expenses are made up of activities to attract new businesses, encourage existing businesses to expand, and to promote tourism opportunities in the County. The EDA manages several business incentive programs that include assistance with signage and façade improvements, grants to new businesses locating to the County, and grants to assist existing businesses with expansion projects.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds: The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. The expenditure of resources is driven by the annual budget process. Such information is useful in assessing the County's financing requirements and compliance with budgetary restraints. At the end of FY 2012, the County's *governmental funds* reported a combined ending fund balance of $24,814,196, a decrease of $1,260,970 from the prior fiscal year total of $26,075,166.

GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions) is effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The GASB Statement No. 54 Fund Balance Policy resolution was presented to the Board of Supervisors and adopted on June 29, 2011.

As indicated above, the County's June 30, 2012 fund balance totaled $24,814,196 and is comprised of the following components:

- **Nonspendable - $1,261,012:** This amount is not available for expenditure and includes prepaid debt totaling $1,223,946.
- **Restricted - $33,738:** These grant funds have been restricted for E-911 wireless, clean county committee/litter control, and asset forfeiture.
- **Committed - $361,609:** Funds reported as committed are constrained for the computer fund, airport capital projects totaling $297,400, and debt service.
- **Assigned - $15,439,060:** These funds have been assigned (designated) for the procurement of Capital projects; $14,771,627 for County projects and $667,433 for school construction.
- **Unassigned Fund Balance - $7,718,777:** These funds are generally available for future appropriation by the governing body. As discussed below, the County of New Kent maintains a fund balance equal to 15% of total budgeted General Fund revenues.

Although unassigned fund balance is viewed as the amount available for governing body appropriation, portions of the committed and assigned balances could be redirected with Board of Supervisor approval. Approximately $6.3 million of the $15.439 million assigned fund balance is un-encumbered and available for future appropriation or transfer to other funds.

The General Fund is the chief operating fund of the County. At the end of FY 2012, the fund balance for this fund totaled $7,817,671; a decline of $2,954 from the prior year. The reader should not be concerned by this decrease as the County has established a policy to maintain a fund balance equaled to 15% of budgetary revenues. Unassigned fund balances exceeding the 15% threshold are transferred from the General Fund to the County Capital Improvements Fund (Capital Fund) at year end. For FY 2012, the County transferred $1,847,895 in excess funds to the Capital Fund which will be used to fund future capital procurements on a cash basis. For FY 2012, the Capital Fund reflects an assigned fund balance of $14,771,627; an increase of $2,583,833. The majority of this increase is due to the annual transfer of excess funds from the General Fund and delays of certain projects. Because the budgeted revenues continue to be conservative and expenditures were monitored tightly, there have been funds transferred to the capital projects fund for each of the past eleven years.

The Debt Service Fund is used to account for financial resources used for the payment of debt service. The Debt Service Fund fund balance decreased by $299,189. This decrease can be attributed to the use of approximately $300,000 of the fund balance to pay debt service. The use of the $300,000 resulted in a corresponding reduction in Cash and cash equivalents and a reduction in committed fund balance from FY 2011. The decrease in prepaid items and nonspendable fund balance is due to the reduction in debt service amounts due for FY 2012.

The School Construction Fund is used to account for financial resources to be used for construction of major School capital facilities. The School Construction Fund balance decreased $3,469,642 for FY 2012. This decrease was directly related to transfers from the School Construction Fund to the County Capital Improvements Fund for renovations relative to the Historic School.

Proprietary funds: The County's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the W&S (Utility) Fund at the end of the fiscal year totaled $7,320,135, a decrease of $374,680 when compared to FY 2011. Total net assets for the proprietary fund decreased $62,990. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Government Functions

The following schedule presents a summary of revenues for the County's five major funds (General, Airport, Debt Service, County Capital Improvements, School Construction), and other non-major governmental funds (Human Services and Meal Tax) for the fiscal year ended June 30, 2012.

Summary of Revenues
June 30, 2012 and 2011

	2012 Amount	Percent of total	2011 Amount	Increase (Decrease) from 2010	Percent Increase (Decrease)
Revenues					
General property taxes	$ 22,901,566	62.9%	$ 22,297,958	$ 603,608	2.7%
Other local taxes *1	3,428,191	9.4%	3,263,107	165,084	5.1%
Permits, privilege fees and regulatory licenses	377,288	1.0%	310,578	66,710	21.5%
Fines and forfeitures	242,185	0.7%	215,521	26,664	12.4%
Revenue from the use of money and property	632,029	1.7%	797,493	(165,464)	-20.7%
Charges for services	637,810	1.8%	577,617	60,193	10.4%
Miscellaneous	865,267	2.4%	781,793	83,474	10.7%
Recovered costs	495,986	1.4%	485,748	10,238	2.1%
Commonwealth *1	5,244,698	14.4%	5,444,939	(200,241)	-3.7%
Federal	1,574,059	4.3%	875,463	698,596	79.8%
Total Revenues	$ 36,399,079	100.0%	$ 35,050,217	$ 1,348,862	3.8%

*1 - Beginning with FY12, the APA requires that communications sales tax be classified as State revenue; whereas, this revenue was classified as local in prior years. For comparison, FY11 communications sales tax totaling $621,081 has been reclassified from "Other local taxes" to "Commonwealth".

When compared to FY 2011, Governmental Funds revenues increased a total of $1,348,862, due to the following:

- Property taxes increased $603,608 primarily due to a $373,893 and $154,759 increase in personal property and real estate collections, respectively. The increase in personal property assessments was related to government incentive programs such as cash for clunkers.
- Other local taxes increased $165,084 due to strong growth in meals and sales tax collections. The growth is the result of several new retail businesses locating to the County.
- The $66,710 increase in permits, fees and licenses is due to an increase in construction activity in the spring of 2012.
- Revenue from use of money and property was down $165,464 due to returns on investments and the expenditure of cash reserves related to major capital projects. Many of these major capital projects were funded with the issuance of debt.
- The $200,241 reduction in State revenues is due to a reduction in services provided to at-risk youth relative to the Comprehensive Services Act. Given that the County must provide matching funds for the cost of services provided, the reduction is confirmation that the County's efforts to control costs are working.
- Federal revenues increased $698,596 due to Federal Emergency Management Agency (FEMA) receipts in the amount of $353,597 relative to Hurricane Irene, and SAFER grant reimbursements totaling $310,439.

The following schedule presents the General Fund budgetary highlights for FY 2012. Budgets are adopted on a basis consistent with generally accepted accounting principles. Government funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Budgetary integration is employed as a management control device during the year, and budgets are monitored and reported to the Board of Supervisors on a monthly basis. With the exception of payroll, the County Administrator is authorized to transfer line-item amounts within departmental budgets. All other budget transfers must be approved by the Board of Supervisors. The component unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions.

General Fund Budgetary Highlights
Fiscal Year 2012

	Original Budget	Amended Budget	Actual	Original vs. Actual	Amended vs. Actual
Revenues					
Taxes	$ 25,570,942	$ 25,570,942	$ 26,329,757	$ 758,815	$ 758,815
Intergovernmental	5,770,050	6,979,375	6,586,903	816,853	(392,472)
Other	2,845,495	3,087,798	2,847,983	2,488	(239,815)
Total	$ 34,186,487	$ 35,638,115	$ 35,764,643	$ 1,578,156	$ 126,528
Expenditures and Other Financing Sources (Uses)					
Expenditures	$ 27,049,128	$ 30,167,954	$ 28,356,034	$ (1,306,906)	$ 1,811,920
Transfers In/Out	6,025,315	6,029,079	7,411,563	(1,386,248)	(1,382,484)
Total	$ 33,074,443	$ 36,197,033	$ 35,767,597	$ (2,693,154)	$ 429,436

Actual General Fund revenues exceeded original budgeted revenues by $1,578,156 for FY 2012. This increase is related to the receipt of federal grants relative to emergency management response which totaled $725,095 and FEMA grants related to Hurricane Irene in the amount of $321,152. Property tax collections exceeded expectations due to better than expected retail and commercial construction activity.

Also, during FY 2012, the Board of Supervisors amended the budget throughout the year. These budget amendments or supplemental appropriations were primarily for the following purposes:

- To re-appropriate monies to pay for continuing programs whose fiscal year extended beyond June 30, 2011.
- To re-appropriate grant revenues authorized in fiscal year 2011 or earlier, but not expended or encumbered as of June 30, 2011.
- To appropriate grants or donations accepted or adjusted in fiscal year 2012.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original fiscal year 2012 budget.

There is a difference of $3,118,826 between the original budget and the final amended budget of the General Fund. Of the $3,118,826, $1,013,807 is due to funds appropriated for funds received or to be received from the Federal government for Hurricane Irene and $766,821 for various Fire and Emergency Management grants. Of the $766,821, $171,000 was for the Communications Equipment Project, $141,698 for the VDEM Haz Mat Emergency Preparation Grant, and $115,242 for the VDEM Communications Grant for Mobile Satellite Radios. Additional appropriations were approved for a $156,000 Safer Grant and $156,270 for a Hear Radios Grant. There were also appropriations throughout the fiscal year for extra security detail by the Sheriff's Office, insurance proceeds, gifts and donations, and additional State and local matching funds for public assistance and welfare.

Proprietary Funds: The County's proprietary fund is comprised of the Utility Fund and the Bottoms Bridge Fund. The Enterprise Fund is committed to meeting the present and future water and sewer needs of the County by providing quality public utility services at a reasonable cost while meeting and/or exceeding all federal, state, and local regulations with regard to water quality. At the end of June 2012, the department provided water service to approximately 2,133 water customers and 951 sewer customers. The Enterprise Fund is continuing with Utility infrastructure construction that began with phase one in 2004. At that time the Board of Supervisors created the Bottoms Bridge Service District as a financing mechanism to allow the utility users to pay for the utilities through an ad valorem surcharge in addition to traditional connection and user charges. The Board also decided to run the sewer utility main line along Interstate I64 through the Routes 106 and 155 intersections to the Chickahominy Wastewater Treatment Plant. In the budgetary management of the Enterprise Fund, the County has chosen not to budget for depreciation. Connection Fees have been used to balance the budget.

CAPITAL ASSETS

Capital assets: At the end of FY 2012, the County's investment in capital assets for its governmental, business-type and component unit activities totaled $184,860,413 (net of accumulated depreciation). When compared to the prior fiscal year, investment in capital assets declined a net $941,656 which is the amount by which depreciation exceeded additions. Capital assets, net of accumulated depreciation, for the fiscal years ended June 30, 2012 and 2011, are illustrated in the following table:

Capital Assets
(Net of accumulated depreciation)
June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Non-Depreciable Assets								
Land	$ 3,578,529	$ 3,578,529	$ 2,711,055	$ 2,711,055	$ 6,289,584	$ 6,289,584	$ 2,022,600	$ 2,022,600
Construction in progress	3,817,771	2,974,985	27,878,785	31,328,507	31,696,556	34,303,492	-	110,390
Other Capital Assets								
Buildings	20,435,821	20,262,440	-	-	20,435,821	20,262,440	355,950	-
Machinery and equipment	11,871,446	10,981,547	-	-	11,871,446	10,981,547	5,692,293	5,355,973
Capital improvements	2,243,376	2,201,326	-	-	2,243,376	2,201,326	-	-
Jointly owned assets	62,116,826	63,428,065	-	-	62,116,826	63,428,065	17,810,874	16,335,630
Water production and distribution facilities	-	-	5,588,981	5,569,481	5,588,981	5,569,481	-	-
Machinery and Equipment	-	-	5,438,822	5,423,559	5,438,822	5,423,559	-	-
Infrastructure	-	-	48,355,425	43,997,492	48,355,425	43,997,492	-	-
	$ 104,063,769	$ 103,426,892	$ 89,973,068	$ 89,030,094	$ 194,036,837	$ 192,456,986	$ 25,881,717	$ 23,824,593
Less Accumulated Depreciation	(20,993,541)	(18,335,441)	(7,157,081)	(6,120,797)	(28,150,622)	(24,456,238)	(6,907,519)	(6,023,272)
Net investment in capital assets	$ 83,070,228	$ 85,091,451	$ 82,815,987	$ 82,909,297	$ 165,886,215	$ 168,000,748	$ 18,974,198	$ 17,801,321

Additional information on the County's capital assets can be found in note 6 of this report.

LONG-TERM DEBT

At the end of the current fiscal year, outstanding County debt (including the component units) totaled $79,291,555. Of this amount, $13,162,303 comprises debt backed by the full faith and credit of the government and $62,993,783 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The remainder of long-term debt consists of accrued vacation and sick leave ($1,090,181), bond premium ($1,662,288) and OPEB liability ($383,000). Details are summarized in the following table:

Long-Term Debt
June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$ 92,730	$ 107,071	$ -	$ -	$ 92,730	$ 107,071	$ 13,069,573	$ 13,954,947
Bond premium	123,997	136,733	-	-	123,997	136,733	1,538,291	1,710,092
Accrued vacation/sick	686,635	675,104	85,938	75,240	772,573	750,344	317,608	353,323
Lease Revenue Bonds	6,869,507	7,153,319	15,755,000	16,160,000	22,624,507	23,313,319	40,369,276	41,890,607
OPEB Liability	-	-	-	-	-	-	383,000	266,000
	$ 7,772,869	$ 8,072,227	$ 15,840,938	$ 16,235,240	$ 23,613,807	$ 24,307,467	$ 55,677,748	$ 58,174,969

New Kent County's total debt obligations including the Component Units decreased $3,190,881 or 3.9%. Debt obligations of Governmental Activities and Component Units decreased by a combined $2,796,579, and Enterprise Fund debt obligations decreased $394,302.

The County's debt obligation reflects a decrease of $299,358 or 3.7%, while School Board debt decreased $2,497,221 or 4.3%. No new debt was issued for FY 2012 for governmental, business-type and component unit activities; and therefore, all principal reductions are in accordance with existing amortization tables. Compensated absences decreased $13,486 for the Primary Government and Component Unit. Additional information on the County's long-term liabilities can be found in note 8 of this report.

OTHER INFORMATION

The FY 2013 Adopted Budget was developed with the Board of Supervisors' goal of maintaining service levels while working within existing resources. As the Budget Management Team worked through the budget process, the following principles served as the foundation for its decision making process:

- Employ a balanced approach in addressing historic revenue reductions and expenditure increases
- Maintain County fees at FY 2012 levels, where possible
- Utilize existing cash reserves for capital projects
- Work with our School System to maintain educational excellence in an environment of increasing costs and of diminishing state and federal aid
- Maintain public safety and social services during a period of increasing demand for services
- Promote and maintain a business friendly environment within the County

The FY 2012 budget message indicated that going forward the County would face revenue and operational cost challenges that would test our ability to maintain our current service levels. However, at the time this statement was made it was difficult to anticipate the perfect storm of revenue reductions and expenditure increases that the County and School System would face in the coming fiscal year. The largest challenge for the County was a 17.82 percent reduction in real estate property values resulting from the January 1, 2012 reassessment, which equated to a $3.2 million reduction in real estate tax revenues. The School Board's budget reflected a $2.7 million deficit due to a decrease in state funding, reductions to federal grants, increased retirement costs and other factors as outlined below. It was clear early on that a balanced approach was needed to address the combined $5.6 million deficit; that revenue increases alone would place an undue burden on our Citizens, many of whom are struggling to make ends meet in an environment of high unemployment and rising gas prices. In order to balance the budget, the County cut approximately $820,040 from departmental budgets, and recommended that the Board of Supervisors adopt a revenue neutral approach to the reduction in property values. Under the revenue neutral approach, the County adopted a real estate rate that approximates revenues billed for the December 5, 2011 due date, thereby leaving individual real estate bills basically unchanged. While not perfect, this approach provided the best opportunity for the County to partially address a deficit of historic proportions while minimizing the overall impact on our Citizens. Based on early information, it was anticipated that a revenue neutral rate of $0.86 per $100 of assessed value would be required. The rate was significantly influenced by the original assessment appeals estimate of approximately $102 million. However, as the actual appeals process proceeded it became clear that a lower appeals estimate of $14 million would be sufficient, resulting in a revenue neutral rate of $0.82. In order to provide some tax relief to Citizens while maintaining critical County functions, the Board of Supervisors approved an $0.81 real estate rate. This rate is $0.03 below the $0.84 reflected in the proposed budget and $0.01 below the revenue neutral rate of $0.82. Although the County increased School funding by $1 million, the School Board eliminated a FY 2013 deficit totaling approximately $1,680,982. Early in the budget process, the School Board approved three tiers of possible cuts. Each tier represented a package of specific cuts that would have a progressive impact on operations. The additional funding from the County eliminated the third tier, which prevented significant teacher reductions.

COUNTY REVENUE BUDGET

The FY 2013 revenue budget (excluding interfund transfers) totals $53,179,141, which reflects a $123,778 (0.23%) decrease when compared to the adopted current year (FY 2012) budget of $53,302,919. In total, General Fund revenues are projected to decrease $33,322. Collectively, real estate, personal property, and machinery and tools revenues are projected to increase $431,374, compared to a $419,185 estimated increase for FY 2012. Most of the $431,374 total is related to a $91,616 increase for public service corporation properties, and a $269,685 increase relative to personal property. Real estate revenues are projected to increase $41,529 which is reflective of a 2% growth factor and the adoption of a $0.81 real estate rate, which is $0.01 below the revenue neutral rate of $0.82. The real estate estimate reflects land book values as of January 1, 2012. The real estate collection rate of 97% reflects historical trends, while the collection rate of 94% for personal property reflects the uncertainty that remains in the economy. One penny of the real estate rate, net of the 3% uncollectible allowance, now totals $219,441. Other local tax revenues are projected to increase a total of $304,800 due to strong performance in the sales ($170,000) and meals ($42,000) tax categories. Revenues from rental and investment activity are estimated to decline $122,341. This is primarily due to declining interest rates and lower cash balances due to the expenditure of bond proceeds relative to capital procurements. There was also a $350,000 decline in transfers, which is related to the FY 2012 movement of meals tax revenues to the General Fund. Fund totals are denoted in the schedule that follows:

Adopted Budget – Revenues
FY 2012 and FY 2013

Fund	FY 2012 Adopted Budget	FY 2013 Adopted Budget	Increase (Decrease)
General Fund	$33,517,565	33,484,243	($33,322)
Schools	15,168,874	14,294,514	(874,360)
Capital Projects	1,777,770	2,404,439	626,669
Airport Operations	415,534	826,989	411,455
Social Services	958,922	825,902	(133,020)
E-911 Wireless Fund	60,000	200,522	140,522
Human Services (CSA)	1,104,254	842,532	(261,722)
Debt Service	300,000	300,000	--
Total	$53,302,919	$53,179,141	($123,778)

COUNTY EXPENDITURE BUDGET

The FY 2013 budget (excluding interfund transfers) totals $53,179,141, which reflects a $123,778 (0.23%) decrease when compared to the adopted current year (FY 2012) budget of $53,302,919. The adopted FY 2013 General Fund expenditure budget reflects a decrease of $820,040 when compared to the current year budget. These savings were redirected to Schools in support of educational programs. Total County funding for education increased $1 million for FY 2013, which will bring the annual transfer to the School System to $11,734,595. Departmental cuts were selectively administered to minimize impacts on operational budgets and services to our Citizens. Funding for the procurement of capital equipment and projects is proposed to increase $745,993 over the current year budget of $1,431,270, and will total $2,177,263 (excluding transfers). The $745,993 increase is primarily related to the addition of $500,000 for the procurement of two ambulances. The FY 2013 CSA budget declined $522,563, which is in keeping with the downward trend in program expenditures over the last three years. As a result, the FY 2013 transfer from the General Fund of $770,104 is $258,715 less than the FY 2012 transfer of $1,028,819. Fund totals are denoted in the schedule that follows:

