

County of New Kent, Virginia
Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2014

INTRODUCTORY SECTION

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COUNTY OF NEW KENT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

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COUNTY OF NEW KENT, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2014

BOARD OF SUPERVISORS

Thomas W. Evelyn, ChairmanDistrict 1
C. Thomas Tiller, Jr., Vice ChairmanDistrict 2
James H. BurrellDistrict 3
Ron StiersDistrict 4
W. R. "Ray" Davis, Jr.District 5

CONSTITUTIONAL OFFICERS

Karen A. Butler Clerk of the 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

Rodney A. Hathaway County Administrator/Economic Development and Tourism Director
Jonathan R. Stanger Assistant County Administrator
Michelle M. Gowdy County Attorney
Mary F. Altemus Financial Services Director
Richard A. Opett Fire Chief and Emergency Management Coordinator
Lawrence A. Dame Public Utilities Director
Aaron Hickman Information Systems Director
Vanessa Livingstone Social Services Director
Clarence G. Jackson Building Official and Building Development Director
Kimberly Turner Parks and Recreation Director
Kelli L. Z. Le Duc Community Development - Planning Manager
Vacant Community Development – Environmental Planning Manager
Vacant Airport Manager

SCHOOL BOARD

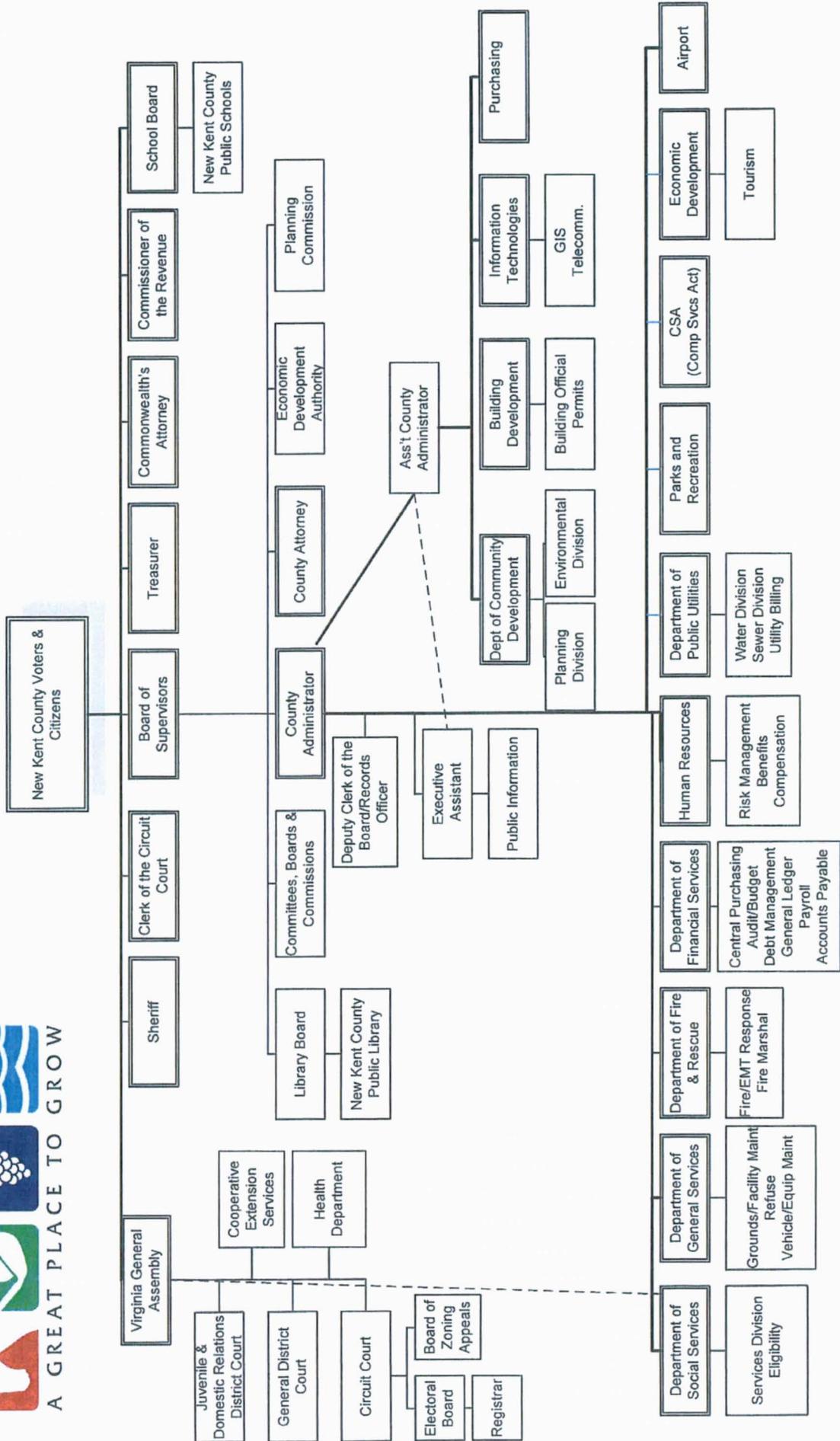
Leigh R. Quick, ChairmanDistrict 3
Sarah Grier Barber, Vice ChairmanDistrict 4
Brett C. MarshallDistrict 1
Dean M. SimmonsDistrict 2
Dr. Gail B. HardingeDistrict 5

SCHOOL BOARD ADMINISTRATIVE OFFICERS

Dr. Robert F. "Rick" Richardson, Jr. Superintendent
Vacant Executive Director of Finance and Budget
Cynthia Pitts Executive Director of Administration
Thomas N. "Nate" Collins Executive Director of Curriculum and Instruction
Ross Miller Director of Instructional Technology, Testing and Accountability
DeDreama Harrod Director of Special Education
Matthew Hilfer Technology Coordinator

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Organization of General Government Administrative Functions



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Government Finance Officers Association

**Certificate of
Achievement
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**County of New Kent
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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Board of Supervisors

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

Rodney A. Hathaway
County Administrator

www.co.new-kent.va.us

December 1, 2014

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, 2014. 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 accountants. 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 Accounting 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, 2014 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 unmodified opinion that the County financial statements for the fiscal year ended June 30, 2014 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.

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 19,912 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 94 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 4 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 Chairperson and Vice Chairperson 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 is responsible for 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 as 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 departmental goals 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 no 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 FY14 Budget did not reflect 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 seen modest returns. The average property value for housing in the County has increased slightly and market exposure time has decreased for properties valued at \$250,000 and under, however, a full recovery has not been made. We believe the local economy continues to be positioned to weather these tough economic conditions better than most localities, but it is becoming more of a challenge.

The County enjoys the fifth-highest median household income and the fourth-lowest poverty rate of the fourteen jurisdictions in the Richmond/Petersburg, VA Metropolitan Statistical Area. (Source: U.S. Bureau of the Census 2012 Quick-Facts) The median household income ranking has remained consistent over the last few years but the poverty rate has increased from the 2nd lowest poverty rate as reported in 2009 to the 4th lowest in 2011 and 2012. 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 2014, the County had an unemployment rate of 4.9% compared to 5.4% and 6.3% for Virginia and the United States respectively. (Source: U. S. Bureau of Labor Statistics, Unemployment rates by county, not seasonally adjusted, Virginia June 2014)

Although residential single family 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 single family 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. Calendar Year 2012 showed a decrease of 14 permits to 141 while Calendar Year 2013 showed an increase of 46 to 184 (Source: University of Virginia, Weldon Cooper Center) Single family home permits increased to 184 in FY 2014 indicating the largest number of new single family home permits obtained since 2009. There has been an increase in non-residential construction in the County. Eighteen commercial building permits were issued in FY 2014, an increase from the thirteen commercial building permits issued for new construction in FY 2012 and FY 2011 but only an increase in one from FY 2013. Commercial building permits issued for additions and alterations decreased by six to 19 in FY14. (Source: New Kent County Building Official and Building Development Office) Approximately 180 new homes are proposed to be constructed in 2016. (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. From 2009 – 2013 taxable sales increased 25% to \$105,685. 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 66% of the County covered in pine and hardwood trees. 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 in decline. In the first quarter of 2014, the largest employment industries were government (federal, state and local), followed by construction, health care and social assistance, retail trade, accommodation and food services and art, entertainment and recreation. (Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 1st Quarter (January, February, March 2014) The County's convenient access to surrounding metropolitan areas, via four interchanges of Interstate 64, has helped sustain the residential and economic expansion although 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 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 originally to complement the Colonial Downs racetrack (which closed in FY15) 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 Talleyville 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.
- The Four Seasons development has seen positive developments with 75 homes sold and another 80 lots under active development/construction. It is forecast that there will be development of a new section toward the end of 2015.

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

- The County has approximately 8,193 housing units. The total number of housing units in New Kent County has increased approximately 66.83% since 2000, having only 4,911 existing homes in 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, square footage, and price per square foot has fluctuated as indicated below:

Calendar Year	Average Sale Price	Average Square Footage	Average Price Per Square Foot
2013	\$254,455	2,301	\$107.37
2012	\$266,666	2,280	\$116.91

When all properties are given weight, the average property value for housing and the number of new construction in the County is as follows:

Calendar Year	Average Property Value	Number of New Construction
2013	\$236,715	156
2012	\$232,940	140
2011	\$232,765	123

(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 27th lowest level of fiscal stress and the 21st in median household income 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, 2010, 2011 but dropped to 21st in 2012 whereas the fiscal stress indicator declined slightly from 24th to 25th for FY 2010 and declined even further to 27th for FY 2012. (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 2012*)

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 ten 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 its conservative approach toward debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy at 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. New Kent County has completed the second operational year of the Bridging Communities Regional Technical Center. Eighty-six (86) students earned 105 state recognized industry credentials. Twenty-three (23) students earned Career Study Certificates from Rappahannock Community College during their graduation ceremony in May. The partnering school divisions include Charles City, King William, King and Queen, Middlesex and 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 five 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 numerous federal, state, private and foundation grant opportunities for County programs, services, and capital programs.
- 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.
- 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.
- Continued to provide annual funding to provide three new school buses
- Improvements were made to the Animal Shelter.
- Purchased new ambulances.
- Provided funding for an ERP Needs Analysis.