Adopted Budget – Expenditures
FY 2012 and FY 2013

Fund	FY 2012 Adopted Budget	FY 2013 Adopted Budget	Increase (Decrease)
General Fund	$15,995,982	$15,175,942	($820,040)
Schools	25,903,469	26,029,109	125,640
Capital Projects	1,431,270	2,177,263	745,993
Airport Operations	717,982	866,274	148,292
Social Services	1,314,914	1,261,025	(53,889)
VA E-911 Wireless Fund	60,847	200,522	139,675
Human Services (CSA)	2,135,199	1,612,636	(522,563)
Debt Service	5,692,186	5,656,270	(35,916)
Computer Replacement	70,000	200,100	130,100
Minus COLA Allocation	(18,930)	--	18,930
Total	$53,302,919	$53,179,141	($123,778)

ENTERPRISE FUND FY 2013 BUDGET

The Public Utilities budget represents the financial plan for operating and capital costs relative to water and sewer services, which are provided in certain areas of the County. This fund is financed entirely by user fees and receives no tax support from the County. The FY 2013 budget includes a 4% rate increase for water and sewer usage, but reflects no increase for connection and availability fees. The rate increase is required to finance the operating, treatment and initial capital investment associated with a system that has not realized the economies of scale of a mature public utility. Increases in fuel and commodity prices are driving the additional costs of operations. As the system matures and the

County's customer base expands, future increases in operations will have a smaller impact on the bottom line, as costs will be spread over a larger customer base.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, County of New Kent, P. O. Box 150, New Kent, VA 23124 or via email at MFAltemus@newkent-va.us. Additional financial information can be found on our web-site www.co.new-kent.va.us.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COUNTY OF NEW KENT, VIRGINIA **Exhibit 1**

Statement of Net Assets
June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	$ 22,672,583	$ 7,119,892	$ 29,792,475	$ 2,124,367	$ 613,279
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,405,835	15,120	1,420,955	-	-
Accounts receivable	376,762	510,747	887,509	21,570	-
Notes receivable	-	-	-	-	23,184
Internal balances	38,573	(38,573)	-	-	-
Due from other governmental units	2,130,778	304,380	2,435,158	1,041,331	-
Inventories	-	-	-	-	721,508
Prepaid expenses	1,261,012	853	1,261,865	-	-
Other assets:					
Unamortized bond issue costs	724,995	-	724,995	-	-
Capital assets (net of accumulated depreciation):					
Land	3,578,529	2,711,055	6,289,584	2,022,600	-
Buildings and system	71,779,545	4,020,013	75,799,558	15,678,571	-
Machinery and equipment	3,894,383	3,204,278	7,098,661	1,273,027	-
Infrastructure	-	45,001,856	45,001,856	-	-
Construction in progress	3,817,771	27,878,785	31,696,556	-	-
Total assets	$ 111,680,766	$ 90,728,406	$ 202,409,172	$ 22,161,466	$ 1,357,971
LIABILITIES					
Accounts payable	$ 540,116	$ 152,225	$ 692,341	$ 806,140	$ -
Accrued liabilities	116,053	-	116,053	1,925,773	-
Accrued interest payable	1,137,929	175,403	1,313,332	-	-
Unearned revenue	815,496	-	815,496	-	-
Deposits held in escrow	274,264	178,718	452,982	-	-
Long-term liabilities:					
Due within one year	3,480,285	484,453	3,964,738	238,206	-
Due in more than one year	59,269,724	15,356,485	74,626,209	462,402	-
Total liabilities	$ 65,633,867	$ 16,347,284	$ 81,981,151	$ 3,432,521	$ -
NET ASSETS					
Invested in capital assets, net of related debt	$ 21,006,854	$ 67,060,987	$ 88,067,841	$ 18,974,198	$ -
Restricted for:					
E-911	7,414	-	7,414	-	-
Asset forfeiture	26,322	-	26,322	-	-
Litter control	2	-	2	-	-
Unrestricted (deficit)	25,006,307	7,320,135	32,326,442	(245,253)	1,357,971
Total net assets	$ 46,046,899	$ 74,381,122	$ 120,428,021	$ 18,728,945	$ 1,357,971

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

COUNTY OF NEW KENT, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2012

			Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 3,249,773	$ -	$ 221,097	$ -
Judicial administration	1,689,574	329,291	482,562	-
Public safety	8,096,297	461,092	1,986,423	-
Public works	1,917,625	126,347	-	-
Health and welfare	2,443,203	-	1,136,878	-
Education	14,503,170	-	-	-
Parks, recreation, and cultural	711,281	276,852	4,500	-
Community development	894,520	63,701	19,068	-
Interest on long-term debt	2,713,149	-	-	-
Total governmental activities	$ 36,218,592	$ 1,257,283	$ 3,850,528	$ -
Business-type activities:				
Water and sewer	$ 3,380,899	$ 3,456,940	$ -	$ 305,348
Bottom's Bridge	1,026,936	372,700	-	-
Total business-type activities	$ 4,407,835	$ 3,829,640	$ -	$ 305,348
Total primary government	$ 40,626,427	$ 5,086,923	$ 3,850,528	$ 305,348
COMPONENT UNITS:				
School Board	$ 27,385,042	$ 595,551	$ 13,800,125	$ -
Economic Development Authority	53,440	-	-	-
Total component units	$ 27,438,482	$ 595,551	$ 13,800,125	$ -

General revenues:
- General property taxes
- Local sales and use tax
- Taxes on recordation and wills
- Business license tax
- Motor vehicle tax
- Meals tax
- Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs
- Payment from New Kent County
- Total general revenues

Change in net assets
Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	EDA
$ (3,028,676)	$ -	$ (3,028,676)	$ -	$ -
(877,721)	-	(877,721)	-	-
(5,648,782)	-	(5,648,782)	-	-
(1,791,278)	-	(1,791,278)	-	-
(1,306,325)	-	(1,306,325)	-	-
(14,503,170)	-	(14,503,170)	-	-
(429,929)	-	(429,929)	-	-
(811,751)	-	(811,751)	-	-
(2,713,149)	-	(2,713,149)	-	-
$ (31,110,781)	$ -	$ (31,110,781)	$ -	$ -
$ -	$ 381,389	$ 381,389	$ -	$ -
-	(654,236)	(654,236)	-	-
$ -	$ (272,847)	$ (272,847)	$ -	$ -
$ (31,110,781)	$ (272,847)	$ (31,383,628)	$ -	$ -
$ -	$ -	$ -	$ (12,989,366)	$ -
-	-	-	-	(53,440)
$ -	$ -	$ -	$ (12,989,366)	$ (53,440)
$ 23,080,188	$ 127,667	$ 23,207,855	$ -	$ -
1,113,471	-	1,113,471	-	-
276,660	-	276,660	-	-
635,795	-	635,795	-	-
504,075	-	504,075	-	-
597,964	-	597,964	-	-
300,226	-	300,226	-	-
632,029	82,190	714,219	10,443	6,327
865,267	-	865,267	157,068	-
2,968,229	-	2,968,229	-	-
-	-	-	13,881,218	-
$ 30,973,904	$ 209,857	$ 31,183,761	$ 14,048,729	$ 6,327
$ (136,877)	$ (62,990)	$ (199,867)	$ 1,059,363	$ (47,113)
46,183,776	74,444,112	120,627,888	17,669,582	1,405,084
$ 46,046,899	$ 74,381,122	$ 120,428,021	$ 18,728,945	$ 1,357,971

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FUND FINANCIAL STATEMENTS

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Balance Sheet
Governmental Funds
June 30, 2012

	General	Airport	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	$ 6,494,412	$ 325,534	$ 8,372	$ 15,230,566	$ 667,433	$ -	$ 22,726,317
Receivables (net of allowance for uncollectibles):							
Taxes receivable	1,405,835	-	-	-	-	-	1,405,835
Accounts receivable	335,216	23,587	-	17,959	-	-	376,762
Due from other funds	38,573	-	-	-	-	-	38,573
Due from other governmental units	2,041,516	-	-	-	-	89,262	2,130,778
Prepaid items	9,319	27,747	1,223,946	-	-	-	1,261,012
Total assets	$ 10,324,871	$ 376,868	$ 1,232,318	$ 15,248,525	$ 667,433	$ 89,262	$ 27,939,277
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 251,579	$ 49,175	$ -	$ 203,834	$ -	$ 35,528	$ 540,116
Accrued liabilities	114,707	1,346	-	-	-	-	116,053
Reconciled overdraft payable	-	-	-	-	-	53,734	53,734
Deferred revenue	2,140,914	-	-	-	-	-	2,140,914
Deposits held in escrow	-	1,200	-	273,064	-	-	274,264
Total liabilities	$ 2,507,200	$ 51,721	$ -	$ 476,898	$ -	$ 89,262	$ 3,125,081
Fund balances:							
Nonspendable	$ 9,319	$ 27,747	$ 1,223,946	$ -	$ -	$ -	$ 1,261,012
Restricted	33,738	-	-	-	-	-	33,738
Committed	55,837	297,400	8,372	-	-	-	361,609
Assigned	-	-	-	14,771,627	667,433	-	15,439,060
Unassigned	7,718,777	-	-	-	-	-	7,718,777
Total fund balances	$ 7,817,671	$ 325,147	$ 1,232,318	$ 14,771,627	$ 667,433	$ -	$ 24,814,196
Total liabilities and fund balances	$ 10,324,871	$ 376,868	$ 1,232,318	$ 15,248,525	$ 667,433	$ 89,262	$ 27,939,277

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2012

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 24,814,196
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	$ 104,063,769	
Less: accumulated depreciation	(20,993,541)	83,070,228
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,325,418
Long-term liabilities and related assets, including unamortized bond issue costs and bonds payable. Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	$ (60,401,086)	
Bond issuance premium	(1,662,288)	
Interest payable	(1,137,929)	
Unamortized bond issue costs	724,995	
Compensated absences	(686,635)	(63,162,943)
Net assets of governmental activities		$ 46,046,899

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

COUNTY OF NEW KENT, VIRGINIA **Exhibit 5**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Airport	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
REVENUES							
General property taxes	$ 22,901,566	$ -	$ -	$ -	$ -	$ -	$ 22,901,566
Other local taxes	3,428,191	-	-	-	-	-	3,428,191
Permits, privilege fees, and regulatory licenses	377,288	-	-	-	-	-	377,288
Fines and forfeitures	242,185	-	-	-	-	-	242,185
Revenue from the use of money and property	547,657	84,369	-	-	3	-	632,029
Charges for services	511,463	126,347	-	-	-	-	637,810
Miscellaneous	673,404	-	-	191,267	-	596	865,267
Recovered costs	495,986	-	-	-	-	-	495,986
Intergovernmental revenues:							
Commonwealth	5,012,844	10,930	-	-	-	220,924	5,244,698
Federal	1,574,059	-	-	-	-	-	1,574,059
Total revenues	$ 35,764,643	$ 221,646	$ -	$ 191,267	$ 3	$ 221,520	$ 36,399,079
EXPENDITURES							
Current:							
General government administration	$ 3,111,352	$ -	$ -	$ -	$ -	$ -	$ 3,111,352
Judicial administration	1,355,640	-	-	-	-	-	1,355,640
Public safety	8,028,355	-	-	-	-	-	8,028,355
Public works	1,548,906	233,503	-	-	-	-	1,782,409
Health and welfare	1,615,487	-	-	-	-	739,344	2,354,831
Education	11,314,721	-	-	-	-	-	11,314,721
Parks, recreation, and cultural	617,971	-	-	-	-	-	617,971
Community development	763,602	-	-	-	-	-	763,602
Capital projects	-	66,589	-	2,402,969	170,235	-	2,639,793
Debt service:							
Principal retirement	-	-	2,704,858	-	-	-	2,704,858
Interest and other fiscal charges	-	-	2,986,517	-	-	-	2,986,517
Total expenditures	$ 28,356,034	$ 300,092	$ 5,691,375	$ 2,402,969	$ 170,235	$ 739,344	$ 37,660,049
Excess (deficiency) of revenues over (under) expenditures	$ 7,408,609	$ (78,446)	$ (5,691,375)	$ (2,211,702)	$ (170,232)	$ (517,824)	$ (1,260,970)
OTHER FINANCING SOURCES (USES)							
Transfers in	$ 294,088	$ 321,914	$ 5,392,186	$ 5,147,305	$ -	$ 439,622	$ 11,595,115
Transfers out	(7,705,651)	(19,466)	-	(351,770)	(3,299,410)	(218,818)	(11,595,115)
Total other financing sources (uses)	$ (7,411,563)	$ 302,448	$ 5,392,186	$ 4,795,535	$ (3,299,410)	$ 220,804	$ -
Net change in fund balances	$ (2,954)	$ 224,002	$ (299,189)	$ 2,583,833	$ (3,469,642)	$ (297,020)	$ (1,260,970)
Fund balances - beginning	7,820,625	101,145	1,531,507	12,187,794	4,137,075	297,020	26,075,166
Fund balances - ending	$ 7,817,671	$ 325,147	$ 1,232,318	$ 14,771,627	$ 667,433	$ -	$ 24,814,196

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		$ (1,260,970)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital asset additions	$ 2,112,121	
Depreciation expense	(1,562,634)	
Jointly owned asset allocation of assets	(1,475,244)	
Jointly owned asset depreciation	(1,095,466)	(2,021,223)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase (decrease) in deferred property taxes	$ 178,622	178,622
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments	$ 2,704,858	
Amortization of Issuance costs	(51,785)	
Premium amortization	184,537	2,837,610
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.		
(Increase) decrease in compensated absences	$ (11,532)	
(Increase) decrease in interest payable	140,616	129,084
Change in net assets of governmental activities		$ (136,877)

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

Statement of Net Assets
Proprietary Fund
June 30, 2012

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,938,436	$ 181,456	$ $ 7,119,892
Receivables (net of allowance for uncollectibles):			
Taxes receivable	-	15,120	15,120
Accounts receivable	510,747	-	510,747
Due from other governmental units	304,380	-	304,380
Prepaid expenses	853	-	853
Total current assets	$ 7,754,416	$ 196,576	$ 7,950,992
Noncurrent assets:			
Capital assets:			
Infrastructure	$ 27,621,577	$ 20,733,848	$ 48,355,425
Land	1,458,014	1,253,041	2,711,055
Water production and distribution facilities	5,588,981	-	5,588,981
Machinery and equipment	5,438,822	-	5,438,822
Construction in progress	27,878,785	-	27,878,785
Less accumulated depreciation	(5,881,152)	(1,275,929)	(7,157,081)
Total capital assets	$ 62,105,027	$ 20,710,960	$ 82,815,987
Total noncurrent assets	$ 62,105,027	$ 20,710,960	$ 82,815,987
Total assets	$ 69,859,443	$ 20,907,536	$ 90,766,979
LIABILITIES			
Current liabilities:			
Accounts payable	$ 152,225	$ -	$ 152,225
Accrued interest payable	-	175,403	175,403
Due to other funds	38,573	-	38,573
Compensated absences - current portion	64,453	-	64,453
Deposits held in escrow	178,718	-	178,718
Bonds payable - current portion	-	420,000	420,000
Total current liabilities	$ 433,969	$ 595,403	$ 1,029,372
Noncurrent liabilities:			
Bonds payable - net of current portion	$ -	$ 15,335,000	$ 15,335,000
Compensated absences - net of current portion	21,485	-	21,485
Total noncurrent liabilities	$ 21,485	$ 15,335,000	$ 15,356,485
Total liabilities	$ 455,454	$ 15,930,403	$ 16,385,857
NET ASSETS			
Invested in capital assets, net of related debt	$ 62,105,027	$ 4,955,960	$ 67,060,987
Unrestricted	7,298,962	21,173	7,320,135
Total net assets	$ 69,403,989	$ $ 4,977,133	$ $ 74,381,122

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water & Sewer	**Bottom's Bridge**	**Total**
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	$ 2,881,831	$ -	$ 2,881,831
Other revenues	76,609	-	76,609
Total operating revenues	$ 2,958,440	$ -	$ 2,958,440
OPERATING EXPENSES			
Personal services	$ 861,152	$ -	$ 861,152
Fringe benefits	315,635	-	315,635
Contractual services	580,194	-	580,194
Other charges	904,905	-	904,905
Depreciation	717,302	318,982	1,036,284
Total operating expenses	$ 3,379,188	$ 318,982	$ 3,698,170
Operating income (loss)	$ (420,748)	$ (318,982)	$ (739,730)
NONOPERATING REVENUES (EXPENSES)			
Connection and reconnection fees	$ 444,425	$ 372,700	$ 817,125
Investment earnings	82,190	-	82,190
Availability fees	54,075	-	54,075
Taxes	-	127,667	127,667
Interest expense	(1,711)	(707,954)	(709,665)
Total nonoperating revenues (expenses)	$ 578,979	$ (207,587)	$ 371,392
Income before contributions and transfers	$ 158,231	$ (526,569)	$ (368,338)
Capital contributions - construction grants	$ 305,348	$ -	$ 305,348
Transfers in	-	207,587	207,587
Transfers out	(207,587)	-	(207,587)
Change in net assets	$ 255,992	$ (318,982)	$ (62,990)
Total net assets - beginning	69,147,997	5,296,115	74,444,112
Total net assets - ending	$ 69,403,989	$ 4,977,133	$ 74,381,122

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water & Sewer	**Bottom's Bridge**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 3,012,052	$ -	$ 3,012,052
Receipts for miscellaneous items	76,609	-	76,609
Payments to suppliers	(1,562,276)	-	(1,562,276)
Payments to employees	(1,166,089)	-	(1,166,089)
Net cash provided (used) by operating activities	$ 360,296	$ -	$ 360,296
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	$ (207,587)	$ -	$ (207,587)
Transfers from other funds	-	207,587	207,587
Tax revenue	-	119,504	119,504
Net cash provided (used) by noncapital financing activities	$ (207,587)	$ 327,091	$ 119,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	$ (942,974)	$ -	$ (942,974)
Principal payment on loan from general fund	(18,447)	-	(18,447)
Principal payments on bonds	-	(405,000)	(405,000)
Capital contributions and construction grants	305,348	-	305,348
Connection and availability fees	498,500	372,700	871,200
Interest payments	(1,711)	(711,346)	(713,057)
Net cash provided (used) by capital and related financing activities	$ (159,284)	$ (743,646)	$ (902,930)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	$ 82,190	$ -	$ 82,190
Net cash provided (used) by investing activities	$ 82,190	$ -	$ 82,190
Net increase (decrease) in cash and cash equivalents	$ 75,615	$ (416,555)	$ (340,940)
Cash and cash equivalents - beginning	6,862,821	598,011	7,460,832
Cash and cash equivalents - ending	$ 6,938,436	$ 181,456	$ 7,119,892
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (420,748)	$ (318,982)	$ (739,730)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	$ 717,302	$ 318,982	$ 1,036,284
(Increase) decrease in accounts receivable	136,035	-	136,035
(Increase) decrease in prepaid expenses	(853)	-	(853)
Increase (decrease) in customer deposits	(5,814)	-	(5,814)
Increase (decrease) in accounts payable and accrued liabilities	(76,324)	-	(76,324)
Increase (decrease) in compensated absences	10,698	-	10,698
Total adjustments	$ 781,044	$ 318,982	$ 1,100,026
Net cash provided (used) by operating activities	$ 360,296	$ -	$ 360,296

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

		Agency Funds
ASSETS		
Cash and cash equivalents	$	10,471
Total assets	$	10,471
LIABILITIES		
Amounts held for social services clients	$	10,471
Total liabilities	$	10,471

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The County of New Kent, Virginia (the "County") is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and volunteer and paid fire protection and rescue services; community and economic developments; judicial; recreational activities, cultural events, education, and social services.

The financial statements of the County of New Kent, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Financial Statement Presentation

The County's financial report is prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of New Kent (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2012.

Discretely Presented Component Units.

The School Board members are elected by the citizens of New Kent County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2012.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Individual Component Unit Disclosures: (Continued)

The New Kent County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2012. The Authority does not issue a separate financial report.