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, 2013. This was the tenth 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 a collaborative effort between Krista M. Eutsey, Executive Assistant to the County Administrator and Andrea N. Finn, Accounts Payable Specialist, Department of Finance. 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
County Administrator



Mary F. Altemus, CPA
Director of Financial Services

FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

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 County of New Kent, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

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

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

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 County of New Kent, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 4-31, 88-89, and 90-91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of New Kent, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

Other Information (continued)

The other supplementary information 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of New Kent, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 31, 2014

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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, 2014 (FY 2014). 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 2014

- The assets and deferred outflows of resources of the County, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources by \$119,085,573 (net position) at the close of the most recent fiscal year. Of this amount, \$28,952,185 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position, excluding component units, when compared to FY 2013, decreased by \$971,981 of which the governmental activities increased by \$464,729 and business-type activities decreased by \$1,436,710.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$22,499,645, a decrease of \$1,644,037 in comparison with the prior year. Approximately 92.5% of this total amount, \$20,800,662, is *available for spending* at the County's discretion (*Assigned and Unassigned Fund Balance*). The \$20,800,662 consists of \$7,674,050 unassigned in the General Fund and a negative unassigned \$29,118 in the Airport Fund, \$12,488,297 assigned in the County Capital Improvements Fund and \$667,433 assigned in the School Construction Fund. Approximately \$8.1 million of the \$12,488,297 in the County Capital Improvements Fund is currently unencumbered. Of the \$8.1 million unencumbered balance, \$5.0 million is related to unissued debt for the Historic School renovation project.
- At the end of the current fiscal year, assigned and unassigned fund balance for the General Fund totaled \$7,674,050 or 15.89% of governmental fund expenditures and transfers to other funds totaling \$48,285,121. FY 2013 reflected an assigned and unassigned fund balance for the General Fund of \$7,603,739 or 16.28% of governmental fund expenditures and transfers to other funds totaling \$46,697,674. Per County financial policy, the amount by which the audited unassigned fund balance exceeds 15% of budgeted revenues is transferred to the Capital Improvements Fund for future capital procurements. For FY 2014, the County transferred \$1,301,183 from the General Fund to the Capital Improvements Fund, leaving \$7,674,050 of unassigned fund balance in the General Fund.
- On the government-wide basis for governmental activities, expenses net of program revenue totaled \$32,529,258. Expenses net of program revenues are less than the general revenues of \$32,993,987 by \$464,729. The \$32,529,258 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 FY 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 (governmental funds, special revenue, enterprise, fiduciary and internal service 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. The County implemented the financial reporting provisions of Statement No. 63 of the Governmental Accounting Standards Board (GASB) for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements has not changed as a result of implementing this Statement and no restatement of prior balances is required. The County early implemented the financial reporting provisions of the GASB Statement No. 65 for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities. An adjustment was made to the beginning net position at June 30, 2013 to expense bond issuance costs in accordance with GASB Statement 65 in the amount of \$724,995.

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 Position and the Statement of Activities, which make-up 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, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. Governments report all capital assets in the government-wide Statement of Net Position and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities.

The Statement of Net Position and the Statement of Activities report the County's net position and the changes that occurred in the current year. The County's net position - the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources - is one way to measure the County's financial health, or financial position. Over time, increases and decreases in the County's net position 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 Position 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 32-34 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 six 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. Under the heading Other Governmental Funds is the Human Services Fund, and it is considered to be a non-major fund. Effective with FY 2012, meals tax receipts were reflected in the General Fund, and therefore, the Meals Tax Fund was eliminated from the Other Governmental Funds heading as a non-major fund for FY 2013 and going forward. Meals tax revenues are now available for general appropriation by the Board of Supervisors and are no longer restricted for schools, economic development and parks.

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 funds financial statements can be found starting on page 35 of this report.

- **Internal Service Funds** – Accounts for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Self-Insurance Fund reported in the Component Unit School Board.
- **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 system. The proprietary fund financial statements can be found starting on page 39 of this report.

- **Fiduciary Funds** – The County is the trustee, or fiduciary, for Agency Funds which include Special Welfare and Supplemental Security Income benefits for Department of Social Services clients. 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 Net Position and Statement of Revenue, Expenses, and Changes in Fund Net Position. 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 fiduciary fund financial statement can be found on page 42 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 on pages 38-87 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 88 of this report.

Other Supplementary Information contains the schedule of revenues, expenditures and changes in fund balances (budget and actual) for the Debt Service Fund, County Capital Improvements Fund, and the non-major Special Revenue Fund. Also included are the statement of fiduciary net position of the Fiduciary Fund and the statement of changes in assets and liabilities of the Agency Funds. Other Supplementary Information can be found starting on page 92 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$119,085,573 at the close of the most recent fiscal year.

A large portion of the County's net position (\$90,021,750, 75.6% of total) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment less related debt). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future expenditure. 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.)

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Statement of Net Position

The following table reflects a summary of condensed information on the County's net position at June 30, 2014 and 2013:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Current and other Assets	\$ 26,108,370	\$ 27,498,245	\$ 7,080,905	\$ 7,836,471	\$ 33,189,275	\$ 35,334,716	\$ 5,316,533	\$ 5,185,040
Capital Assets	80,565,732	81,937,402	80,382,595	81,513,823	160,948,327	163,451,225	21,304,762	19,972,235
Total Assets	\$ 106,674,102	\$ 109,435,647	\$ 87,463,500	\$ 89,350,294	\$ 194,137,602	\$ 198,785,941	\$ 26,621,295	\$ 25,157,275
Deferred Outflows of Resources	\$ -	\$ -	\$ 1,220,977	\$ 1,333,685	\$ 1,220,977	\$ 1,333,685	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 106,674,102	\$ 109,435,647	\$ 88,684,477	\$ 90,683,979	\$ 195,358,579	\$ 200,119,626	\$ 26,621,295	\$ 25,157,275
Current and other Liabilities	\$ 2,695,952	\$ 2,774,678	\$ 569,442	\$ 519,677	\$ 3,265,394	\$ 3,294,355	\$ 3,348,200	\$ 3,306,320
Long-term Liabilities	56,660,743	59,798,265	16,264,757	16,877,314	72,925,500	76,675,579	1,000,157	867,795
Total Liabilities	\$ 59,356,695	\$ 62,572,943	\$ 16,834,199	\$ 17,396,991	\$ 76,190,894	\$ 79,969,934	\$ 4,348,357	\$ 4,174,115
Deferred Inflows of Resources	\$ 82,112	\$ 92,138	\$ -	\$ -	\$ 82,112	\$ 92,138	\$ -	\$ -
Total Liabilities and Deferred Inflows of Resources	\$ 59,438,807	\$ 62,665,081	\$ 16,834,199	\$ 17,396,991	\$ 76,273,006	\$ 80,062,072	\$ 4,348,357	\$ 4,174,115
Net Position								
Net Investment in Capital Assets	\$ 24,578,103	\$ 22,838,671	\$ 65,443,647	\$ 66,062,606	\$ 90,021,750	\$ 88,901,277	\$ 21,304,762	\$ 19,972,235
Restricted For:								
E-911	85,707	9,370	-	-	85,707	9,370	-	-
Asset Forfeiture	25,230	26,161	-	-	25,230	26,161	-	-
Litter Control	701	1,354	-	-	701	1,354	-	-
Unrestricted (deficit) (1)	22,545,554	23,895,010	6,406,631	7,224,382	28,952,185	31,119,392	968,176	1,010,925
Total Net Position (1)	\$ 47,235,295	\$ 46,770,566	\$ 71,850,278	\$ 73,286,988	\$ 119,085,573	\$ 120,057,554	\$ 22,272,938	\$ 20,983,160

(1) Note: An adjustment was made to the beginning net position at June 30, 2013 to expense the bond issuance costs in accordance with GASB Statement 65 in the amount of \$724,995.

Current and other assets for the primary government decreased \$2,145,441 from the prior year. Of this amount, \$1,389,875 is attributable to the governmental funds and \$755,566 is related to business-type activities. Current and other assets decreased \$2,145,441 at the same time cash and cash equivalents decreased \$2,431,208 (\$1,511,920 governmental and \$919,288 business-type activities). It is worth noting that, combined, receivables increased \$77,450 and prepaid items reflect an increase totaling \$208,317. The increase in prepaid items is directly related to the County's FY 2015 property/casualty insurance payment. The amount due from other governments decreased \$371,429, which is primarily due to outstanding receivables relative to the Federal Emergency Management Agency (FEMA) for Hurricane Irene damage (\$543,311 reduction). At June 30, 2014, the outstanding FEMA balance for Hurricane Irene totaled \$102,664. A majority of this receivable was collected in FY 2014. Taxes receivable increased a combined \$420,059. While the County maintained a 97% current year (FY14) collection rate, prior year outstanding receivables increased when compared to last year. We anticipate improvements in this area going forward.

Current and other liabilities reflect a decrease of \$28,961. This is due to an increase in accounts payable and accrued interest payable and a decrease in accrued liabilities, unearned revenue and deposits held

in escrow. The largest increase was in accounts payable (\$373,511) and the largest decrease was in unearned revenue (\$416,360).