C. Other Related Organizations

The Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the Waste Authority) was established in December 1990 under the provision of the Virginia Water and Sewer Authorities Act (Ch. 31, Title 15.2, Code of VA). The Waste Authority's board is comprised of representatives from the cities of Petersburg, Hopewell, Colonial Heights and Richmond, the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Town of Ashland. The 20 member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has one representative on the board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any on-going financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for years ended June 30, 2012 was $344,679. Complete financial statements can be obtained from the Authority's office at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

Middle Peninsula Juvenile Detention Commission

The Middle Peninsula Juvenile Detention Commission (the "Commission") is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Commission was created to enhance the region for the protection of the citizens by the construction, equipping, maintenance and operation of a new juvenile detention facility (the "Center") serving the eighteen member jurisdictions of which the County Administrator serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Commission. If the sum of all per diem rates paid during the fiscal year is below $2,500, the County shall pay the Commission the amount equal to the difference. Separate audited financial statements for the Commission can be obtained from the fiscal agent's office at James City County, P.O. Box 8784, Williamsburg, Virginia 23187.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Other Related Organizations (Continued)

Other Agencies – Certain agencies and commissions service both the County of New Kent and surrounding localities. Board membership is allocated among the localities and their governing bodies appointments. These agencies include: Consortium Board of the Capital Region Workforce Partnership, Central Virginia Waste Management Authority, Chickahominy District Health Advisory Board, Colonial Community Criminal Justice Board, Metropolitan Planning Organization, Richmond Metropolitan Convention & Visitors Bureau – Board of Directors, and Richmond Regional Planning District Commission.

Included in the County's Financial Report

None

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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 government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds – are those through which most governmental functions typically are financed. The County reports the General Fund, Debt Service Fund, Airport Fund, Capital Improvements Fund and School Construction Fund as major governmental funds.

   General Fund – is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for fund reporting purposes.

   Debt Service Fund – The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report financial resources being accumulated for future debt service. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund, Meals Tax Fund, Capital Fund - proffers, and the Airport Fund.

   Capital Projects Funds – The Capital Improvement Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County also reports the School Construction Fund as a major Capital Projects Fund.

2. Special Revenue Funds – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects. Non-major Special Revenue Funds consist of the following funds: Human Services (Comprehensive Services Act) and Meals Tax.

   Airport Fund – accounts for and reports the financial resources and operations of the County Airport. These resources consist of fuel and oil sales, as well as hangar rental.

3. Fiduciary Funds – (Trust and Agency Funds) – account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes social services clients.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

2. Proprietary Funds – accounts for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

   Enterprise Funds – Enterprise funds distinguish operating revenues and expenses from non-operating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The County's Enterprise Funds consist of the Water and Sewer Fund and Bottom's Bridge Fund, which account for the operations of sewage pumping stations and collection systems, and the water distribution system, as well as, construction.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments for the government, as well as for its component units, are reported at fair value.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $314,985 at June 30, 2012 and is comprised of property taxes of $288,167 and water and sewer receivables of $26,818.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Receivables and Payables: (Continued)

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	Real Property	Personal Property
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements for both the County and the Component Unit School Board. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There is no capitalized interest for the year June 30, 2012.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	50
Capital improvements	20-50
Machinery and equipment	5-30
Infrastructure	65
Vehicles	5-8
Water production and distribution facilities	50

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Compensated Absences

Vested or accumulated vacation leave is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The County’s policy is to fund pension cost as it accrues.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

M. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Prepaid Items

Prepaid expenditures in governmental funds are offset by a nonspendable fund balance.

O. Restricted Assets

The County reports restricted fund balance on the balance sheet in the amount of $33,738, which represents E-911 wireless, Litter Control and asset forfeiture funds.

P. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable Fund Balance** – Amounts that cannot be expended as they are either: (a) in nonspendable form; or, (b) legally or contractually required to be maintained intact by the governmental entity. Items in a nonspendable form include inventories and prepaid items. The corpus of an endowment is an example of an amount that is legally or contractually required to be maintained intact and is not available for expenditure.

- **Restricted Fund Balance** – Amounts that are legally constrained for a specific purpose by external parties, constitutional provisions, bond indenture, or enabling legislation. External parties include creditors, grantors, contributors or laws and regulations. Enabling legislation includes any act of law or regulation that authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the enabling legislation. An act of law can originate external to the government or be self imposed through the enactment of an ordinance by the governmental body. The expenditure of resources restriction must originate within the enabling legislation; whereas funds restricted outside originating legislation will be considered committed or assigned.

- **Committed Fund Balance** – Amounts constrained for a specific purpose by the Board of Supervisors using the highest level of decision-making authority. Removal of the constraint would require another action by the Board of Supervisors. Commitments must be established or removed the Board of Supervisors prior to the end of the fiscal year (June 30th) for which the constraint or removal of constraint is desired.

- **Assigned Fund Balance** – Amounts constrained for a specific purpose by the County Administrator. Assignments shall not create a deficit in any fund or segment of fund balance.

- **Unassigned Fund Balance** – Amounts not classified as nonspendable, restricted, committed, or assigned as noted above. The General Fund is the only fund that would report a positive unassigned fund balance.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

P. Fund Equity (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of an appropriation motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 15% of the actual GAAP basis revenues and other financing sources and uses.

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	Major Special Revenue Fund: Airport Fund	Major Debt Service Fund	Major Capital Projects Fund: County Capital Improvements	Major Capital Projects Fund: School Construction	Total
Fund Balances:						
Nonspendable:						
Prepaid expenses	$ 9,319	$ 27,747	$ 1,223,946	$ -	$ -	$ 1,261,012
Total Nonspendable Fund Balance	$ 9,319	$ 27,747	$ 1,223,946	$ -	$ -	$ 1,261,012
Restricted:						
E-911 Wireless	$ 7,414	$ -	$ -	$ -	$ -	$ 7,414
Litter Control	2	-	-	-	-	2
Asset Forfeiture - Sheriff	8,130	-	-	-	-	8,130
Asset Forfeiture - Comm. Atty	18,192	-	-	-	-	18,192
Total Restricted Fund Balance	$ 33,738	$ -	$ -	$ -	$ -	$ 33,738
Committed:						
Computer Fund	$ 55,837	$ -	$ -	$ -	$ -	$ 55,837
Airport Operations	-	297,400	-	-	-	297,400
Debt Service	-	-	8,372	-	-	8,372
Total Committed Fund Balance	$ 55,837	$ 297,400	$ 8,372	$ -	$ -	$ 361,609
Assigned:						
Capital Improvements	$ -	$ -	$ -	$ 14,771,627	$ -	$ 14,771,627
Future school construction	-	-	-	-	667,433	667,433
Total Assigned Fund Balance	$ -	$ -	$ -	$ 14,771,627	$ 667,433	$ 15,439,060
Unassigned Fund Balance	$ 7,718,777	$ -	$ -	$ -	$ -	$ 7,718,777
Total Fund Balances	$ 7,817,671	$ 325,147	$ 1,232,318	$ 14,771,627	$ 667,433	$ 24,814,196

NOTE 2–STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

Preparation of the annual budget is a two step process consisting of the five-year Capital Improvement Plan (CIP) and the Annual Operating Budget. Funding for the first year of the five-year CIP budget is incorporated into the Annual Operating Budget which is approved by the Board of Supervisors in May. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budgets are legally adopted for the General Fund, Special Revenue Funds (Human Services and Airport), Debt Service Fund, and Capital Project Funds of the Primary Government and Component Unit-School Board.

1. On or before December 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. The proposed operating and capital budget are presented to the County's Board of Supervisors for review. The Board holds informational budget sessions, budget work sessions, and a public hearing to obtain detailed information on budgetary issues and citizen input. A final budget is legally adopted through passage of a Budget Appropriation motion no later than June 30 for a fiscal year commencing on July 1. The Budget Appropriation motion establishes budgetary appropriation amounts at the fund level. The operating and capital budget includes proposed expenditures and the means to financing them.

2. The Board reviews its Bylaws at its January meeting and amends, as necessary, and readopts Bylaws at the February meeting. Included in the Bylaws are procedures for financial control. The Bylaws effectively establish a *legal level of budgetary* control, the lowest level at which the County Administrator may not reallocate resources without Board approval, at the department level. He is authorized to transfer appropriations by line item within departments, except for payroll and employee benefits line items. The County Administrator does not have authority to transfer appropriations between departments within the primary government's governmental funds. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.

3. Budgets are monitored and reported to the Board of Supervisors on a monthly basis.

4. Appropriations lapse on June 30, for all County departments. Encumbrances and reserved fund balances outstanding at June 30 are reappropriated in the succeeding year on a case-by-case basis.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2012.

NOTE 3–DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2012 were held by the County or in the County's name by the County's custodial banks. The investments also should have a credit rating no less than AA rated by Standard and Poor or Aa by Moody's Investor Service.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2012 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The County's investment policy limits investments to those allowed by the Code of Virginia. The County may however restrict investments beyond the limits imposed by the Code of Virginia as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

County's Rated Debt Investments' Values

Rated Debt Investments		Fair Quality Ratings
		AAAm
Local Government Investment Pool	$	3,880
Money Market Funds		2,127
Total	$	6,007

NOTE 3–DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

According to the County's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than 1 year.

Investment Maturities (in years)				
Investment Type		**Fair Value**		**Less Than 1 Year**
Money Market Funds	$	2,127	$	2,127
Total	$	2,127	$	2,127

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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NOTE 4–DUE FROM OTHER GOVERNMENTS:

At June 30, 2012, the County has amounts due from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales tax	$ -	$ 469,753
Motor vehicle carrier tax	10,730	-
Victim witness grant	11,227	-
Mobile home titling tax	1,389	-
E-911 wireless funds	3,333	-
Recordation tax	24,857	-
Fire programs grant	6,961	-
DEQ grant	304,380	-
Other misc state agencies	1,135	-
VA domestic violence victim grant	10,157	-
Welfare	39,473	-
Comprehensive services	89,262	-
FEMA grant	21,115	-
Communication sales tax	103,915	-
Constitutional officer reimbursements	120,655	-
Local sales tax	202,126	-
Federal Government:		
School fund grants	-	571,578
FEMA grants	1,222,646	-
DMV	11,415	-
Welfare	51,943	-
Emergency services	115,242	-
Other federal grants	83,197	-
Total due from other governments	$ 2,435,158	$ 1,041,331

NOTE 5–INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2012, are as follows:

	Interfund Receivable	Interfund Payable
General	$ 38,573	$ -
Water and Sewer Fund	-	38,573
Total Governmental Funds	$ 38,573	$ 38,573

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the general fund expects to collect in the subsequent year. The $38,573 is the outstanding balance due to the General Fund from the Water and Sewer Fund for the General Fund financed purchase of a dump truck.

NOTE 6–CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

Primary Government:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not subject to depreciation:				
Land	$ 3,578,529	$ -	$ -	$ 3,578,529
Construction in progress	2,974,985	1,005,680	162,894	3,817,771
Total capital assets not subject to depreciation	$ 6,553,514	$ 1,005,680	$ 162,894	$ 7,396,300
Capital assets subject to depreciation:				
Buildings	$ 20,262,440	$ 173,381	$ -	$ 20,435,821
Machinery and equipment	10,981,547	889,899	-	11,871,446
Capital improvements	2,201,326	42,050	-	2,243,376
Jointly owned assets	63,428,065	164,005	1,475,244	62,116,826
Total capital assets being depreciated	$ 96,873,378	$ 1,269,335	$ 1,475,244	$ 96,667,469
Less accumulated depreciation for:				
Buildings	$ 3,272,261	$ 427,584	$ -	$ 3,699,845
Machinery and equipment	6,932,343	1,044,720	-	7,977,063
Capital improvements	548,326	90,330	-	638,656
Jointly owned assets	7,582,511	1,296,871	201,405	8,677,977
Total accumulated depreciation	$ 18,335,441	$ 2,859,505	$ 201,405	$ 20,993,541
Total capital assets being depreciated, net	$ 78,537,937	$ (1,590,170)	$ 1,273,839	$ 75,673,928
Governmental capital assets, net	$ 85,091,451	$ (584,490)	$ 1,436,733	$ 83,070,228

NOTE 6–CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

Component Unit–School Board:

Discretely Presented Component Unit: - School Board:	**Balance July 1, 2011**	**Increases**	**Decreases**	**Balance June 30, 2012**
Capital assets not subject to depreciation:				
Land	$ 2,022,600	$ -	$ -	$ 2,022,600
Construction in progress	110,390	-	110,390	-
Total capital assets not subject to depreciation	$ 2,132,990	$ -	$ 110,390	$ 2,022,600
Capital assets subject to depreciation:				
Buildings	$ -	$ 355,950	$ -	$ 355,950
Jointly owned assets	16,335,630	-	(1,475,244)	17,810,874
Machinery and equipment	5,355,973	336,320	-	5,692,293
Total capital assets being depreciated	$ 21,691,603	$ 692,270	$ (1,475,244)	$ 23,859,117
Less accumulated depreciation for:				
Jointly owned assets	$ 1,952,844	$ 334,004	$ (201,405)	$ 2,488,253
Machinery and equipment	4,070,428	348,838	-	4,419,266
Total accumulated depreciation	$ 6,023,272	$ 682,842	$ (201,405)	$ 6,907,519
Total capital assets being depreciated, net	$ 15,668,331	$ 9,428	$ (1,273,839)	$ 16,951,598
Component unit capital assets, net	$ 17,801,321	$ 9,428	$ (1,163,449)	$ 18,974,198

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	$ 218,965
Judicial administratoin	384,777
Public safety	446,344
Public works	191,669
Health and welfare	74,415
Education	1,296,871
Parks, recreation and cultural	58,348
Community development	$ 188,116
Total Governmental activities	$ 2,859,505
Component Unit School Board	$ 682,842
Business-Type Activities	$ 1,036,284

NOTE 6–CAPITAL ASSETS: (CONTINUED)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of New Kent, Virginia for the year ended June 30, 2012, is that school financed assets in the amount of $53,438,849 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2012 follows:

Enterprise Fund:	**Balance July 1, 2011**	**Increases**	**Decreases**	**Balance June 30, 2012**
Business-type activities:				
Capital assets not subject to depreciation:				
Land	$ 2,711,055	$	$ -	$ 2,711,055
Construction in progress	31,328,507	846,912	4,296,634	27,878,785
Total capital assets not subject to depreciation	$ 34,039,562	$ 846,912	$ 4,296,634	$ 30,589,840
Capital assets subject to depreciation:				
Water production and distribution facilities	$ 5,569,481	$ 19,500	$ -	$ 5,588,981
Machinery and equipment	5,423,559	15,263	-	5,438,822
Infrastructure	43,997,492	4,357,933	-	48,355,425
Total capital assets being depreciated	$ 54,990,532	$ 4,392,696	$ -	$ 59,383,228
Less accumulated depreciation for:				
Water production and distribution facilities	$ 1,448,052	$ 120,916	$ -	$ 1,568,968
Machinery and equipment	1,997,979	236,565	-	2,234,544
Infrastructure	2,674,766	678,803	-	3,353,569
Total accumulated depreciation	$ 6,120,797	$ 1,036,284	$ -	$ 7,157,081
Total capital assets being depreciated, net	$ 48,869,735	$ 3,356,412	$ -	$ 52,226,147
Business-type capital assets, net	$ 82,909,297	$ 4,203,324	$ 4,296,634	$ 82,815,987

NOTE 7–INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Governmental Funds:		
General	$ 294,088	$ 7,705,651
Other Governmental	439,622	218,818
Capital Improvements	5,147,305	351,770
School Construction Fund	-	3,299,410
Debt Service	5,392,186	-
Airport	321,914	19,466
Total Governmental Funds	$ 11,595,115	$ 11,595,115
Enterprise Funds:		
Water and Sewer	$ -	$ 207,587
Bottom's Bridge	207,587	-
Total Enterprise Funds	$ 207,587	$ 207,587
Total-All Funds	$ 11,802,702	$ 11,802,702

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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NOTE 8–LONG-TERM OBLIGATIONS:

Details of Long-Term Indebtedness:

Primary Government:

The following is a summary of long-term obligations of the County for the year ended June 30, 2012:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Compensated absences payable (payable from the General Fund)	$ 675,104	$ 674,984	$ 663,453	$ 686,635	$ 514,977
Lease revenue bonds	7,153,319	-	283,812	6,869,507	295,382
General obligation bonds	107,071	-	14,341	92,730	15,060
Bond premium	136,733	-	12,736	123,997	12,347
Total incurred by County	$ 8,072,227	$ 674,984	$ 974,342	$ 7,772,869	$ 837,766
Incurred by School Board:					
General obligation bonds payable	$ 13,954,947	$ -	$ 885,374	$ 13,069,573	$ 893,490
Lease revenue bonds	41,890,607	-	1,521,331	40,369,276	1,584,344
Bond premium	1,710,092	-	171,801	1,538,291	164,685
Total incurred by School Board	$ 57,555,646	$ -	$ 2,578,506	$ 54,977,140	$ 2,642,519
Total Governmental Obligations	$ 65,627,873	$ 674,984	$ 3,552,848	$ 62,750,009	$ 3,480,285
Enterprise Obligations:					
Compensated absences payable (payable from the Enterprise Fund)	$ 75,240	$ 89,536	$ 78,838	$ 85,938	$ 64,453
Lease revenue bonds payable	16,160,000	-	405,000	15,755,000	420,000
Total Enterprise Obligations	$ 16,235,240	$ 89,536	$ 483,838	$ 15,840,938	$ 484,453

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

	County Obligations			
Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest
2013	$ 15,060	$ 4,406	$ 295,382	$ 309,290
2014	15,814	3,651	307,133	297,498
2015	16,607	2,859	321,070	283,412
2016	17,439	2,027	336,203	268,678
2017	18,312	1,152	351,540	253,241
2018	9,498	235	367,590	237,092
2019	-	-	384,360	220,197
2020	-	-	402,359	202,522
2021	-	-	420,597	184,009
2022	-	-	440,083	164,648
2023	-	-	458,331	146,404
2024	-	-	479,344	125,291
2025	-	-	501,634	103,200
2026	-	-	524,716	80,069
2027	-	-	548,599	55,862
2028	-	-	357,299	32,450
2029	-	-	373,267	16,578
Total	$ 92,730	$ 14,330	$ 6,869,507	$ 2,980,441

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

	School Obligations			
Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest
2013	$ 893,490	$ 618,242	$ 1,584,344	$ 1,930,352
2014	901,824	571,595	1,647,358	1,866,978
2015	910,950	524,157	1,728,376	1,784,610
2016	814,973	479,379	1,818,395	1,698,191
2017	821,510	437,649	1,908,415	1,607,271
2018	826,765	397,201	2,002,935	1,511,851
2019	830,897	357,876	2,101,957	1,411,704
2020	835,474	318,106	2,209,980	1,306,606
2021	840,284	278,104	2,318,004	1,196,107
2022	845,807	237,388	2,435,029	1,080,207
2023	850,329	197,672	2,538,552	976,718
2024	854,517	158,292	2,664,579	849,790
2025	860,264	117,352	2,799,609	716,561
2026	866,534	75,888	2,939,139	576,581
2027	742,966	37,034	3,083,170	429,624
2028	372,989	9,511	3,222,701	292,682
2029	-	-	3,366,733	149,538
Total	$ 13,069,573	$ 4,815,446	$ 40,369,276	$ 19,385,371

NOTE 8--LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

	Enterprise Obligations	
Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest
2013	$ 420,000	$ 694,051
2014	435,000	678,661
2015	450,000	662,731
2016	470,000	644,171
2017	490,000	623,666
2018	505,000	603,269
2019	525,000	582,154
2020	550,000	560,116
2021	570,000	537,156
2022	600,000	512,796
2023	620,000	487,024
2024	650,000	459,789
2025	675,000	430,548
2026	705,000	397,468
2027	740,000	360,620
2028	775,000	323,350
2029	815,000	285,593
2030	855,000	245,933
2031	895,000	205,045
2032	935,000	162,955
2033	980,000	118,910
2034	1,025,000	72,795
2035	1,070,000	24,610
Total	$ 15,755,000	$ 9,673,411

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	Year Issued	Interest Rates		Amount Outstanding
Governmental Obligations:				
Incurred by County:				
Lease revenue Bonds				
2006 lease revenue bonds	2007	4.00%-5.00%	$	4,475,724
2007 lease revenue bonds	2008	3.98%		2,393,783
General obligation bonds				
VRA loan	2008	4.85%		92,730
Unamortized premium				123,997
Compensated absences (payable from the General Fund)				686,635
Total incurred by County			$	7,772,869
Incurred by School Board:				
General obligation bonds				
2007 School bonds	2008	5.10%	$	5,612,375
2006 School bonds	2007	4.225%-5.10%		5,439,193
2005 School bonds - primary school	2006	4.60%-5.10%		1,721,743
1995 School bonds	1995	6.10%-6.60%		296,262
Lease revenue bonds				
2006 lease revenue bond	2007	4.00%-5.00%		40,369,276
Unamortized premium				1,538,291
Total incurred by School Board			$	54,977,140
Total Governmental Obligations			$	62,750,009
Enterprise Obligations:				
Lease revenue bond	2004	2.30-4.60%	$	15,755,000
Compensated absences (payable from the Enterprise Fund)				85,938
Total Enterprise Obligations			$	15,840,938

NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—School Board:

The following is a summary of long-term obligations transactions of the Component Unit–School Board for the year ended June 30, 2012:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012	Amounts Due Within One Year
Compensated absences payable (payable from the School Fund)	$ 353,323	$ 219,895	$ 255,610	$ 317,608	$ 238,206
OPEB Liability	266,000	222,000	105,000	383,000	-
Total Component Unit School Board	$ 619,323	$ 441,895	$ 360,610	$ 700,608	$ 238,206

NOTE 9–DEFERRED/UNEARNED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling $2,140,914 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled $1,325,418 at June 30, 2012.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2012, but paid in advance by the tax payers totaled $82,792 at June 30, 2012.