Capital assets for governmental activities declined a total of \$1,371,670. Of this amount, new asset additions for the governmental funds reflect an overall net increase of \$220,110 and depreciation reflects a net increase of \$1,591,780. The \$1,131,228 overall decline in capital assets for business-type activities is due to a \$286,758 increase in capital purchases, and a net increase in depreciation totaling \$1,417,986.

Current and other liabilities of the primary government decreased \$28,961. Of this amount governmental liabilities decreased \$78,726 and business-type liabilities increased \$49,765. Long-term liabilities for the primary government reflect an overall decrease of \$3,750,079. Governmental activities long-term indebtedness declined \$3,137,522, while business-type long-term indebtedness decreased \$612,557. Governmental and Business-type outstanding debt declined in accordance with existing amortization schedules and no new debt was issued during the fiscal year.

The net position of the primary government decreased by \$971,981, or .81%. Total asset and deferred outflows of resources and liabilities and deferred inflows of resources declined \$4,761,047 and \$3,789,066, respectively. The negative \$971,981 also reflects the amount by which expenses exceed revenues on the Statement of Activities. Of the \$119,085,573 net position total on the Statement of Net Position, \$90,021,750 reflects the County's investment in capital assets net of any related outstanding debt issued to acquire those assets. These assets are used to provide services to citizens and consequently are not available for future spending. The remaining net position total is comprised of \$111,638 for restricted assets and \$28,952,185 for unrestricted assets. The restricted assets must be expended for specific programs; whereas, unrestricted assets represent funds that are available for appropriation at the Board of Supervisors' discretion.

Assets and deferred outflows of resources of the component units, School Board and EDA, exceeded liabilities and deferred inflows of resources by \$22,272,938, which represents an increase of \$1,289,778 over FY 2013. Most of this increase is related to capital assets of the School Board (net of accumulated depreciation) which reflect an increase of \$1,332,527 over FY 2013. EDA cash and investments declined \$73,316 in the normal course of operations.

In FY 2013, an internal service fund was established to account for the School Board's self-funding of employee health care benefits. At June 30, 2014, the fund reflected a net position of \$431,230, which includes assets of \$679,609 and liabilities of \$248,379. The School Board has fiscal agent responsibilities for the Bridging Communities Regional Career and Technical Center which opened in September 2013 in New Kent County. The opening of the Bridging Communities Regional Career and Technical Center represents a remarkable collaborative effort among the counties of Charles City, King William, King and Queen, Middlesex and New Kent. This was the first regional career and technical education center to be established in Virginia in twenty-five years.

Legislation (Section 15.2-1800.1) enacted in 2002 changed the reporting of local school board 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 discrete column on the Statement of Net Position, along with the related debt. Under the 2002 law, local governments have a "tenancy in common" with the school board whenever the locality incurs a financial obligation for the purchase of school assets when payable over more than one year. The Commonwealth of Virginia

requires counties, as well as their financially dependent component units, to debt finance asset purchases under a single structure; and therefore, counties issue debt to finance the capital assets needs, such as public schools, of their component units. Until such time as the related debt is repaid, the County maintains ownership and reflects the asset and related depreciation on the Statement of Net Position. As the debt related to these assets is paid annually, a corresponding amount of capital assets is transferred from the County to the School Board. The effect of this law for the year ended June 30, 2014 is that School-financed assets (net of accumulated depreciation) in the amount of \$48,411,832 are reported in the Statement of Net Position for the primary government for financial reporting purposes.

Statement 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 reflects 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, 2014 and 2013:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues:								
Program revenues:								
Charges for services	\$ 1,280,757	\$ 1,207,948	\$ 3,840,240	\$ 4,059,777	\$ 5,120,997	\$ 5,267,725	\$ 624,260	\$ 638,715
Operating grants and contributions	3,966,842	3,680,325	-	-	3,966,842	3,680,325	13,803,539	13,623,825
Capital grants and contributions	336,649	397,482	-	-	336,649	397,482	-	-
General revenues:								
Property taxes	25,046,147	23,669,284	132,638	120,765	25,178,785	23,790,049	-	-
Other taxes	3,869,620	3,620,732	-	-	3,869,620	3,620,732	-	-
Unrestricted revenues from use of money and property	538,920	582,919	52,923	72,426	591,843	655,345	10,177	13,335
Miscellaneous	614,507	816,074	-	-	614,507	816,074	143,858	210,304
Grant and contributions not restricted to specific programs	2,924,793	2,952,844	-	-	2,924,793	2,952,844	-	-
Payment from New Kent County	-	-	-	-	-	-	15,334,744	13,816,928
Transfers	-	-	-	-	-	-	-	-
Total Revenue	\$ 38,578,235	\$ 36,927,608	\$ 4,025,801	\$ 4,252,968	\$ 42,604,036	\$ 41,180,576	\$ 29,916,578	\$ 28,303,107
Expenses:								
General government administration	\$ 3,540,907	\$ 3,108,766	\$ -	\$ -	\$ 3,540,907	\$ 3,108,766	\$ -	\$ -
Judicial administration	1,958,406	1,724,039	-	-	1,958,406	1,724,039	-	-
Public safety	7,748,268	7,591,790	-	-	7,748,268	7,591,790	-	-
Public works	2,020,146	1,874,687	-	-	2,020,146	1,874,687	-	-
Health and welfare	2,547,174	2,425,394	-	-	2,547,174	2,425,394	-	-
Education	16,107,096	14,343,635	-	-	16,107,096	14,343,635	-	-
Parks, recreation, and cultural	754,994	943,381	-	-	754,994	943,381	-	-
Community development	855,116	824,551	-	-	855,116	824,551	-	-
Interest on long-term debt (restated)	2,581,399	2,642,703	-	-	2,581,399	2,642,703	-	-
Business type activities:								
Water & Sewer	-	-	4,573,366	4,328,428	4,573,366	4,328,428	-	-
Bottoms Bridge	-	-	889,145	1,018,674	889,145	1,018,674	-	-
Component Units:								
School Board	-	-	-	-	-	-	28,543,738	27,318,320
Economic Development Authority	-	-	-	-	-	-	83,062	88,543
Total Expenses	\$ 38,113,506	\$ 35,478,946	\$ 5,462,511	\$ 5,347,102	\$ 43,576,017	\$ 40,826,048	\$ 28,626,800	\$ 27,406,863
Change in net position	\$ 464,729	\$ 1,448,662	\$ (1,436,710)	\$ (1,094,134)	\$ (971,981)	\$ 354,528	\$ 1,289,778	\$ 896,244
Transfers	-	-	-	-	-	-	-	-
Change in net position	464,729	1,448,662	(1,436,710)	(1,094,134)	(971,981)	354,528	1,289,778	896,244
Net position - beginning	46,770,566	45,321,904	73,286,988	74,381,122	120,057,554	119,703,026	20,983,160	20,086,916
Net position - ended	\$ 47,235,295	\$ 46,770,566	\$ 71,850,278	\$ 73,286,988	\$ 119,085,573	\$ 120,057,554	\$ 22,272,938	\$ 20,983,160

Governmental Activities: For the fiscal year ended June 30, 2014, revenues for governmental activities totaled \$38,578,235, an increase of \$1,650,627, or 4.5% when compared to FY 2013. This increase is primarily related to the following factors:

- The \$72,809 increase in charges for services. The net change is due to a variety of small changes relative to numerous revenue accounts. The most significant changes include a \$45,833 increase for court fines, a \$13,767 increase for permits, and \$27,163 relative to parks and recreation charges.
- The \$336,649 capital grant is related to a federal obstruction and removal grant at the Airport.
- Operating grants and contributions, which totaled \$3,966,842, increased a combined \$286,517. Most of this increase is related to health & welfare which reflects a net increase of \$128,259. The other major increase was in public safety, which increased \$93,668. The County receives a variety of public safety grants for which the terms and related receipts fluctuate annually. These fluctuations make it difficult to draw conclusions about future grants and receipts that the County may or may not receive. The reader is better served by looking at trends for all programs over an extended period. The following schedule denotes operating grants and contributions as reflected on the Statement of Activities for FY 2010 to FY 2014.

Program	FY10	FY11	FY12	FY13	FY14
General Government	\$234,767	\$204,604	\$221,097	\$210,095	\$203,821
Judicial Administration	479,166	485,392	482,562	480,000	506,242
Public Safety	1,379,975	1,242,527	1,986,423	1,811,068	1,904,736
Public Works	-	-	-	16,994	59,654
Health & Welfare	1,428,809	1,280,484	1,136,878	1,153,627	1,281,886
Parks, Recreation & Cultural	4,500	4,500	4,500	8,541	4,500
Community Development	13,803	143,537	19,068	-	6,003
Totals	\$3,541,020	\$3,361,044	\$3,850,528	\$3,680,325	\$3,966,842

- Governmental property tax collections increased \$1,376,863 due to a \$136,955 increase in public service corporations and a \$1,129,725 increase in real estate. There was a decrease of \$3,657 in personal property, a \$578 decrease in machinery & tools, and a \$13,116 decrease in penalties and interest. There was also a \$125,496 increase in the conversion to the accrual basis of accounting. The increase in real estate tax collections is directly related to the reassessment growth factor of 2.78% and the adoption of a four-cent increase in the real estate rate to \$0.85. 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 include revenue from local sales and use taxes, recordation tax, consumer's utility taxes, electric consumption taxes, meals tax, business license tax, hotel tax, admission tax, motor vehicle registration fees and bank stock taxes. Combined, these taxes increased \$248,888 primarily 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.