Deferred Other Revenue: Other miscellaneous unearned revenue items totaled $732,704 at June 30, 2012, of which $727,127 is FEMA funds related to Hurricane Irene.

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NOTE 10—COMMITMENTS AND CONTINGENCIES:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The following construction contracts were outstanding at June 30, 2012:

Fund	Project	Contractor	Amount Of Contract	Contract Outstanding At June 30, 2012
Component Unit-School Board	New Kent Technical Center	Southworth Mechanical Corp	$ 152,500	$ 140,103

NOTE 11—LITIGATION:

At June 30, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 12—RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal League, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Through this coverage, the County obtains general liability coverage of $1,000,000 per occurrence, auto liability coverage of $1,000,000 per occurrence, property coverage at functional replacement up to policy limits for real and personal property, workers' compensation up to the statutory limits, public officials/excess general liability of $2,000,000 per occurrence and crime blanket coverage of $250,000. Settlements have not exceeded coverage for each of the past three fiscal years.

The component units – School Board and Economic Development Authority, carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13–DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

NOTE 13–DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950) as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Website at: http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 9.33% of annual covered payroll.

The School Board's contributions for professional employees were $855,051, $512,778, and $838,554 to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011, and 2010 respectively and these contributions represented 6.33%, 3.93%, and 8.81%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of $654,999 (which does not include the portion of the employee share assumed by the employer which was $351,018) was equal to the County's required and actual contributions.

For the fiscal year 2012, the County School Board's annual pension cost for the Board's non-professional employees was $87,173 (which does not include the employee portion assumed by the School Board of $63,168), was equal to the Board's required and actual contributions.

NOTE 13–DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost (Continued)

Three-Year Trend Information

Fiscal Year Ending		Annual Pension Cost (APC) (1)	Percentage of APC Contributed		Net Pension Obligation
County:					
June 30, 2010	$	389,219	100%	$	-
June 30, 2011		628,538	100%		-
June 30, 2012		654,999	100%		-
School Board:					
Non-Professional:					
June 30, 2010	$	59,929	100%	$	-
June 30, 2011		80,904	100%		-
June 30, 2012		87,173	100%		-

(1) Employer portion only

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 80.25% funded. The actuarial accrued liability for benefits was $17,749,027, and the actuarial value of assets was $14,243,999, resulting in an unfunded actuarial accrued liability (UAAL) of $3,505,028. The covered payroll (annual payroll of active employees covered by the plan) was $6,981,566, and ratio of the UAAL to the covered payroll was 50.20%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's Non-Professional plan was 88.81% funded. The actuarial accrued liability for benefits was $3,855,040, and the actuarial value of assets was $3,423,540, resulting in an unfunded actuarial accrued liability (UAAL) of $431,500. The covered payroll (annual payroll of active employees covered by the plan) was $1,187,849, and the ratio of the UAAL to the covered payroll was 36.33%.

NOTE 13–DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress (Continued)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 14–DEFERRED COMPENSATION PLAN:

Eligible employees of the County may participate in a deferred compensation plan in accordance with Internal Revenue Code section 457. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination of employment, retirement, death or unforeseen emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts deferred and all income attributable to those amounts, property or rights are held in trust for the participants.

NOTE 15—CONDUIT DEBT:

The Economic Development Authority for New Kent County has issued industrial and economic development revenue bonds pursuant to Bond Purchase and Financing Agreements. All responsibility for the payment of this debt rests with the Borrower. The Economic Development Authority, as issuer, has no responsibility for the payment of this debt.

Outstanding conduit debt obligations are as follows at June 30, 2012:

	Original issue	Amount Outstanding
Industrial Development Revenue Bond Series 2001	$ 10,000,000	$ 7,846,124
Economic Development Revenue Bond Series 2003	8,500,000	4,988,077

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NOTE 16—SURETY BONDS:

		Amount
Commonwealth of Virginia - Division of Risk Management - Surety		
Karen A. Butler, Clerk of the Circuit Court	$	385,000
Norma C. Holmes, Treasurer		400,000
Laura M. Ecimovic, Commissioner of the Revenue		3,000
Farrar W. "Wakie" Howard, Jr., Sheriff		30,000
The above constitutional officer's employees blanket bond		50,000
VSBA Property and Casualty Pool		
Wanda F. Watkins, Clerk of the School Board		25,000
Ralph Westbay, Fiscal Agent		10,000
Dr. Robert F. Richardson, Jr., Deputy Fiscal Agent		10,000
Dr. Robert F. Richardson, Jr., Deputy Clerk of the School Board		10,000
Fidelity and Deposit Company of Maryland - Surety		
Rodney A. Hathaway, Acting County Administrator		1,000
Thomas W. Evelyn, Board of Supervisor		1,000
C. Thomas Tiller, Jr., Board of Supervisor		1,000
James H. Burrell, Board of Supervisor		1,000
Ron Stiers, Board of Supervisor		1,000
W. R. Davis, Jr., Board of Supervisor		1,000
Thrift Insurance Corp. - Surety		
All Social Services Employees - Blanket Bond		100,000
VaRISK2 - Virginia Group Liability Self Insurance Plan - Surety		1,000,000
All Social Services Employees - Blanket Bond		

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NOTE 17–POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Background

Beginning in fiscal year 2009, the School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the School Board retiree health benefit subsidy. Historically, the School Board subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the School Board accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclosed the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the School Board. This funding methodology mirrors the funding approach used for pension benefits.

Plan Description and Funding Policy

New Kent County Public Schools retirees must meet one of the following requirements to be eligible for health benefits.

- retire with an immediate benefit from the Virginia Retirement System.
- has medical coverage prior to retirement.

Health benefits include medical and dental. The retirees are responsible for 100% of the premiums. Benefits end at the age of 65. The Schools currently have 7 retirees on their plan.

Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC).* The School Board has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 17–POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan:

		SCHOOLS
Annual required contribution	$	221,000
Interest on net OPEB obligation		11,000
Adjustment to annual required contribution		(10,000)
Annual OPEB cost (expense)	$	222,000
Estimated Contributions made		(105,000)
Increase in net OPEB obligation		117,000
Net OPEB obligation-beginning of year		266,000
Net OPEB obligation-end of year	$	383,000

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012, and the preceding two years were as follows:

Fiscal Year Ended		Annual OPEB	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
Schools:					
6/30/2012	$	222,000	47.30%	$	383,000
6/30/2011		207,000	45.41%		266,000
6/30/2010		153,000	72.55%		153,000

NOTE 17–POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

Funded Status and Funding Progress

At July 1, 2010 the School Board's actuarial accrued liability for benefits was $1,635,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $14,220,301, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.50 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

In the June 30, 2010 actuarial valuation, the projected unit credit method, with linear pro-ration to assumed benefit commencement was used. The unfunded liability is amortized over 30 years as a level percentage of pay.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality - Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females.

Coverage elections - The actuarial assumed that 15% of eligible retirees who qualify will elect coverage.

NOTE 17–POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

Healthcare cost trend rate - The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007. The following assumptions were used as input variables into this model:

Rate of Inflation	3.2%
Rate of Growth in Real Income/GDP per capita	0.9%
Income Multiplier for Health Spending	1.4
Extra Trend due to Technology and other factors	1.2%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

Based on the historical and expected returns of the School Board's short-term investment portfolio, a discount of 4.0% was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was thirty years.

Rate of inflation – The inflation rate used was 3.2%.

NOTE 18–OTHER POST-EMPLOYMENT BENEFITS (OPEB):

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of $4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of $4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were $81,047, $78,287, and $98,989, respectively and equaled the required contributions for each year.

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REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	$ 22,551,142	$ 22,551,142	$ 22,901,566	$ 350,424
Other local taxes	3,019,800	3,019,800	3,428,191	408,391
Permits, privilege fees, and regulatory licenses	307,772	307,772	377,288	69,516
Fines and forfeitures	212,500	212,500	242,185	29,685
Revenue from the use of money and property	718,498	718,498	547,657	(170,841)
Charges for services	464,405	464,405	511,463	47,058
Miscellaneous	594,300	737,714	673,404	(64,310)
Recovered costs	548,020	646,909	495,986	(150,923)
Intergovernmental revenues:				
Commonwealth	4,988,427	5,087,188	5,012,844	(74,344)
Federal	781,623	1,892,187	1,574,059	(318,128)
Total revenues	$ 34,186,487	$ 35,638,115	$ 35,764,643	$ 126,528
EXPENDITURES				
Current:				
General government administration	3,146,910	3,326,407	3,111,352	215,055
Judicial administration	1,295,434	1,408,518	1,355,640	52,878
Public safety	6,631,139	8,748,873	8,028,355	720,518
Public works	1,806,133	1,822,376	1,548,906	273,470
Health and welfare	1,658,605	1,717,568	1,615,487	102,081
Education	10,738,808	11,329,722	11,314,721	15,001
Parks, recreation, and cultural	697,311	718,142	617,971	100,171
Community development	1,074,788	1,096,348	763,602	332,746
Total expenditures	$ 27,049,128	$ 30,167,954	$ 28,356,034	$ 1,811,920
Excess (deficiency) of revenues over (under) expenditures	$ 7,137,359	$ 5,470,161	$ 7,408,609	$ 1,938,448
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 420,000	$ 420,000	$ 294,088	$ (125,912)
Transfers out	(6,445,315)	(6,449,079)	(7,705,651)	(1,256,572)
Total other financing sources and uses	$ (6,025,315)	$ (6,029,079)	$ (7,411,563)	$ (1,382,484)
Net change in fund balances	$ 1,112,044	$ (558,918)	$ (2,954)	$ 555,964
Fund balances - beginning	-	1,447,964	7,820,625	6,372,661
Fund balances - ending	$ 1,112,044	$ 889,046	$ 7,817,671	$ 6,928,625

Airport Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	$ 94,482	$ 94,482	$ 84,369	$ (10,113)
Charges for services	129,552	129,552	126,347	(3,205)
Intergovernmental revenues:				
Commonwealth	25,250	41,809	10,930	(30,879)
Federal	166,250	187,768	-	(187,768)
Total revenues	$ 415,534	$ 453,611	$ 221,646	$ (231,965)
EXPENDITURES				
Current:				
Public works	$ 248,344	$ 249,982	$ 233,503	$ 16,479
Capital projects	468,000	539,518	66,589	472,929
Total expenditures	$ 716,344	$ 789,500	$ 300,092	$ 489,408
Excess (deficiency) of revenues over (under) expenditures	$ (300,810)	$ (335,889)	$ (78,446)	$ 257,443
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 320,276	$ 321,914	$ 321,914	$ -
Transfers out	(19,466)	(19,466)	(19,466)	-
Total other financing sources and uses	$ 300,810	$ 302,448	$ 302,448	$ -
Net change in fund balances	$ -	$ (33,441)	$ 224,002	$ 257,443
Fund balances - beginning	-	33,441	101,145	67,704
Fund balances - ending	$ -	$ -	$ 325,147	$ 325,147

Schedule of Pension Funding Progress
For the Year Ended June 30, 2012

Primary Government:
County Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3-2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	$ 14,243,999	$ 17,749,027	$ 3,505,028	80.25%	$ 6,981,566	50.20%
6/30/2010	13,239,874	16,288,766	3,048,892	81.28%	6,668,582	45.72%
6/30/2009	12,609,974	14,112,133	1,502,159	89.36%	6,728,020	22.33%
6/30/2008	11,851,051	12,111,513	260,462	97.85%	6,216,604	4.19%
6/30/2007	10,225,353	10,470,645	245,292	97.66%	5,603,563	4.38%
6/30/2006	8,792,953	8,831,512	38,559	99.56%	4,820,405	0.80%
6/30/2005	8,116,622	8,888,230	771,608	91.32%	4,038,948	19.10%
6/30/2004	7,769,908	7,647,288	(122,620)	101.60%	3,768,750	-3.25%

Discretely Presented Component Unit:
School Board Non-Professionals Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3-2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	$ 3,423,540	$ 3,855,040	$ 431,500	88.81%	$ 1,187,849	36.33%
6/30/2010	3,353,518	3,861,075	507,557	86.85%	1,202,890	42.19%
6/30/2009	3,471,163	3,656,004	184,841	94.94%	1,498,197	12.34%
6/30/2008	3,401,956	3,407,483	5,527	99.84%	1,373,364	0.40%
6/30/2007	3,092,110	2,959,380	(132,730)	104.49%	1,325,866	-10.01%
6/30/2006	2,768,432	2,649,750	(118,682)	104.48%	1,270,527	-9.34%
6/30/2005	2,558,984	2,587,772	28,788	98.89%	1,230,847	2.34%
6/30/2004	2,438,021	2,352,626	(85,395)	103.63%	1,079,581	-7.91%

Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2012

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll * (c)	UAAL as % of Payroll ((b-a)/c)
School Board:						
7/1/2008	$ -	$ 1,153,000	$ 1,153,000	0.00%	$ 15,650,081	7.37%
7/1/2010	-	1,635,000	1,635,000	0.00%	14,220,301	11.50%

* Based on annual payroll reported to the Virginia Retirement System

OTHER SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND SCHEDULES

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Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget -
	Original	**Final**	**Actual Amounts**	**Positive (Negative)**
EXPENDITURES				
Debt service:				
Principal retirement	$ 2,704,860	$ 2,704,860	$ 2,704,858	$ 2
Interest and other fiscal charges	2,987,326	2,987,326	2,986,517	809
Total expenditures	$ 5,692,186	$ 5,692,186	$ 5,691,375	$ 811
Excess (deficiency) of revenues over (under) expenditures	$ (5,692,186)	$ (5,692,186)	$ (5,691,375)	$ 811
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 5,392,186	5,392,186	5,392,186	$ -
Total other financing sources and uses	$ 5,392,186	$ 5,392,186	$ 5,392,186	$ -
Net change in fund balances	$ (300,000)	$ (300,000)	$ (299,189)	$ 811
Fund balances - beginning	300,000	300,000	1,531,507	1,231,507
Fund balances - ending	$ -	$ -	$ 1,232,318	$ 1,232,318

County Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	**Final**	**Actual Amounts**	
REVENUES				
Miscellaneous	$ -	$ 1,305	$ 191,267	$ 189,962
Intergovernmental revenues:				
Federal	-	166,552	-	(166,552)
Total revenues	$ -	$ 167,857	$ 191,267	$ 23,410
EXPENDITURES				
Capital projects	$ 1,431,270	$ 7,895,868	$ 2,402,969	$ 5,492,899
Total expenditures	$ 1,431,270	$ 7,895,868	$ 2,402,969	$ 5,492,899
Excess (deficiency) of revenues over (under) expenditures	$ (1,431,270)	$ (7,728,011)	$ (2,211,702)	$ 5,516,309
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ 3,299,410	$ 5,147,305	$ 1,847,895
Transfers out	(351,770)	(351,770)	(351,770)	-
Total other financing sources and uses	$ (351,770)	$ 2,947,640	$ 4,795,535	$ 1,847,895
Net change in fund balances	$ (1,783,040)	$ (4,780,371)	$ 2,583,833	$ 7,364,204
Fund balances - beginning	1,783,040	4,780,371	12,187,794	7,407,423
Fund balances - ending	$ -	$ -	$ 14,771,627	$ 14,771,627

School Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 3	$ 3
Total revenues	$ -	$ -	$ 3	$ 3
EXPENDITURES				
Capital projects	$ -	$ 170,235	$ 170,235	$ -
Total expenditures	$ -	$ 170,235	$ 170,235	$ -
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (170,235)	$ (170,232)	$ 3
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ (3,299,410)	$ (3,299,410)	$ -
Total other financing sources and uses	$ -	$ (3,299,410)	$ (3,299,410)	$ -
Net change in fund balances	$ -	$ (3,469,645)	$ (3,469,642)	$ 3
Fund balances - beginning	-	3,469,645	4,137,075	667,430
Fund balances - ending	$ -	$ -	$ 667,433	$ 667,433

Balance Sheet
Nonmajor Special Revenue Fund
June 30, 2012

		Human Services Fund
ASSETS		
Due from other governmental units	$	89,262
Total assets	$	89,262
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	35,528
Reconciled overdraft payable		53,734
Total liabilities	$	89,262
Fund balances:		
Committed to:		
Human Services	$	-
Total committed fund balance	$	-
Total fund balances	$	-
Total liabilities and fund balances	$	89,262

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	Human Services Fund	Meals Tax Fund	Total
REVENUES			
Miscellaneous	$ 596	$ -	$ 596
Intergovernmental revenues:			
Commonwealth	$ 220,924	$ -	$ 220,924
Total revenues	$ 221,520	$ -	$ 221,520
EXPENDITURES			
Current:			
Health and welfare	$ 739,344	$ -	$ 739,344
Total expenditures	$ 739,344	$ -	$ 739,344
Excess (deficiency) of revenues over (under) expenditures	$ (517,824)	$ -	$ (517,824)
OTHER FINANCING SOURCES (USES)			
Transfers in	$ 439,622	$ -	$ 439,622
Transfers out	-	(218,818)	(218,818)
Total other financing sources and uses	$ 439,622	$ (218,818)	$ 220,804
Net change in fund balances	$ (78,202)	$ (218,818)	$ (297,020)
Fund balances - beginning	78,202	218,818	297,020
Fund balances - ending	$ -	$ -	$ -

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	Human Services Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Miscellaneous	$ -	$ -	$ 596	$ 596
Intergovernmental revenues:				
Commonwealth	1,104,254	1,104,254	220,924	(883,330)
Total revenues	$ 1,104,254	$ 1,104,254	$ 221,520	$ (882,734)
EXPENDITURES				
Current:				
Health and welfare	$ 2,133,073	$ 2,135,199	$ 739,344	$ 1,395,855
Total expenditures	$ 2,133,073	$ 2,135,199	$ 739,344	$ 1,395,855
Excess (deficiency) of revenues over (under) expenditures	$ (1,028,819)	$ (1,030,945)	$ (517,824)	$ 513,121
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 1,028,819	$ 1,030,945	$ 439,622	$ (591,323)
Transfers out	-	-	-	-
Total other financing sources and uses	$ 1,028,819	$ 1,030,945	$ 439,622	$ (591,323)
Net change in fund balances	$ -	$ -	$ (78,202)	$ (78,202)
Fund balances - beginning	-	-	78,202	78,202
Fund balances - ending	$ -	$ -	$ -	$ -