(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 were classified as State revenues beginning with FY 2012 to reflect a change in collection responsibility from local jurisdictions to the Commonwealth. For FY 2014 Communication Sales Tax totaled \$599,692.)

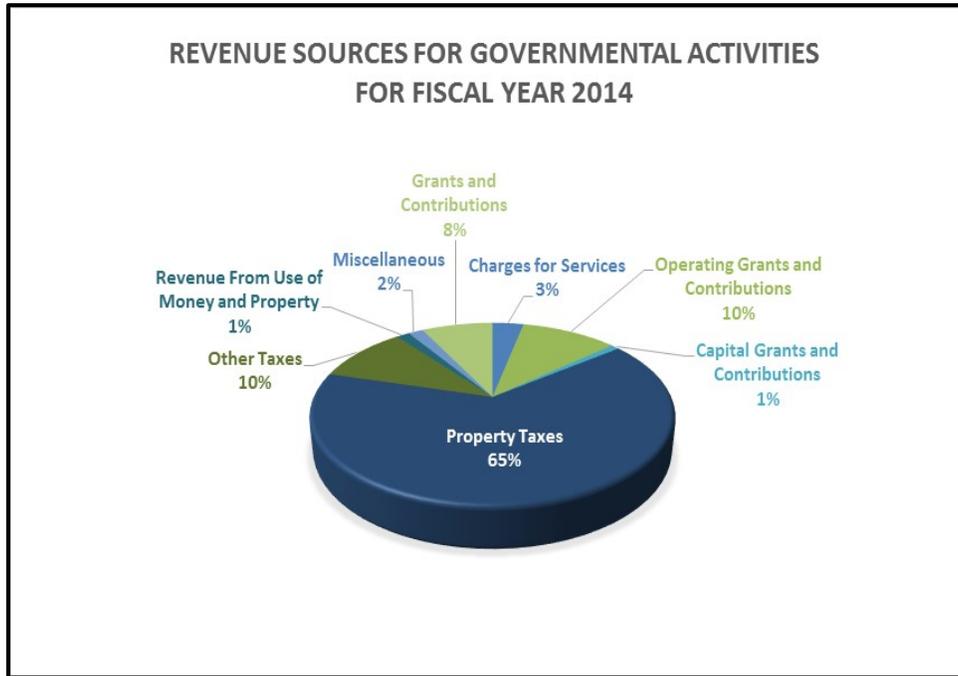
- The \$43,999 decrease in revenues from the use of money and property is primarily due to a decline in interest revenue relative to the Federal Reserve's quantitative easing policies and the County's spend down of cash balances relative to debt issued in prior years for capital projects.

Fiscal year 2014 expenses, which totaled \$38,113,506, increased from FY 2013 expenses (as restated) by \$2,634,560 primarily due to the following:

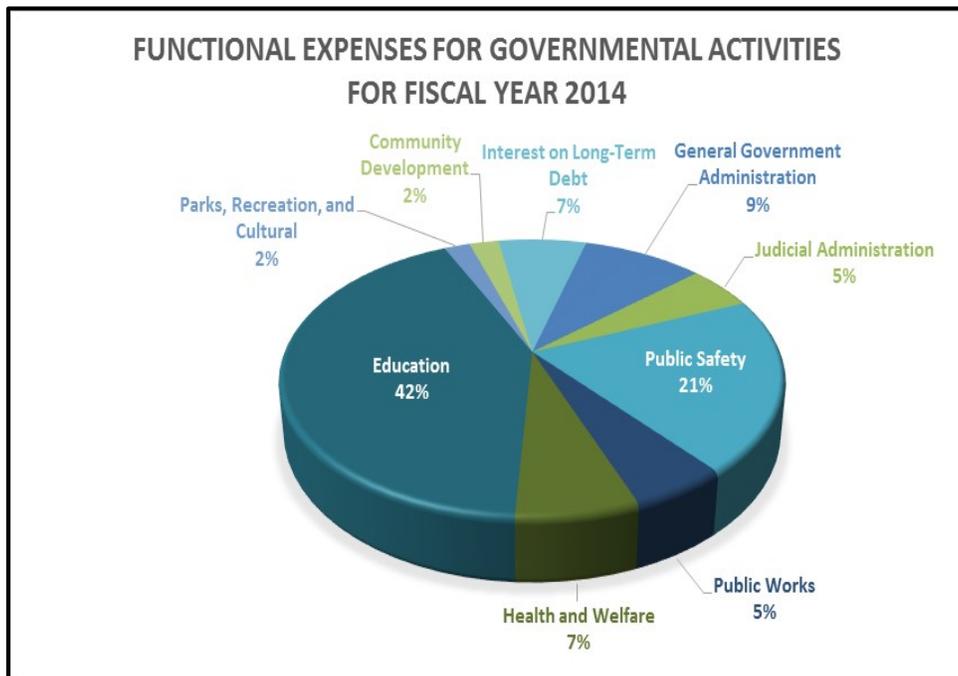
- General government administration reflects a \$432,141 increase which includes a \$76,487 increase for legal services in the County Attorney's Office, additional personnel costs related to prior year vacancies, and \$159,335 related to depreciation.
- The \$234,367 increase in Judicial Administration is the result of a \$168,187 increase related to leave accruals, capital additions and depreciation, and a \$34,385 increase in Sheriff operations relative to courts.
- The \$156,478 increase in Public Safety is directly related to a \$258,733 increase in items relative to the full accrual conversion, which include expenses relative to leave accruals, depreciation and recovered costs. A majority of the \$258,733 increase is related to a decrease in emergency services recoveries for FY 2014.
- The \$1,763,461 increase in Education is related to \$800,000 in additional funding reflected in the FY 2014 budget and \$395,501 related to the Schools FY 2013 fund balance that was allocated for FY 2014 operations. The \$1,763,461 also includes \$316,994 relative to an increase in depreciation and capital additions.
- The FY 2014 interest on long-term debt decreased \$61,304 as a result of changes in existing debt service schedules, changes in the amortization of bond premium, and changes in the accrual of interest expense. All these changes are in accordance with existing debt and related schedules.