Exhibit 20

Meals Tax Fund			
Budgeted Amounts			Variance with Final Budget Positive
Original	Final	Actual	(Negative)
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -
-	-	(218,818)	(218,818)
$ -	$ -	$ (218,818)	$ (218,818)
$ -	$ -	$ (218,818)	$ (218,818)
-	-	218,818	-
$ -	$ -	$ -	$ (218,818)

Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

		Agency Funds
		Special Welfare
ASSETS		
Cash and cash equivalents	$	10,471
Total assets	$	10,471
LIABILITIES		
Amounts held for social services clients	$	10,471
Total liabilities	$	10,471

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	$ 8,714	$ 5,868	$ 4,111	$ 10,471
Total assets	$ 8,714	$ 5,868	$ 4,111	$ 10,471
Liabilities:				
Amounts held for social services clients	$ 8,714	$ 5,868	$ 4,111	$ 10,471
Total liabilities	$ 8,714	$ 5,868	$ 4,111	$ 10,471
SSI Dedicated Fund:				
Assets:				
Cash and cash equivalents	$ 5,232	$ 14,023	$ 19,255	$ -
Total assets	$ 5,232	$ 14,023	$ 19,255	$ -
Liabilities:				
Amounts held for social services clients	$ 5,232	$ 14,023	$ 19,255	$ -
Total liabilities	$ 5,232	$ 14,023	$ 19,255	$ -
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	$ 13,946	$ 19,891	$ 23,366	$ 10,471
Total assets	$ 13,946	$ 19,891	$ 23,366	$ 10,471
Liabilities:				
Amounts held for social services clients	$ 13,946	$ 19,891	$ 23,366	$ 10,471
Total liabilities	$ 13,946	$ 19,891	$ 23,366	$ 10,471

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DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD

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Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,593,259	$ 531,108	$ 2,124,367
Receivables (net of allowance for uncollectibles):			
Accounts receivable	21,570	-	21,570
Due from other governmental units	1,041,331	-	1,041,331
Total assets	$ 2,656,160	$ 531,108	$ 3,187,268
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 783,827	$ 22,313	$ 806,140
Accrued liabilities	1,872,958	52,815	1,925,773
Total liabilities	$ 2,656,785	$ 75,128	$ 2,731,913
Fund balances:			
Committed to:			
Cafeteria fund	$ -	$ 247,832	$ 247,832
Textbook fund	-	208,148	208,148
Total Committed Fund Balances	$ -	$ 455,980	$ 455,980
Assigned	$ (625)	$ -	$ (625)
Total fund balances	$ (625)	$ 455,980	$ 455,355
Total liabilities and fund balances	$ 2,656,160	$ 531,108	$ 3,187,268

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above		$ 455,355
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital asets cost	$ 25,881,717	
Less: accumulated depreciation	(6,907,519)	18,974,198
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (317,608)	
OPEB Liability	(383,000)	(700,608)
Net assets of governmental activities		$ 18,728,945

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	$ 8,097	$ 2,346	$ 10,443
Charges for services	52,960	542,591	595,551
Miscellaneous	152,461	4,607	157,068
Intergovernmental revenues:			
Local government	11,294,696	15,812	11,310,508
Commonwealth	12,018,931	98,610	12,117,541
Federal	1,358,648	323,936	1,682,584
Total revenues	$ 24,885,793	$ 987,902	$ 25,873,695
EXPENDITURES			
Current:			
Education	$ 24,886,418	$ 1,019,506	$ 25,905,924
Total expenditures	$ 24,886,418	$ 1,019,506	$ 25,905,924
Excess (deficiency) of revenues over (under) expenditures	$ (625)	$ (31,604)	$ (32,229)
Net change in fund balances	$ (625)	$ (31,604)	$ (32,229)
Fund balances - beginning	-	487,584	487,584
Fund balances - ending	$ (625)	$ 455,980	$ 455,355

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above		$ (32,229)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital asset additions	$ 2,057,124	
Depreciation expense	(884,247)	1,172,877
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.		
(Increase) decrease in compensated absences	$ 35,715	
(Increase) decrease in OPEB liability	(117,000)	(81,285)
Change in net assets of governmental activities		$ 1,059,363

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 5,000	$ 5,000	$ 8,097	$ 3,097
Charges for services	52,000	52,000	52,960	960
Miscellaneous	25,500	51,482	152,461	100,979
Intergovernmental revenues:				
Local government	10,734,595	11,309,697	11,294,696	(15,001)
Commonwealth	12,081,725	12,081,725	12,018,931	(62,794)
Federal	1,723,481	1,723,481	1,358,648	(364,833)
Total revenues	$ 24,622,301	$ 25,223,385	$ 24,885,793	$ (337,592)
EXPENDITURES				
Current:				
Education	$ 24,732,646	$ 25,223,385	$ 24,886,418	$ 336,967
Total expenditures	$ 24,732,646	$ 25,223,385	$ 24,886,418	$ 336,967
Excess (deficiency) of revenues over (under) expenditures	$ (110,345)	$ -	$ (625)	$ (625)
Net change in fund balances	$ (110,345)	$ -	$ (625)	$ (625)
Fund balances - beginning	110,345	-	-	-
Fund balances - ending	$ -	$ -	$ (625)	$ (625)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Cafeteria Fund				Textbook Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Revenue from the use of money and property	$ -	$ -	$ 2,346	$ 2,346	$ -	$ -	$ -	$ -
Charges for services	697,300	697,300	542,591	(154,709)	-	-	-	-
Miscellaneous	-	-	4,607	4,607	-	-	-	-
Intergovernmental revenues:								
Local government	-	-	-	-	-	15,812	15,812	-
Commonwealth	16,123	16,123	16,295	172	65,451	65,451	82,315	16,864
Federal	150,000	150,000	323,936	173,936	-	-	-	-
Total revenues	$ 863,423	$ 863,423	$ 889,775	$ 26,352	$ 65,451	$ 81,263	$ 98,127	$ 16,864
EXPENDITURES								
Current:								
Education	$ 863,423	$ 885,761	$ 929,527	$ (43,766)	$ 307,400	$ 307,400	$ 89,979	$ 217,421
Total expenditures	$ 863,423	$ 885,761	$ 929,527	$ (43,766)	$ 307,400	$ 307,400	$ 89,979	$ 217,421
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (22,338)	$ (39,752)	$ (17,414)	$ (241,949)	$ (226,137)	$ 8,148	$ 234,285
Net change in fund balances	$ -	$ (22,338)	$ (39,752)	$ (17,414)	$ (241,949)	$ (226,137)	$ 8,148	$ 234,285
Fund balances - beginning	-	22,338	287,584	265,246	241,949	226,137	200,000	(26,137)
Fund balances - ending	$ -	$ -	$ 247,832	$ 247,832	$ -	$ -	$ 208,148	$ 208,148

DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY

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Statement of Net Assets
Discretely Presented Component Unit - Economic Development Authority
June 30, 2012

ASSETS		
Current assets:		
Cash and cash equivalents	$	613,279
Loans receivable		23,184
Land held for resale		721,508
Total current assets	$	1,357,971
Total assets	$	1,357,971
NET ASSETS		
Unrestricted	$	1,357,971
Total net assets	$	1,357,971

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2012

OPERATING EXPENSES		
Other charges	$	53,440
Total operating expenses	$	53,440
Operating income (loss)	$	(53,440)
NONOPERATING REVENUES (EXPENSES)		
Interest earnings	$	6,327
Total nonoperating revenues (expenses)	$	6,327
Change in net assets	$	(47,113)
Total net assets - beginning		1,405,084
Total net assets - ending	$	1,357,971

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for customers	$	(23,184)
Payments for operating activities		(53,440)
Net cash provided (used) by operating activities	$	(76,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	$	6,327
Net increase (decrease) in cash and cash equivalents	$	(70,297)
Cash and cash equivalents - beginning		683,576
Cash and cash equivalents - ending	$	613,279
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(53,440)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in loans receivable	$	(23,184)
Total adjustments	$	(23,184)
Net cash provided (used) by operating activities	$	(76,624)

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SUPPORTING SCHEDULES

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 18,163,156	$ 18,163,156	$ 18,023,515	$ (139,641)
Real and personal public service corporation taxes	593,933	593,933	685,491	91,558
Personal property taxes	3,527,958	3,527,958	3,866,643	338,685
Mobile home taxes	28,485	28,485	29,959	1,474
Machinery and tools taxes	7,610	7,610	6,175	(1,435)
Penalties	152,000	152,000	174,289	22,289
Interest	78,000	78,000	115,494	37,494
Total general property taxes	$ 22,551,142	$ 22,551,142	$ 22,901,566	$ 350,424
Other local taxes:				
Local sales and use taxes	$ 910,000	$ 910,000	$ 1,113,471	$ 203,471
Consumers' utility taxes	200,000	200,000	154,372	(45,628)
Electric consumption taxes	62,000	62,000	110,955	48,955
Business license taxes	548,000	548,000	635,795	87,795
Cable TV franchise tax	-	-	5,353	5,353
Vehicle registration fees	465,000	465,000	504,075	39,075
Bank stock taxes	34,000	34,000	8,533	(25,467)
Taxes on recordation and wills	260,000	260,000	276,660	16,660
Hotel and motel room taxes	12,300	12,300	16,233	3,933
Meals tax	525,000	525,000	597,964	72,964
Admissions tax	3,500	3,500	4,780	1,280
Total other local taxes	$ 3,019,800	$ 3,019,800	$ 3,428,191	$ 408,391
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 23,000	$ 23,000	$ 23,983	$ 983
Transfer fees	600	600	727	127
Permits and other licenses	284,172	284,172	352,578	68,406
Total permits, privilege fees, and regulatory licenses	$ 307,772	$ 307,772	$ 377,288	$ 69,516
Fines and forfeitures:				
Court fines and forfeitures	$ 212,500	$ 212,500	$ 242,185	$ 29,685
Total fines and forfeitures	$ 212,500	$ 212,500	$ 242,185	$ 29,685
Revenue from use of money and property:				
Revenue from use of money	$ 431,157	$ 431,157	$ 293,122	$ (138,035)
Revenue from use of property	287,341	287,341	254,535	(32,806)
Total revenue from use of money and property	$ 718,498	$ 718,498	$ 547,657	$ (170,841)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
General Fund: (Continued)								
Charges for services:								
Excess fees of clerk	$	7,000	$	7,000	$	27,513	$	20,513
Charges for law enforcement and traffic control		600		600		1,107		507
Charges for circuit court		58,500		58,500		57,478		(1,022)
Charges for courthouse security		80,000		80,000		71,599		(8,401)
Charges for Commonwealth's Attorney		380		380		2,115		1,735
Charges for other protection		6,775		6,775		11,098		4,323
Charges for sanitation and waste removal		41,650		41,650		62,683		21,033
Charges for parks and recreation		268,000		268,000		276,852		8,852
Charges for sale of publications		1,500		1,500		1,018		(482)
Total charges for services	$	464,405	$	464,405	$	511,463	$	47,058
Miscellaneous revenue:								
Miscellaneous	$	88,600	$	232,014	$	227,366	$	(4,648)
Off-track betting proceeds		505,700		505,700		446,038		(59,662)
Total miscellaneous revenue	$	594,300	$	737,714	$	673,404	$	(64,310)
Recovered costs:								
Plum Point loan repay-program income	$	-	$	7,822	$	7,822	$	-
Extension program sponsorship		2,000		4,635		4,635		-
9th judicial court/localities		14,020		14,020		14,020		-
Colonial Downs - fire/rescue standby		99,000		134,424		94,464		(39,960)
Fire suppression		25,000		25,000		(1,755)		(26,755)
Other recovered costs		58,000		111,008		80,441		(30,567)
Ambulance and rescue service		350,000		350,000		296,359		(53,641)
Total recovered costs	$	548,020	$	646,909	$	495,986	$	(150,923)
Total revenue from local sources	$	28,416,437	$	28,658,740	$	29,177,740	$	519,000
Revenue from the Commonwealth:								
Noncategorical aid:								
Motor vehicle carriers' tax	$	40,000	$	40,000	$	48,183	$	8,183
Mobile home titling tax		7,400		7,400		6,370		(1,030)
Motor vehicle rental tax		1,200		1,200		1,395		195
State recordation tax		124,000		124,000		85,939		(38,061)
Personal property tax relief funds		2,217,883		2,217,883		2,217,883		-
Communications sales tax		625,000		625,000		608,459		(16,541)
Total noncategorical aid	$	3,015,483	$	3,015,483	$	2,968,229	$	(47,254)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 214,877	$ 214,877	$ 214,444	$ (433)
Sheriff	849,271	849,271	842,134	(7,137)
Commissioner of revenue	84,992	84,992	85,127	135
Treasurer	80,371	80,371	78,523	(1,848)
Registrar/electoral board	39,502	50,097	46,061	(4,036)
Clerk of the Circuit Court	186,653	226,624	224,052	(2,572)
Total shared expenses	$ 1,455,666	$ 1,506,232	$ 1,490,341	$ (15,891)
Other categorical aid:				
Public assistance and welfare administration	$ 297,299	$ 306,377	$ 285,838	$ (20,539)
Four for Life grant	8,700	19,953	19,953	-
Emergency services grants	48,492	20,500	41,615	21,115
Virginia commission for the arts	4,500	4,500	4,500	-
Other state grants	-	11,636	10,847	(789)
E-911 wireless	60,000	60,000	40,000	(20,000)
Forfeited assets	-	-	2,308	2,308
Va. Domestic Violence grant	20,000	50,043	50,356	313
Victim-witness grant	44,287	45,173	44,066	(1,107)
Fire programs	34,000	42,303	49,264	6,961
Litter control	-	4,988	4,988	-
DMV animal friendly plates	-	-	539	539
Total other categorical aid	$ 517,278	$ 565,473	$ 554,274	$ (11,199)
Total categorical aid	$ 1,972,944	$ 2,071,705	$ 2,044,615	$ (27,090)
Total revenue from the Commonwealth	$ 4,988,427	$ 5,087,188	$ 5,012,844	$ (74,344)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 661,623	$ 681,825	$ 630,116	$ (51,709)
Edward Byrne memorial justice assistance grant	-	2,370	2,370	-
DMV - alcohol open container requirements	-	37,245	28,455	(8,790)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Emergency management and response	$ -	$ 725,095	$ 245,932	$ (479,163)
Chesapeake bay implementation grant	-	4,500	3,150	(1,350)
FEMA - Hurricane Irene	-	321,152	353,597	32,445
FEMA safer grant - fire/rescue	120,000	120,000	310,439	190,439
Total categorical aid	$ 781,623	$ 1,892,187	$ 1,574,059	$ (318,128)
Total revenue from the federal government	$ 781,623	$ 1,892,187	$ 1,574,059	$ (318,128)
Total General Fund	$ 34,186,487	$ 35,638,115	$ 35,764,643	$ 126,528
Special Revenue Funds:				
Airport Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 94,482	$ 94,482	$ 84,369	$ (10,113)
Total revenue from use of money and property	$ 94,482	$ 94,482	$ 84,369	$ (10,113)
Charges for services:				
Fuel/oil sales	$ 128,952	$ 128,952	$ 126,347	$ (2,605)
Airport access fees	600	600	-	(600)
Total charges for services	$ 129,552	$ 129,552	$ 126,347	$ (3,205)
Total revenue from local sources	$ 224,034	$ 224,034	$ 210,716	$ (13,318)
Revenue from the Commonwealth:				
Categorical aid:				
Department of Aviation grants	$ 25,250	$ 41,809	$ 10,930	$ (30,879)
Total categorical aid	$ 25,250	$ 41,809	$ 10,930	$ (30,879)
Total revenue from the Commonwealth	$ 25,250	$ 41,809	$ 10,930	$ (30,879)
Revenue from the federal government:				
Categorical aid:				
Airport improvement program	$ 166,250	$ 187,768	$ -	$ (187,768)
Total categorical aid	$ 166,250	$ 187,768	$ -	$ (187,768)
Total revenue from the federal government	$ 166,250	$ 187,768	$ -	$ (187,768)
Total Airport Fund	$ 415,534	$ 453,611	$ 221,646	$ (231,965)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Human Services Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	$ -	$ -	$ 596	$ 596
Total miscellaneous revenue	$ -	$ -	$ 596	$ 596
Total revenue from local sources	$ -	$ -	$ 596	$ 596
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	$ 1,104,254	$ 1,104,254	$ 220,924	$ (883,330)
Total categorical aid	$ 1,104,254	$ 1,104,254	$ 220,924	$ (883,330)
Total revenue from the Commonwealth	$ 1,104,254	$ 1,104,254	$ 220,924	$ (883,330)
Total Human Services Fund	$ 1,104,254	$ 1,104,254	$ 221,520	$ (882,734)
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Cash proffers	$ -	$ -	$ 189,962	$ 189,962
Other miscellaneous	-	1,305	1,305	-
Total miscellaneous revenue	$ -	$ 1,305	$ 191,267	$ 189,962
Total revenue from local sources	$ -	$ 1,305	$ 191,267	$ 189,962

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds: (Continued)				
County Capital Improvements Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
ISTEA - village improvement grant	$ -	$ 149,200	$ -	$ (149,200)
Bicycle signage grant	-	17,352	-	(17,352)
Total revenue from the federal government	$ -	$ 166,552	$ -	$ (166,552)
Total County Capital Improvements Fund	$ -	$ 167,857	$ 191,267	$ 23,410
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 3	$ 3
Total revenue from use of money and property	$ -	$ -	$ 3	$ 3
Total revenue from local sources	$ -	$ -	$ 3	$ 3
Total School Construction Fund	$ -	$ -	$ 3	$ 3
Total Primary Government	$ 35,706,275	$ 37,363,837	$ 36,399,079	$ (964,758)
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 5,000	$ 5,000	$ 8,097	$ 3,097
Total revenue from use of money and property	$ 5,000	$ 5,000	$ 8,097	$ 3,097
Charges for services:				
Tuition and payments from other divisions	$ 52,000	$ 52,000	$ 52,960	$ 960
Total charges for services	$ 52,000	$ 52,000	$ 52,960	$ 960
Miscellaneous revenue:				
Other miscellaneous	$ 25,500	$ 51,482	$ 152,461	$ 100,979
Total miscellaneous revenue	$ 25,500	$ 51,482	$ 152,461	$ 100,979
Total revenue from local sources	$ 82,500	$ 108,482	$ 213,518	$ 105,036

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of New Kent, Virginia	$ 10,734,595	$ 11,309,697	$ 11,294,696	$ (15,001)
Total revenues from local governments	$ 10,734,595	$ 11,309,697	$ 11,294,696	$ (15,001)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 2,685,419	$ 2,685,419	$ 2,714,764	$ 29,345
Basic school aid	7,020,227	7,020,227	7,049,836	29,609
ISAEP (GED program)	7,859	7,859	7,859	-
Regular foster care	18,901	18,901	18,987	86
Gifted and talented	72,616	72,616	73,061	445
Remedial education	64,547	64,547	64,943	396
English as a second language	4,384	4,384	5,324	940
Special education	944,006	944,006	949,793	5,787
Vocational education	45,183	45,183	45,460	277
Social security fringe benefits	405,035	405,035	407,518	2,483
Retirement fringe benefits	367,920	367,920	370,176	2,256
Group life insurance fringe benefits	14,523	14,523	14,612	89
State lottery payments	208,008	208,008	-	(208,008)
Early reading intervention	29,380	29,380	25,924	(3,456)
Homebound education	5,412	5,412	5,588	176
Vocational education equipment	3,151	3,151	3,638	487
At risk payments	27,114	27,114	27,264	150
Technology	154,000	154,000	-	(154,000)
Mentor teacher program	4,040	4,040	3,659	(381)
Supplemental support for school operating costs	-	-	210,448	210,448
Other state funds	-	-	20,077	20,077
Total categorical aid	$ 12,081,725	$ 12,081,725	$ 12,018,931	$ (62,794)
Total revenue from the Commonwealth	$ 12,081,725	$ 12,081,725	$ 12,018,931	$ (62,794)
Revenue from the federal government:				
Categorical aid:				
Title I	$ 246,352	$ 246,352	$ 261,860	$ 15,508
Title III, Part A, ESL	1,400	1,400	849	(551)
Title VI-B, special education flow-through	775,157	775,157	632,380	(142,777)
Title VI-B, special education flow-through - ARRA	-	-	13,187	13,187
Vocational education	27,269	27,269	28,767	1,498
Title VI-B, special education preschool	48,601	48,601	15,272	(33,329)
Title VI-B, special education preschool - ARRA	-	-	4,956	4,956
Technology literacy challenge	4,055	4,055	726	(3,329)
Technology - ARRA	-	-	378	378
Title II - teacher quality	62,731	62,731	74,963	12,232

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Education jobs funds	$ 557,916	$ 557,916	$ 325,310	$ (232,606)
Total categorical aid	$ 1,723,481	$ 1,723,481	$ 1,358,648	$ (364,833)
Total revenue from the federal government	$ 1,723,481	$ 1,723,481	$ 1,358,648	$ (364,833)
Total School Operating Fund	$ 24,622,301	$ 25,223,385	$ 24,885,793	$ (337,592)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 2,346	$ 2,346
Total revenue from use of money and property	$ -	$ -	$ 2,346	$ 2,346
Charges for services:				
Cafeteria sales	$ 697,300	$ 697,300	$ 542,591	$ (154,709)
Total charges for services	$ 697,300	$ 697,300	$ 542,591	$ (154,709)
Miscellaneous revenue:				
Other miscellaneous	$ -	$ -	$ 4,607	$ 4,607
Total miscellaneous revenue	$ -	$ -	$ 4,607	$ 4,607
Total revenue from local sources	$ 697,300	$ 697,300	$ 549,544	$ (147,756)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 16,123	$ 16,123	$ 16,295	$ 172
Total categorical aid	$ 16,123	$ 16,123	$ 16,295	$ 172
Total revenue from the Commonwealth	$ 16,123	$ 16,123	$ 16,295	$ 172
Revenue from the federal government:				
Categorical aid:				
School food program grant	$ 150,000	$ 150,000	$ 280,170	$ 130,170
Commodities	-	-	43,766	43,766
Total categorical aid	$ 150,000	$ 150,000	$ 323,936	$ 173,936
Total revenue from the federal government	$ 150,000	$ 150,000	$ 323,936	$ 173,936
Total School Cafeteria Fund	$ 863,423	$ 863,423	$ 889,775	$ 26,352

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
Textbook Fund:				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of New Kent, Virginia	$ -	$ 15,812	$ 15,812	$ -
Total revenues from local governments	$ -	$ 15,812	$ 15,812	$ -
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	$ 65,451	$ 65,451	$ 82,315	$ 16,864
Total revenue from the Commonwealth	$ 65,451	$ 65,451	$ 82,315	$ 16,864
Total Textbook Fund	$ 65,451	$ 81,263	$ 98,127	$ 16,864
Total Discretely Presented Component Unit - School Board	$ 25,551,175	$ 26,168,071	$ 25,873,695	$ (294,376)

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Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 96,937	$ 103,148	$ 94,570	$ 8,578
General and financial administration:				
County administrator	$ 390,294	$ 426,345	$ 413,124	$ 13,221
Legal services	249,978	255,992	245,674	10,318
Central switchboard	25,179	25,679	25,655	24
Commissioner of revenue	486,926	494,795	462,535	32,260
Treasurer	355,823	366,888	366,888	-
Financial services	515,622	539,305	517,531	21,774
Department of information technology	474,864	532,969	453,568	79,401
Human Resources	149,214	155,344	140,251	15,093
Purchasing	210,948	210,948	187,083	23,865
Other general and financial administration	9,422	20,715	14,855	5,860
Total general and financial administration	$ 2,868,270	$ 3,028,980	$ 2,827,164	$ 201,816
Board of elections:				
Electoral board and officials	$ 181,703	$ 194,279	$ 189,618	$ 4,661
Total board of elections	$ 181,703	$ 194,279	$ 189,618	$ 4,661
Total general government administration	$ 3,146,910	$ 3,326,407	$ 3,111,352	$ 215,055
Judicial administration:				
Courts:				
Circuit court	$ 81,125	$ 82,357	$ 77,093	$ 5,264
General district court	14,180	18,863	16,649	2,214
Sheriff	498,518	535,684	535,637	47
Magistrate	1,833	1,833	578	1,255
Juvenile and domestic relations district court	7,225	9,225	5,887	3,338
Clerk of the circuit court	321,788	364,328	329,148	35,180
Victim and witness assistance	44,004	46,271	44,066	2,205
Total courts	$ 968,673	$ 1,058,561	$ 1,009,058	$ 49,503
Commonwealth's attorney:				
Commonwealth's attorney	$ 326,761	$ 349,957	$ 346,582	$ 3,375
Total commonwealth's attorney	$ 326,761	$ 349,957	$ 346,582	$ 3,375
Total judicial administration	$ 1,295,434	$ 1,408,518	$ 1,355,640	$ 52,878
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 2,128,811	$ 2,224,258	$ 2,223,732	$ 526
Grants programs	-	39,878	37,743	2,135
Total law enforcement and traffic control	$ 2,128,811	$ 2,264,136	$ 2,261,475	$ 2,661

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer rescue squads	$ 26,100	$ 52,981	$ 41,803	$ 11,178
Disaster relief - Irene	-	1,013,807	897,212	116,595
State forestry service	7,178	7,179	7,178	1
Fire and emergency management	2,194,428	2,961,249	2,637,375	323,874
Total fire and rescue services	$ 2,227,706	$ 4,035,216	$ 3,583,568	$ 451,648
Correction and detention:				
Confinement and care of prisoners	$ 681,330	$ 751,303	$ 751,301	$ 2
Probation & pretrial	172,678	172,678	103,873	68,805
Total correction and detention	$ 854,008	$ 923,981	$ 855,174	$ 68,807
Inspections:				
Building	$ 339,782	$ 345,257	$ 337,453	$ 7,804
Total inspections	$ 339,782	$ 345,257	$ 337,453	$ 7,804
Other protection:				
Animal control	$ 230,455	$ 244,019	$ 228,258	$ 15,761
E-911	850,377	936,264	762,427	173,837
Total other protection	$ 1,080,832	$ 1,180,283	$ 990,685	$ 189,598
Total public safety	$ 6,631,139	$ 8,748,873	$ 8,028,355	$ 720,518
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	$ 928,423	$ 938,518	$ 783,534	$ 154,984
Total sanitation and waste removal	$ 928,423	$ 938,518	$ 783,534	$ 154,984
Maintenance of general buildings and grounds:				
General properties	$ 877,710	$ 883,858	$ 765,372	$ 118,486
Total maintenance of general buildings and grounds	$ 877,710	$ 883,858	$ 765,372	$ 118,486
Total public works	$ 1,806,133	$ 1,822,376	$ 1,548,906	$ 273,470
Health and welfare:				
Health:				
Supplement of local health department	$ 164,000	$ 173,362	$ 173,362	$ -
Total health	$ 164,000	$ 173,362	$ 173,362	$ -

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	$ 97,645	$ 97,645	$ 97,645	$ -
Total mental health and mental retardation	$ 97,645	$ 97,645	$ 97,645	$ -
Welfare:				
Public assistance and welfare administration	$ 1,300,595	$ 1,350,196	$ 1,248,115	$ 102,081
Area agency on aging	4,083	4,083	4,083	-
Meals on wheels	3,500	3,500	3,500	-
Transportation for the elderly	52,582	52,582	52,582	-
Social service agency donations	36,200	36,200	36,200	-
Total welfare	$ 1,396,960	$ 1,446,561	$ 1,344,480	$ 102,081
Total health and welfare	$ 1,658,605	$ 1,717,568	$ 1,615,487	$ 102,081
Education:				
Other instructional costs:				
Contribution to community colleges	$ 4,213	$ 4,213	$ 4,213	$ -
Contribution to County School Board	10,734,595	11,325,509	11,310,508	15,001
Total education	$ 10,738,808	$ 11,329,722	$ 11,314,721	$ 15,001
Parks, recreation, and cultural:				
Parks and recreation:				
Administration and programs	$ 492,095	$ 512,926	$ 412,755	$ 100,171
Total parks and recreation	$ 492,095	$ 512,926	$ 412,755	$ 100,171
Cultural enrichment:				
Fine arts center	$ 15,750	$ 15,750	$ 15,750	$ -
Total cultural enrichment	$ 15,750	$ 15,750	$ 15,750	$ -
Library:				
Contribution to regional library	$ 189,466	$ 189,466	$ 189,466	$ -
Total library	$ 189,466	$ 189,466	$ 189,466	$ -
Total parks, recreation, and cultural	$ 697,311	$ 718,142	$ 617,971	$ 100,171
Community development:				
Planning and community development:				
Community development	$ 175,837	$ 179,714	$ 69,875	$ 109,839
Zoning board	2,425	2,425	396	2,029
Planning commission	38,707	38,707	29,319	9,388
Plum Point housing rehab	-	7,822	2,223	5,599
Planning and zoning	266,382	268,683	198,416	70,267
Economic development	259,418	226,845	139,060	87,785
Historic commission	16,075	20,136	3,847	16,289
Total planning and community development	$ 758,844	$ 744,332	$ 443,136	$ 301,196

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Contribution to soil and water conservation district	$ 15,028	$ 12,028	$ 12,028	$ -
Environmental management	234,753	260,005	240,855	19,150
Wetlands board	4,340	4,340	2,511	1,829
Litter control	-	5,098	5,096	2
Cooperative forestry and reforestation	5,700	8,519	8,518	1
Total environmental management	$ 259,821	$ 289,990	$ 269,008	$ 20,982
Cooperative extension program:				
Extension office	$ 56,123	$ 62,026	$ 51,458	$ 10,568
Total cooperative extension program	$ 56,123	$ 62,026	$ 51,458	$ 10,568
Total community development	$ 1,074,788	$ 1,096,348	$ 763,602	$ 332,746
Total General Fund	$ 27,049,128	$ 30,167,954	$ 28,356,034	$ 1,811,920
Special Revenue Funds:				
Airport Fund:				
Current:				
Public Works:				
Salaries and fringes	$ 96,576	$ 98,214	$ 102,020	$ (3,806)
Contractual services	12,500	12,500	7,129	5,371
Electricity	7,000	7,000	7,154	(154)
Miscellaneous	132,268	132,268	117,200	15,068
Total public works	$ 248,344	$ 249,982	$ 233,503	$ 16,479
Capital projects expenditures:				
Airport improvement	$ 468,000	$ 539,518	$ 66,589	$ 472,929
Total capital projects	$ 468,000	$ 539,518	$ 66,589	$ 472,929
Total Airport Fund	$ 716,344	$ 789,500	$ 300,092	$ 489,408
Human Services Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	$ 2,112,573	$ 2,114,699	$ 718,844	$ 1,395,855
Virginia juvenile crime control act	20,500	20,500	20,500	-
Total welfare and social services	$ 2,133,073	$ 2,135,199	$ 739,344	$ 1,395,855
Total health and welfare	$ 2,133,073	$ 2,135,199	$ 739,344	$ 1,395,855
Total Human Services Fund	$ 2,133,073	$ 2,135,199	$ 739,344	$ 1,395,855

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Debt service:				
Principal retirement	$ 2,704,860	$ 2,704,860	$ 2,704,858	$ 2
Interest and other fiscal charges	2,987,326	2,987,326	2,986,517	809
Total Debt Service Fund	$ 5,692,186	$ 5,692,186	$ 5,691,375	$ 811
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital projects	$ 1,065,060	$ 7,046,622	$ 1,791,460	$ 5,255,162
School projects	366,210	849,246	611,509	237,737
Total capital projects	$ 1,431,270	$ 7,895,868	$ 2,402,969	$ 5,492,899
Total County Capital Improvements Fund	$ 1,431,270	$ 7,895,868	$ 2,402,969	$ 5,492,899
School Construction Fund:				
Capital projects expenditures:				
School projects	$ -	$ 170,235	$ 170,235	$ -
Total capital projects	$ -	$ 170,235	$ 170,235	$ -
Total School Construction Fund	$ -	$ 170,235	$ 170,235	$ -
Total Primary Government	$ 37,022,001	$ 46,850,942	$ 37,660,049	$ 9,190,893
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	$ 36,831	$ 36,831	$ 31,399	$ 5,432
Executive administration services	1,297,351	1,297,351	1,257,595	39,756
Total administration of schools	$ 1,334,182	$ 1,334,182	$ 1,288,994	$ 45,188
Instruction costs:				
Elementary and secondary schools	$ 17,916,881	$ 18,389,157	$ 18,101,398	$ 287,759
Total instruction costs	$ 17,916,881	$ 18,389,157	$ 18,101,398	$ 287,759
Operating costs:				
Attendance and health services	$ 700,733	$ 666,914	$ 635,547	$ 31,367
Pupil transportation	2,368,994	2,368,994	2,477,076	(108,082)
Operation and maintenance of school plant	2,411,856	2,464,138	2,383,403	80,735
Total operating costs	$ 5,481,583	$ 5,500,046	$ 5,496,026	$ 4,020
Total education	$ 24,732,646	$ 25,223,385	$ 24,886,418	$ 336,967
Total School Operating Fund	$ 24,732,646	$ 25,223,385	$ 24,886,418	$ 336,967

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board (Continued)				
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	$ 863,423	$ 885,761	$ 885,761	$ -
Commodities	-	-	43,766	(43,766)
Total school food services	$ 863,423	$ 885,761	$ 929,527	$ (43,766)
Total Cafeteria Fund	$ 863,423	$ 885,761	$ 929,527	$ (43,766)
Textbook:				
Education:				
Instruction	$ 307,400	$ 307,400	$ 89,979	$ 217,421
Total Textbook	$ 307,400	$ 307,400	$ 89,979	$ 217,421
Total Discretely Presented Component Unit - School Board	$ 25,903,469	$ 26,416,546	$ 25,905,924	$ 510,622

Statistical Section

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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COUNTY OF NEW KENT, VIRGINIA
Net Assets by Component
Last Ten Fiscal Years (1)
(accrual basis of accounting)

Table 1

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	$ 8,387,629	$ 9,820,196	$ 12,228,885	$ 15,038,906	$ 9,438,366	$ 16,407,609	$ 15,885,375	$ 24,889,762	$ 20,138,682	$ 21,006,854
Restricted	124,409	286,512	529,641	823,127	-	-	5,017,970	-	-	33,738
Unrestricted	11,557,580	12,205,461	12,306,601	16,968,552	17,196,160	17,921,278	22,836,534	21,701,270	26,045,094	25,006,307
Total governmental activities net assets	$ 20,069,618	$ 22,312,169	$ 25,065,127	$ 32,830,585	$ 26,634,526	$ 34,328,887	$ 43,739,879	$ 46,591,032	$ 46,183,776	$ 46,046,899
Business-type activities										
Invested in capital assets, net of related debt	$ 9,444,454	$ 11,615,019	$ 13,004,622	$ 12,838,155	$ 19,983,157	$ 35,637,527	$ 38,497,889	$ 52,595,933	$ 66,749,297	$ 67,060,987
Unrestricted	1,963,202	3,411,101	5,204,171	11,624,152	43,534,175	31,615,532	28,769,945	19,181,071	7,694,815	7,320,135
Total business-type activities net assets	$ 11,407,656	$ 15,026,120	$ 18,208,793	$ 24,462,307	$ 63,517,332	$ 67,253,059	$ 67,267,834	$ 71,777,004	$ 74,444,112	$ 74,381,122
Primary Government										
Invested in capital assets, net of related debt	$ 17,832,083	$ 21,435,215	$ 25,233,507	$ 27,877,061	$ 29,421,523	$ 52,045,136	$ 54,383,264	$ 77,485,695	$ 86,887,979	$ 88,067,841
Restricted	124,409	286,512	529,641	823,127	-	-	5,017,970	-	-	33,738
Unrestricted	13,520,782	15,616,562	17,510,772	28,592,704	60,730,335	49,536,810	51,606,479	40,882,341	33,739,909	32,326,442
Total Primary government net assets	$ 31,477,274	$ 37,338,289	$ 43,273,920	$ 57,292,892	$ 90,151,858	$ 101,581,946	$ 111,007,713	$ 118,368,036	$ 120,627,888	$ 120,428,021

Note:
(1) Data is presented from fiscal year 2003 when the County implemented GASB Statement 34.

COUNTY OF NEW KENT, VIRGINIA
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities										
General government administration	$ 1,772,644	$ 1,266,621	$ 1,447,448	$ 2,135,653	$ 2,467,397	$ 1,897,867	$ 3,112,985	$ 3,178,178	$ 3,127,903	$ 3,249,773
Judicial administration	542,644	557,455	573,244	1,148,168	1,414,736	1,369,100	1,340,241	1,281,668	1,626,082	1,689,574
Public safety	3,724,372	4,960,805	5,939,781	4,797,876	5,669,671	5,941,239	6,448,840	6,974,536	6,873,657	8,096,297
Public works	1,347,566	1,389,480	2,079,328	634,629	1,562,298	1,821,422	2,029,548	2,111,602	2,135,389	1,917,625
Health and welfare	1,775,012	1,967,934	2,035,533	2,001,494	2,730,201	2,789,425	2,549,020	2,470,269	2,632,900	2,443,203
Education	6,869,308	8,398,078	9,216,426	8,606,853	23,299,435	7,691,487	5,617,649	15,413,852	13,735,944	14,503,170
Parks, Recreation and cultural	141,314	146,726	404,051	375,468	138,908	680,412	764,787	707,331	710,686	711,281
Community development	721,495	1,060,039	58,215	820,618	998,293	1,728,272	1,389,121	1,017,515	1,194,287	894,520
Interest and other financial charges	138,065	123,893	138,407	292,157	2,632,446	3,166,070	3,211,074	3,141,450	2,896,772	2,713,149
Total governmental activities	$ 17,032,420	$ 19,871,031	$ 21,892,433	$ 20,812,916	$ 40,913,385	$ 27,085,294	$ 26,463,265	$ 36,296,401	$ 34,933,620	$ 36,218,592
Business-type activities										
Water and Sewer	$ 1,858,732	$ 1,050,475	$ 1,512,621	$ 1,847,797	$ 2,373,385	$ 2,396,236	$ 2,892,413	$ 2,665,738	$ 3,043,612	$ 3,380,899
Bottoms Bridge	-	-	143,985	598,797	538,689	-	932,255	1,053,599	1,040,173	1,026,936
Total business-type activities	$ 1,858,732	$ 1,050,475	$ 1,656,606	$ 2,446,594	$ 2,912,074	$ 2,396,236	$ 3,824,668	$ 3,719,337	$ 4,083,785	$ 4,407,835
Total primary government expenses	$ 18,891,152	$ 20,921,506	$ 23,549,039	$ 23,259,510	$ 43,825,459	$ 29,481,530	$ 30,287,933	$ 40,015,738	$ 39,017,405	$ 40,626,427
Program Revenues										
Governmental activities										
Charges for services:										
General government	$ 459,965	$ 515,998	$ 854,141	$ 976,674	$ -	$ -	$ -	$ -	$ -	$ -
Judicial administration	96,268	100,828	100,630	108,277	401,236	386,857	393,169	351,749	363,772	329,291
Public safety	69,306	14,978	14,638	118,371	694,944	670,915	467,676	437,179	319,879	461,092
Public works	141,390	150,040	131,431	160,223	112,478	69,744	110,879	45,231	50,901	126,347
Health and welfare	982	-	-	-	-	-	-	-	-	-
Education	-	-	55,875	208,170	-	-	-	-	-	-
Parks, recreation and cultural	59,941	-	64,347	74,350	125,355	247,457	268,455	294,890	263,089	276,852
Community development	-	-	-	-	328	6,462	2,440	87,478	106,075	63,701
Operating grants and contributions	4,639,646	4,858,074	5,290,164	3,121,241	3,760,077	3,940,686	3,534,316	3,541,020	3,361,044	3,850,528
Capital Grants and contributions	39,060	239,954	952,147	421,375	311,342	700,673	428,223	26,451	14,818	-
Total governmental activities	$ 5,506,558	$ 5,879,872	$ 7,463,373	$ 5,188,681	$ 5,405,760	$ 6,022,794	$ 5,205,158	$ 4,783,998	$ 4,479,578	$ 5,107,811
Business-type activities										
Charges for services:										
Water and Sewer	$ 1,286,095	$ 2,511,216	$ 2,629,494	$ 7,427,792	$ 37,719,032	$ 2,993,759	$ 3,094,791	$ 4,155,390	$ 3,191,329	$ 3,456,940
Bottoms Bridge	-	-	27,918	382,589	492,327	599,004	271,412	98,928	292,400	372,700
Operating grants and contributions	441,000	-	-	-	44,289	-	-	-	-	-
Capital grants and contributions	44,375	670,748	1,769,979	141,200	1,021,455	947,934	-	3,798,166	2,942,658	305,348
Total business-type activities	$ 1,771,470	$ 3,181,964	$ 4,427,391	$ 7,951,581	$ 39,277,103	$ 4,540,697	$ 3,366,203	$ 8,052,484	$ 6,426,387	$ 4,134,988
Total primary government revenues	$ 7,278,028	$ 9,061,836	$ 11,890,764	$ 13,140,262	$ 44,682,863	$ 10,563,491	$ 8,571,361	$ 12,836,482	$ 10,905,965	$ 9,242,799

COUNTY OF NEW KENT, VIRGINIA

Net Assets by Component

Last Ten Fiscal Years (1)

(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	$ (11,525,962)	$ (13,991,159)	$ (14,429,060)	$ (15,624,235)	$ (35,504,705)	$ (21,230,463)	$ (21,258,107)	$ (31,512,403)	$ (30,454,042)	$ (31,110,781)
Business-type activities	(87,262)	2,131,489	2,770,785	5,504,987	36,365,029	2,144,461	(458,465)	4,333,147	2,342,602	(272,847)
Total primary government net expense	$ (11,613,224)	$ (11,859,670)	$ (11,658,275)	$ (10,119,248)	$ 860,324	$ (19,086,002)	$ (21,716,572)	$ (27,179,256)	$ (28,111,440)	$ (31,383,628)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property taxes	$ 10,328,886	$ 11,501,765	$ 12,870,154	$ 13,891,200	$ 17,808,606	$ 18,678,094	$ 22,352,347	$ 22,330,764	$ 22,263,513	$ 23,080,188
Other local taxes	2,410,149	2,746,469	2,861,365	3,972,970	4,095,757	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191
Proffer revenues	59,205	128,789	243,902	-	-	-	-	-	-	-
Investment earnings	203,020	189,284	322,551	390,396	2,717,504	2,427,528	1,631,096	872,932	797,493	632,029
Miscellaneous	697,245	1,061,389	885,652	1,422,398	1,523,291	1,144,452	305,112	858,794	781,793	865,267
Non-categorical aid from the Commonwealth	-	-	-	2,404,781	2,515,587	2,375,270	2,286,922	6,635,296	2,323,459	2,968,229
Loss on disposal of net assets	-	-	-	-	-	(5,719)	-	-	-	-
Transfers	-	-	(1,606)	(18,773)	12,001	-	-	560	(3,660)	-
Total governmental activities	$ 13,698,505	$ 15,627,696	$ 17,182,018	$ 22,062,972	$ 28,672,746	$ 28,924,824	$ 30,669,099	$ 34,363,556	$ 30,046,786	$ 30,973,904
Business-type activities										
Taxes	$ -	$ -	$ -	$ -	$ 30,542	$ 52,012	$ 94,877	$ 112,973	$ 117,658	$ 127,667
Investment earnings	3,176	2,340	195,955	729,754	1,681,641	1,539,254	378,363	63,610	203,188	82,190
Miscellaneous	10,000	-	-	-	-	-	-	-	-	-
Transfers	-	-	1,606	18,733	(12,001)	-	-	(560)	3,660	-
Total business-type activities	$ 13,176	$ 2,340	$ 197,561	$ 748,487	$ 1,700,182	$ 1,591,266	$ 473,240	$ 176,023	$ 324,506	$ 209,857
Total primary government	$ 13,711,681	$ 15,630,036	$ 17,379,579	$ 22,811,459	$ 30,372,928	$ 30,516,090	$ 31,142,339	$ 34,539,579	$ 30,371,292	$ 31,183,761
Changes in Net Assets										
Governmental activities	$ 2,172,543	$ 1,636,537	$ 2,752,958	$ 6,438,737	$ (6,831,959)	$ 7,694,361	$ 9,410,992	$ 2,851,153	$ (407,256)	$ (136,877)
Business-type activities	(74,086)	2,133,829	2,968,346	6,253,474	38,065,211	3,735,727	14,775	4,509,170	2,667,108	(62,990)
Total primary government	$ 2,098,457	$ 3,770,366	$ 5,721,304	$ 12,692,211	$ 31,233,252	$ 11,430,088	$ 9,425,767	$ 7,360,323	$ 2,259,852	$ (199,867)

Note:

(1) Data is presented from fiscal year 2003 when the County implemented GASB Statement 34.

COUNTY OF NEW KENT, VIRGINIA

Table 3

Fund Balances of Governmental Funds

Last Ten Fiscal Years (1)

(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	$ -	$ -	$ -	$ -	$ 38,111	$ 42,394	$ 324,244	$ 296,700	$ -	$ -
Unreserved	4,027,560	4,494,567	4,649,809	5,561,288	7,489,255	8,365,163	8,828,235	8,409,015	-	-
Nonspendable	-	-	-	-	-	-	-	-	3,934	9,319
Restricted	-	-	-	-	-	-	-	-	46,118	33,738
Committed	-	-	-	-	-	-	-	-	82,456	55,837
Unassigned	-	-	-	-	-	-	-	-	7,688,117	7,718,777
Total general fund	$ 4,027,560	$ 4,494,567	$ 4,649,809	$ 5,561,288	$ 7,527,366	$ 8,407,557	$ 9,152,479	$ 8,705,715	$ 7,820,625	$ 7,817,671
All other governmental funds										
Reserved for:										
Construction	$ -	$ -	$ -	$ -	$ 34,577,687	$ 11,635,215	$ 5,017,970	$ 4,405,293	$ -	$ -
Prepaid items	-	-	-	-	-	-	1,629,190	31,734	-	-
Unreserved, reported in:										
Special revenue funds	-	9,600	9,600	1,817,891	420,906	514,657	275,033	450,208	-	-
Capital projects funds	8,027,668	7,811,791	7,512,308	14,001,281	14,227,604	13,488,892	10,802,647	10,674,722	-	-
Debt service funds	-	-	-	-	3,255,757	2,784,806	1,093,216	1,821,150	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,255,909	1,251,693
Restricted	-	-	-	-	-	-	-	-	4,137,075	-
Committed	-	-	-	-	-	-	-	-	673,763	305,772
Assigned	-	-	-	-	-	-	-	-	12,187,794	15,439,060
Total all other governmental funds	$ 8,027,668	$ 7,821,391	$ 7,521,908	$ 15,819,172	$ 52,481,954	$ 28,423,570	$ 18,818,056	$ 17,383,107	$ 18,254,541	$ 16,996,525

Note:

(1) Data is presented from fiscal year 2003, consistent with earlier schedules from when the County implemented GASB statement 34.

(2) In FY2011 the County implemented GASB 54 and therefore fund balance classifications have been changed accordingly

COUNTY OF NEW KENT, VIRGINIA

Table 4

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (1)

(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	$ 10,287,896	$ 11,552,349	$ 12,705,548	$ 14,146,386	$ 17,523,220	$ 18,678,094	$ 22,029,662	$ 22,222,442	$ 22,297,958	$ 22,901,566
Other local taxes	2,410,149	2,746,469	2,861,365	3,972,970	4,095,757	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191
Permits, privilege fees and licenses	426,524	504,554	671,713	689,055	669,615	660,112	459,232	430,902	310,578	377,288
Fines and Forfeitures	98,588	154,322	180,150	239,856	221,938	212,547	219,372	191,841	215,521	242,185
Revenue from use of money & property	233,428	217,099	360,183	688,101	2,624,902	2,259,565	1,631,096	872,932	797,493	632,029
Charges for services	253,542	277,290	312,774	716,023	445,708	508,776	564,015	593,784	577,617	637,810
Miscellaneous	826,341	1,003,548	1,131,483	992,979	1,523,291	1,144,452	1,011,475	858,794	781,793	865,267
Recovered costs	3,475	4,493	16,864	147,995	509,553	533,865	736,896	594,960	485,748	495,986
Commonwealth of Virginia	3,485,155	4,141,660	4,526,958	4,748,765	5,535,817	5,685,369	5,384,875	4,869,299	4,823,858	5,244,698
Federal Government	808,688	956,368	1,715,353	896,803	984,524	1,331,260	864,586	990,768	875,463	1,574,059
Total revenues	$ 18,833,786	$ 21,558,152	$ 24,482,391	$ 27,238,933	$ 34,134,325	$ 35,319,239	$ 36,994,831	$ 35,290,932	$ 35,050,217	$ 36,399,079
Expenditures										
General government administration	$ 1,695,880	$ 1,742,309	$ 1,931,326	$ 1,992,187	$ 2,298,557	$ 2,838,389	$ 2,966,220	$ 2,892,335	$ 2,859,703	$ 3,111,352
Judicial administration	484,227	517,043	594,240	1,096,622	1,333,063	1,334,679	1,271,699	1,271,058	1,293,438	1,355,640
Public Safety	3,258,851	3,988,242	4,828,250	4,678,449	5,349,980	5,875,647	5,803,309	6,223,255	6,757,429	8,028,355
Public works	1,322,235	1,537,519	2,334,661	1,682,663	1,623,329	1,693,001	1,797,806	1,825,072	1,832,237	1,782,409
Health and welfare	1,782,126	1,983,080	2,066,373	1,983,586	2,718,814	2,804,957	2,536,125	2,487,966	2,529,648	2,354,831
Education	7,059,977	7,327,368	8,389,668	8,168,710	8,356,402	9,674,192	10,199,591	9,292,122	10,689,229	11,314,721
Parks, recreation and cultural	98,811	100,140	387,751	362,439	475,968	615,715	656,906	668,412	652,519	617,971
Community development	820,170	1,007,176	752,097	834,077	1,090,833	1,410,997	1,290,168	964,421	1,118,510	763,602
Capital projects	2,688,742	1,530,016	2,057,914	7,604,394	20,382,379	39,636,653	12,079,368	3,473,438	1,649,068	2,639,793
Debt service										
Principal	271,867	750,069	774,354	762,357	903,226	2,124,007	3,697,636	4,705,781	2,626,864	2,704,858
Interest and other fiscal charges	138,065	123,893	138,407	292,157	1,497,487	3,109,102	3,556,595	3,369,345	3,102,636	2,986,517
Bond issuance costs	-	-	-	-	1,035,707	98,920	-	-	-	-
Total Expenditures	$ 19,620,951	$ 20,606,855	$ 24,255,041	$ 29,457,641	$ 47,065,745	$ 71,216,259	$ 45,855,423	$ 37,173,205	$ 35,111,281	$ 37,660,049
Revenues over (under) expenditures	$ (787,165)	$ 951,297	$ 227,350	$ (2,218,708)	$ (12,931,420)	$ (35,897,020)	$ (8,860,592)	$ (1,882,273)	$ (61,064)	$ (1,260,970)
Other financing sources (uses)										
Transfers in	$ 2,420,743	$ 2,388,343	$ 2,170,296	$ 5,337,482	$ 6,996,327	$ 6,872,077	$ 11,739,565	$ 13,193,093	$ 9,455,572	$ 11,595,115
Transfers out	(2,420,743)	(3,078,911)	(2,171,902)	(5,356,255)	(6,984,326)	(6,872,077)	(11,739,565)	(13,192,533)	(9,459,232)	(11,595,115)
Issuance of bonds	-	-	-	12,212,201	56,862,447	9,859,103	-	-	-	-
Bond issuance premium	-	-	-	133,832	2,185,831	388,337	-	-	-	-
Refunding of bonds	-	-	-	(2,596,515)	(7,500,000)	2,395,106	-	-	-	-
Sale of capital assets	-	-	-	-	-	76,281	-	-	51,068	-
Total other financing sources (uses)	$ -	$ (690,568)	$ (1,606)	$ 9,730,745	$ 51,560,279	$ 12,718,827	$ -	$ 560	$ 47,408	$ -
Net change in fund balances	$ (787,165)	$ 260,729	$ 225,744	$ 7,512,037	$ 38,628,859	$ (23,178,193)	$ (8,860,592)	$ (1,881,713)	$ (13,656)	$ (1,260,970)
Debt service as a percentage of noncapital expenditures	2.50%	5.10%	4.60%	4.83%	13.07%	17.54%	25.33%	22.63%	16.72%	15.35%

Note:

(1) Data is presented from fiscal year 2003 when the County implemented GASB Statement 34.

COUNTY OF NEW KENT, VIRGINIA
Principal Real Property Taxpayers
Current and Nine Years Ago

Table 5

	2012			2003		
Taxpayer	**Rank**	**Assessed Valuation (1)**	**Percentage of Total Assessed Valuation**	**Rank**	**Assessed Valuation (2)**	**Percentage of Total Assessed Valuation**
New Kent Farms LLC	1	$ 58,591,900	2.28%			
Colonial Downs	2	27,109,000	1.05%	2	$ 25,435,300	2.44%
Kinney Jonathan C. Trustee	3	27,100,100	1.05%			
City of Newport News	4	25,855,364	1.01%	1	26,359,890	2.53%
NKP LB5 LLC	5	19,266,400	0.75%			
SPF Investments, LLC	6	12,540,300	0.49%			
Kentland Investments LLC	7	12,412,800	0.48%			
NKP LB4 LLC	8	11,895,900	0.46%			
Patriot's Landing Mgmt Corp.	9	9,840,600	0.38%			
AHS Cumberland Hospital, LLC	10	7,024,600	0.27%			
Chesapeake Forest Products				3	14,788,400	1.42%
Tradition Golf Club Royal New Kent				4	8,318,500	0.80%
Bluegreen Properties of Virginia				5	7,922,700	0.76%
Goodall, Marjorie R				6	6,829,100	0.66%
Glawson Investment Corp.				7	6,521,400	0.63%
Healthcare Virginia, Inc.				8	5,483,800	0.53%
Tideland Title Agency, Inc.				9	4,982,300	0.48%
Henderson Cold Storage, Inc.				10	3,987,900	0.38%
Total		$ 211,636,964	8.23%		$ 110,629,290	10.61%
Total Assessed Valuation of RE		$ 2,571,717,505	100.000%		$ 1,042,507,290	100.000%

Notes:
(1) Based on January 1, 2011 Real Estate Assessments Less Land Use
(2) Based on January 1, 2002 Real Estate Assessments Less Land Use

COUNTY OF NEW KENT, VIRGINIA
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 6

Fiscal Year	Taxes Levied for the Fiscal Year (2)	Collected within the Fiscal Year of the Levy		Adjustments to Levy in Subsequent Years	Total Adjusted Levy	Collections In Subsequent Years	Total Collections to Date	
		Amount (1)	Percentage of Levy				Amount (1)	Percentage of Levy
2012	$ 18,212,680	$ 17,636,241	96.83%	$ -	$ 18,212,680	$ -	$ 17,636,241	96.83%
2011	18,024,674	17,412,481	96.60%	(2,406)	18,022,268	280,155	17,692,636	98.17%
2010	18,150,753	17,481,715	96.31%	(131,051)	18,019,702	388,687	17,870,401	99.17%
2009	17,544,380	16,928,858	96.49%	(20,740)	17,523,640	517,492	17,446,349	99.56%
2008	14,683,271	14,228,315	96.90%	(228)	14,683,043	422,191	14,650,506	99.78%
2007	13,684,954	13,233,449	96.70%	(2,665)	13,682,289	440,966	13,674,414	99.94%
2006	10,873,944	10,579,423	97.29%	41,551	10,915,495	333,578	10,913,000	99.98%
2005	9,769,591	9,543,630	97.69%	18,429	9,788,020	242,251	9,785,880	99.98%
2004	8,790,161	8,531,094	97.05%	10,593	8,800,754	267,676	8,798,770	99.98%
2003	8,030,689	7,780,025	96.88%	8,949	8,039,638	257,740	8,037,766	99.98%

Notes:
(1) Exclusive of penalties and interest.
(2) Includes Original Assessment, Abatements and Supplements for the Current Fiscal Year
(3) Includes data for Real Estate taxes only. Personal Property not included.
(4) Notes are presented on a fiscal year and cash basis.

COUNTY OF NEW KENT, VIRGINIA **Table 7**

Assessed and Estimated Actual Value of Real Property

Last Ten Fiscal Years

Fiscal Year	Residential/ Agricultural Property (4) (5)	Commercial Property (4)	Total Assessed Value	Less: Land-Use Property (4)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Est. Actual Value
2012	$ 2,446,399,899	$ 242,290,949	$ 2,688,690,848	$ 75,360,400	$ 2,613,330,448	$ 0.70	2,579,357,152	98.70% **(2)**
2011	2,408,011,129	235,381,426	2,643,392,555	72,264,750	2,571,127,805	0.70	2,569,542,911	100.06%
2010	2,372,385,106	188,049,050	2,560,434,156	66,421,900	2,494,012,256	0.73	2,530,073,277	98.57%
2009	2,249,924,409	171,828,270	2,421,752,679	58,656,600	2,363,096,079	0.73	2,527,925,552	93.48%
2008	1,485,801,900	127,861,119	1,613,663,019	42,639,800	1,571,023,219	0.93	2,671,627,515	58.80%
2007	1,370,706,073	118,498,742	1,489,204,815	43,772,100	1,445,432,715	0.93	2,386,546,178	60.57%
2006	1,268,710,900	113,057,998	1,381,768,898	43,690,200	1,338,078,698	0.81	1,965,531,861	68.08%
2005	1,200,737,250	118,947,531	1,319,684,781	41,611,100	1,278,073,681	0.76	1,649,605,976	77.48%
2004	994,033,200	111,266,313	1,105,299,513	36,598,900	1,068,700,613	0.81	1,383,353,583	77.25%
2003	944,125,500	98,381,790	1,042,507,290	36,074,100	1,006,433,190	0.79	1,153,216,029	87.27%

Notes:

Real property is the County's primary local source revenue. Assessment information for other property taxes is provided on the Table 8.

(1) Estimated true value of real estate as computed by the Virginia Department of Taxation and published in their annual Assessment/Sales Ratio Study.

(2) Ratio based on 2012 Estimated Ratio provided by the Department of Taxation for an assessment to sales price median ratio.

(3) Tax rate per $100 of assessed value.

(4) Source, Real Estate Assessments from Commissioner of Revenue.

(5) Includes Land Use Exemptions.

COUNTY OF NEW KENT, VIRGINIA **Table 8**

Assessed Value of Taxable Property Other than Real Property

Last Ten Fiscal Years

Fiscal Year	Personal Property (1)	Machinery & Tools (1)	Aircraft (1)	Public Service (2,3)	Total
2012	$ 167,618,216	$ 411,632	$ 1,390,736	$ 97,839,996	$ 267,260,580
2011	159,680,205	507,358	1,508,951	84,794,487	246,491,001
2010	155,957,292	18,000	1,352,404	82,047,884	239,375,580
2009	170,220,143	18,000	1,271,150	74,410,649	245,919,942
2008	156,913,939	18,000	1,298,750	44,828,759	203,059,448
2007	145,406,962	21,600	971,000	52,291,778	198,691,340
2006	138,448,093	21,600	1,018,500	62,909,522	202,397,715
2005	118,496,255	31,699	1,072,000	71,062,752	190,662,706
2004	113,096,654	2,117,755	642,600	58,674,214	174,531,223
2003	99,611,366	38,188	719,600	66,114,328	166,483,482

Notes:

Real property shown on Table 7 is the County's primary local source revenue. Assessment information for other property taxes is provided above for additional reference.

(1) Source, Assessments from Commissioner of Revenue.

(2) Public Service Corporation property assessments performed by the State Corporation Commission.

(3) Includes Real Estate.

COUNTY OF NEW KENT, VIRGINIA **Table 9**
Direct Property Tax Rates
Last Ten Fiscal Years

	Public Service			
Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Aircraft
2012	$ 0.70	$ 3.75	$ 1.50	$ 0.75
2011	0.70	3.75	1.50	0.75
2010	0.73	3.75	1.50	0.75
2009	0.73	3.75	1.50	0.75
2008	0.93	3.75	3.00	0.75
2007	0.93	3.75	3.00	0.75
2006	0.81	3.75	3.00	0.75
2005	0.76	3.75	3.00	0.50
2004	0.81	3.75	3.00	0.50
2003	0.79	3.75	3.00	0.50

Note:
(a) Per $100 of assessed value. There are no overlapping property tax rates with other governments.

COUNTY OF NEW KENT, VIRGINIA

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Table 10

	Governmental Activities					Business-Type Activities	Summary Totals		
Fiscal Year	General Obligation Bonds	State Literary Funds Loans	Capital Lease Obligations	Lease Revenue Bond	Notes Payable	Revenue Bonds	Total Primary Government	Percentage of Total Personal Income	Per Capita Personal Income (1)
2012	$ 13,162,303	$ -	$ -	$ 47,238,783	$ -	$ 15,755,000	$ 76,156,086	N/A	N/A
2011	14,062,018	-	-	49,043,926	-	16,160,000	79,265,944	11.47%	36,705
2010	14,953,146	-	-	50,779,662	-	16,555,000	82,287,808	12.70%	34,891
2009	16,085,397	-	-	54,353,091	-	16,940,000	87,378,489	13.92%	34,755
2008	17,076,570	100,000	-	56,959,655	-	17,310,000	91,446,225	14.23%	36,241
2007	11,530,439	200,000	378,222	51,897,177	-	17,675,000	81,680,838	13.56%	34,910
2006	4,575,039	300,000	208,047	2,360,000	7,500,000	17,675,000	32,618,086	5.93%	32,958
2005	2,721,663	400,000	251,579	120,000	2,596,515	17,675,000	23,764,757	4.59%	32,448
2004	3,268,850	500,000	292,170	175,000	31,576	-	4,267,597	0.89%	31,427
2003	2,254,495	600,000	330,019	1,770,000	63,152	-	5,017,666	1.11%	30,575

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Personal income and per capital personal income data for 2003 through 2011 was obtained from the Bureau of Economic Analysis, U. S. Department of Commerce - Bearfacts.

N/A - This information was not available

COUNTY OF NEW KENT, VIRGINIA **Table 11**

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	State Literary Fund Loans	Total General Bonded Debt	General Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
2012	$ 13,162,303	$ -	$ 13,162,303	$ 687	0.49%
2011	14,062,018	-	14,062,018	747	0.53%
2010	14,953,146	-	14,953,146	811	0.58%
2009	16,085,398	-	16,085,398	888	0.66%
2008	17,076,570	100,000	17,176,570	963	1.06%
2007	11,530,439	200,000	11,730,439	669	0.79%
2006	4,575,039	300,000	4,875,039	275	0.35%
2005	2,721,663	400,000	3,121,663	171	0.24%
2004	3,268,850	500,000	3,768,850	213	0.34%
2003	2,254,495	600,000	2,854,495	153	0.27%

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Table 7 for property value data.
(2) Population data can be found in Table 12.

COUNTY OF NEW KENT, VIRGINIA **Table 12**

Demographic and Economic Statistics

Last Ten Calendar Years

Year		Population (6)	Total Personal Income (in thousands) (1)	Per Capita Personal Income (1)	Unemployment Rate (2)	School Enrollment (3)	
2012	(7)	19,158	N/A	N/A	5.6	2,940	(4)
2011	(5)	18,827	690,856	36,705	6.4	2,938	
2010		18,429	647,830	34,891	7.1	2,888	
2009		18,112	627,567	34,755	7.1	2,854	
2008		17,731	642,476	36,241	3.4	2,784	
2007		17,245	602,344	34,910	2.9	2,781	
2006		16,659	549,740	32,958	3.0	2,721	
2005		15,939	517,636	32,448	3.3	2,637	
2004		15,314	481,367	31,427	3.6	2,626	
2003		14,761	451,412	30,575	3.8	2,546	

(1) Bureau of Economic Analysis - Bearfacts
(2) U.S. Department of Labor Statistics - Unemployment Rate by County, Not Seasonally Adjusted at June of each year
(3) Virginia Department of Education Fall Membership Reports (division totals by grade)
Fall Membership is the number of students enrolled in public school on September 30th of each year.
(4) New Kent County School Board
(5) Weldon Cooper Center for Public Service, Demographics and Workforce Section
(6) Virginia Employment Commission - Virginia Workforce Connection
(7) New Kent County Department of Community Development - Estimate for June 2012
N/A - This information was not available.

COUNTY OF NEW KENT, VIRGINIA **Table 13**
Principal Employers
Current and Nine Years Ago

	2012			2003		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment****	**Employees**	**Rank**	**Percentage of Total County Employment****
New Kent County School Board	250 to 499	1		250 to 499	1	
County of New Kent	100 to 249	2		100 to 249	3	
AHS Cumberland Hospital	100 to 249	3		250 to 499	2	
Food Lion	100 to 249	4		50 to 99	5	
Curtis Contracting Incorporated	100 to 249	5				
County of Henrico	100 to 249	6				
Bruce Howard Contracting Inc.	50 to 99	7				
CCC Transportation LLC	50 to 99	8				
Comfort Keepers 160	50 to 99	9				
Direct Wood Products	50 to 99	10				
Colonial Downs				100 to 249	4	
Impact Management Service				50 to 99	6	
Winn Dixie				50 to 99	7	
Basic Materials & Transportation				50 to 99	8	
Allied Pallet Company				20 to 49	9	
McDonald's				20 to 49	10	

Source: Virginia Employment Commission
*Quarterly Census of Employment and Wages (QCEW)
Data for 2012: 1st Quarter 2012
Data for 2003: 1st Quarter 2003

**The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act - Title V of Public Law 107-347.

COUNTY OF NEW KENT, VIRGINIA **Table 14**
Full-Time Equivalent County Government Employees by Function/Program
Last Nine Fiscal Years

	Full-time Equivalent Employees as of June 30								
	2012 (1)	2011	2010	2009	2008	2007	2006	2005	2004
General government:									
Clerk of the Board	5	4.5	4.5	4.5	4	3.5	3	2	2
Commissioner of the Revenue	7	6	6	6	6	4	4	4	4
Treasurer	5	4	4	4	4	4	4	4	4
Finance	5.5	4	4	4	6	6.5	5	4	4
Human Resources	2	2	2	2	1	1	0	0	0
Information Technologies	3	3	3	3	3	2	2	2	1
Registrar	2.5	2	2	2	2	1	1	1	1
County Attorney	2	2	2	2.5	2	2	2	0	0
Total General Government	32	27.5	27.5	28	28	24	21	17	16
Judicial Administration:									
Clerk of the Circuit Court	5.5	4	4	4	4	4	4	4	4
General District Court							1	1	1
Victim Witness	1	1	1	1	1	1	1	1	1
Commonwealth Attorney	3.5	3.5	3.5	3.5	3.5	3.5	2	2	2
Total Judicial Administration	10	8.5	8.5	8.5	8.5	8.5	8	8	8
Public Safety:									
Sheriff and Animal Control	50.5	41	39	39	37	45	36	35	35
Fire and Emergency Mgmt.	22.5	16	16	13	10	10	8	8	8
Total Public Safety	73	57	55	52	47	55	44	43	43
Public Works:									
Airport	1.5	1	1	1	1	1	1	1	1
Refuse	9	10	10	10	10	9	1	1	1
Other Public Works	9	8	8	8	8	5	6	6	6
Total Public Works	19.5	19	19	19	19	15	8	8	8
Health and Welfare:									
Social Services	16.5	15.5	12.5	12.5	13.5	13.5	10	10	10
Human Services	1						1	1	1
Total Health and Welfare	17.5	15.5	12.5	12.5	13.5	13.5	11	11	11
Community Development									
Planning/Environmental/Permitting	7	9	9	9	11	8	8	5	5
Building Inspections	5	5	5	5	7	7	8	6	5
Extension	0.5								
Economic Development	1	2	2	2	1	1	1	1	0
Total Community Development	13.5	16	16	16	19	16	17	12	10
Parks, Recreation and Cultural									
Parks and Recreation	3.5	3.5	4	4	4	4	1	2	2
Total Parks, Recreation and Cultural	3.5	3.5	4	4	4	4	1	2	2
Total Governmental	169	147	142.5	140	139	136	110	101	98
Public Utilities									
Water/Sewer	18	17	16	16	13	13	11	9	6
Total Public Utilities	18	17	16	16	13	13	11	9	6
Total Other	18	17	16	16	13	13	11	9	6
Total County	187	164	158.5	156	152	149	121	110	104

Source: Human Resources Department, Human Resources Specialist
(1) Source: Human Resources Department, Human Resources Assistant
Only nine years of data is available. Ultimately this schedule will contain information for the last ten fiscal years.
Definition refined for 2012 to include Constitutional Officers. Most increases are a result of this change versus an expansion of staff.

COUNTY OF NEW KENT, VIRGINIA **Table 15**
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Public Safety (1)										
Fire and rescue companies	1	1	1	1	1	1	1	1	1	1
Number of Stations	4	4	4	3	3	3	3	3	3	3
Public Utilities (2)										
Active Vehicles	18	18	17	17	9	9	9	5	6	*
Refuse Collection (3)										
Refuse collected (tons per year)	6,134	5,820	6,195	6,449	7,202	7,801	8,474	*	*	*
Number of refuse sites	4	4	4	4	4	4	4	4	4	*
Recyclables Collected (tons per year)	401	445	446	511	554	573	571	560	*	*
Parks, Recreation & Cultural (4)										
Land acres	275	275	275	275	275	259	159	158	158	158
Trails (miles)	6	6	5	5	5	5	3	3	3	3
Number of visitors	26,725	26,725	24,750	24,750	22,620	4,325	*	*	*	*
Library (5)										
Material circulated	52,592	50,637	43,230	41,589	47,850	60,435	55,958	48,860	43,013	40,036
Library patrons	26,466	26,763	25,937	24,123	24,160	5,750	*	*	*	*
Education (6)										
Elementary Schools										
Buildings	2	2	2	2	2	1	1	1	1	1
Primary Schools										
Buildings	0	0	0	0	0	1	1	1	1	1
Middle Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	750	750	750	750	522	522	522	522	522	522
High Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	1200	1200	1200	1200	800	800	800	800	800	800
Number of school buses	60	60	60	60	63	60	60	57	54	47

Sources:

(1) New Kent County Fire Department
(2) Financial Services
(3) New Kent County General Services
(4) New Kent County Parks and Recreation
(5) Heritage Public Library
The Heritage Public Library in the past has served two localities, New Kent County and Charles City County.
FY09 is the first full year the library has recorded separate statistics for New Kent and Charles City County.
(6) New Kent County Public Schools

* - This information is not available.

COUNTY OF NEW KENT, VIRGINIA **Table 16**
Capital Asset Statistics by Function/Program
Last Nine Fiscal Years

	Fiscal Year								
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Sheriff's Department (1)									
Stations	1	1	1	1	1	1	1	1	2
Patrol units	19	19	19	19	19	17	14	14	14
Total Calls Dispatched	34,964	34,884	31,094	34,087	38,302	31,604	25,712	19,667	18,052
Calls dispatched for traffic	6,810	6,628	4,043	3,503	3,298	3,368	2,863	2,850	3,132
Calls dispatched for rescue	2,994	2,765	1,707	1,620	1,353	1,106	1,701	2,776	2,060
Number of criminal warrants served	1,359	1,318	1,161	1,129	1,146	1,335	1,243	1,212	1,088
Number of civil warrants and traffic notices	6,829	7,171	7,165	8,424	8,576	9,215	7,639	6,989	5,192
Volunteer Fire and Rescue (2)									
Companies	1	1	1	1	1	1	1	1	1
Stations	4	4	4	3	3	3	3	3	3
Emergency responses	3,010	2,765	2,891	1,418	1453**	2,480	1,132	1,021	2,300
Fires extinguished	112	168	224	289	213**	886	557	732	945
Inspections	784	810	688	594	312	101	103	112	104
Parks and recreation (3)									
Number of parks maintained	7	7	7	7	6	6	N/A	N/A	N/A
Park acreage owned by the County	275	275	275	275	275	252	N/A	N/A	N/A
Park acreage leased	0	0	0	0	0	0	N/A	N/A	N/A
Library (4)									
Number of libraries	1	1	1	1	1*	1	1	1	1
Number of bookmobiles (non-operational)	0	0	0	1	1	1	1	1	1
Public Utilities (5)									
Water									
Daily average consumption (gallons)	667,000	828,208	572,212	697,149	811,600	694,000	648,000	344,568	380,000
Number of connections	2,133	2,101	1,990	1,918	1,887	1,732	1,576	1,384	1,200
Sewer									
Average daily sewage treatment (thousands of gallons)	255,000	234,000	320,000	340,000	328,000	256,000	188,000	135,000	200,000
Number of connections	951	916	809	733	725	579	422	268	125
Reclaimed									
Daily average consumption (gallons)	198,000								
Number of connections	3								

* For FY07-08 Heritage Public Library has been operating out of 2 branches. One in New Kent County and one in Charles City County.

** Volunteer Fire & Rescue numbers have decreased due to a new Fire Record Management System. Historically, the county documented all calls at each station which gave credit multiple times for a single incident. This new Management System eliminates the double counting.

Sources:

(1) New Kent County Sheriff's Office
(2) New Kent County Fire Department
(3) New Kent County Parks & Recreation
(4) Heritage Public Library
(5) New Kent County Public Utilities

Only nine years of data is available.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Honorable Members of the Board of Supervisors
County of New Kent
New Kent, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of New Kent, Virginia's basic financial statements and have issued our report thereon dated October 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County of New Kent, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of New Kent, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of New Kent, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of New Kent, Virginia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of New Kent, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we have reported to management of the County of New Kent, Virginia, in a separate letter dated October 30, 2012.

This report is intended solely for the information and use of management, Board of Supervisors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 30, 2012

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To The Honorable Members of the Board of Supervisors
County of New Kent
New Kent, Virginia

Compliance

We have audited the County of New Kent, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of New Kent, Virginia's major federal programs for the year ended June 30, 2012. The County of New Kent, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of New Kent, Virginia's management. Our responsibility is to express an opinion on the County of New Kent, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of New Kent, Virginia's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of New Kent, Virginia's compliance with those requirements.

In our opinion, the County of New Kent, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the County of New Kent, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of New Kent, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of New Kent, Virginia's internal control over compliance.

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a control deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 30, 2012

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number		FY2012 Federal Expenditures
Department of Agriculture:				
Pass Through Payments:				
Department of Social Services:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	10111		$ 196,888
Pass Through Payments:				
Department of Agriculture and Consumer Services:				
School Child Nutrition Cluster:				
School Breakfast Program	10.553	17901-40591		30,654
National School Lunch Program	10.555	17901-40623	$249,516	
Commodities - National School Lunch Program	10.555	17901-45707	43,766	293,282
Total National School Lunch Program				323,936
Department of Homeland Security:				
Direct Payments:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A		310,439
Pass Through Payments:				
Department of Emergency Services:				
Nonprofit Security Program - HEAR Radios	97.008	77501-52889	63,809	
Nonprofit Security Program - Central Virginia UASI	97.008	77501-52888	115,242	
Nonprofit Security Program - Central Virginia UASI NPD Communications Grant	97.008	77501-52889	19,294	198,345
Total Nonprofit Security Program				198,345
Emergency Management Performance Grants	97.042	77501-52740	37,383	
Emergency Management Performance Grants	97.042	77501-52601	10,204	47,587
Total Emergency Management Performance Grants				47,587
Disaster Grants - Public Assistance	97.036	77602-155		354,565
Department of Justice:				
Pass Through Payments:				
Department of Criminal Justice Services:				
Edward Byrne Memorial Justice Assistance Act Grant	16.738	39001-81100		2,370
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Child Care and Development Cluster:				
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	0760109/0760110		47,787
Child Care and Development Block Grant	93.575	0770109/0770110		25,035
Temporary Assistance for Needy Families	93.558	0400109/0400110		101,284
Refugee and Entrant Assistance - State Administered Program	93.566	0500109/0500110		259
Low Income Home Energy Assistance	93.568	0600409/0600410		7,838
Stephanie Tubbs Jones Child Welfare Services State Grants	93.645	0900109/090110		225
Foster Care - Title IV-E	93.658	1100109/1100110		40,188
Adoption Assistance	93.659	1120109/1120110		38,084
Social Services Block Grant	93.667	1000109/1000110		48,103
Chafee Foster Care Independence Program	93.674	9150109/9150110		646
Children's Health Insurance Program	93.767	0540109/0540110		5,317
Medical Assistance Program	93.778	1200109/1200110		118,462
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	17901-42901		261,860
Career and Technical Education - Basic Grants to States	84.048	17901-61095		28,767
Improving Teacher Quality State Grants	84.367	17901-61840		74,963
English Language Acquisition state Grant	84.365	17901		849
Education Jobs Funds	84.410	17901		325,310
Special Education Cluster:				
Special Education - Preschool Grants	84.173	17901-62521		15,272
Special Education Grants - Grants to States	84.027	17901-43071		632,380
Recovery Act - Special Education Grants	84.391	17901-61245		13,187
Recovery Act - Special Education Preschool Grants	84.392	17901-61247		4,956

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number	FY2012 Federal Expenditures
Department of Education: (Continued)			
Pass Through Payments: (Continued)			
Department of Education: (Continued)			
Education Technology Cluster:			
Education Technology - State Grants	84.318	17901-61600	$ 726
Recovery Act - Education Technology State Grants	84.386	17901-60897	378
Environmental Protection Agency:			
Pass Through Payments:			
Virginia Water Facilities Fund:			
Chesapeake Bay Program	66.466	51503	3,150
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-52051	28,455
Total Expenditures of Federal Awards			$ 3,257,611

See the accompanying notes to schedule of expenditures of federal awards.

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of New Kent, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the County of New Kent, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of New Kent, Virginia.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund	$	1,574,059
Proprietary Fund:		
Utilities Fund		968
Total primary government	$	1,575,027
Component Unit Public Schools:		
School Operating Fund	$	1,358,648
School Cafeteria Fund		323,936
Total component unit public schools	$	1,682,584
Total federal expenditures per basic financial statements	$	3,257,611
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	3,257,611

COUNTY OF NEW KENT, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I–Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
a. Material weakness(es) identified?	___ yes X no
b. Significant deficiency(ies) identified?	___ yes X none reported
Noncompliance material to financial statements noted?	___ yes X no

Federal Awards

Internal control over major programs	
a. Material weakness(es) identified?	___ yes X no
b. Significant deficiency(ies) identified?	___ yes X none reported
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ yes X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027/84.173/84.391/84.392	Special Education Cluster
97.036	Public Assistance Grants
84.410	Education Jobs Funds
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	X yes ___ no

Section II–Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

COUNTY OF NEW KENT, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2012

There were no prior year findings and questioned costs.

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