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Revenues: The following chart summarizes the major sources of revenues for the governmental activities. Property taxes represent the largest source of funds at 65%, followed by operating grants and contributions, and other taxes at 10%.



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



As indicated in the revenue chart on the prior page, property taxes (65%) and other taxes (10%) comprise 75% 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 these rates and fees are restricted by the Code of Virginia in many cases. One penny on the real estate tax rate for FY 2015 equates to approximately \$247,736. Combined, grants and contributions make up 18% of County revenues; however, future receipts are uncertain due to fiscal stress at the federal and state levels.

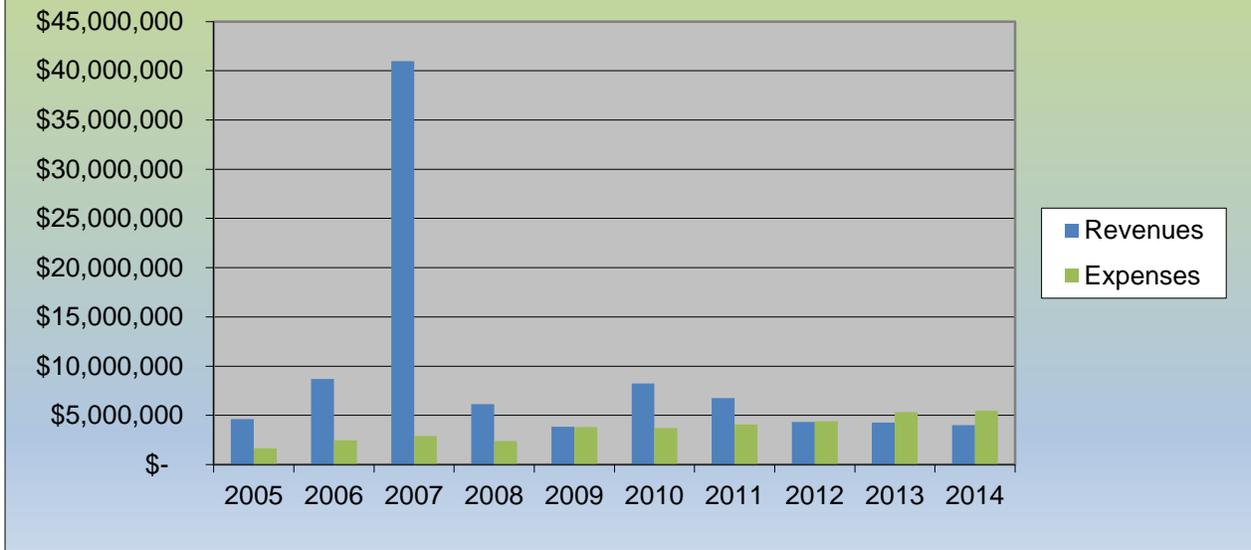
For FY 2014, program expenses for governmental activities totaled \$38,113,506 which includes a \$12,785,561 transfer to the New Kent County School Board for operations. Of the \$38,113,506 total, \$1,280,757 was financed with charges for services and \$4,303,491 from operating and capital grants and contributions. The \$32,529,258 remainder was primarily funded with tax revenues totaling \$28,915,767, 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 public works. Education continues to be one of the County's highest priorities and commitments, and for FY 2014 support for education totaled \$16,107,096. 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 position by \$1,436,710 for FY 2014. Similar to changes in net position attributable to governmental activities, changes in business-type activity net position 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. The \$1,436,710 change in net position is attributed entirely to the Water and Sewer Fund and FY14 depreciation in the amount of \$1,478,498. As a new system with a relatively small customer base, operating revenues are not sufficient to pay operating expenses, and therefore, connection and available fees supplement operating costs. As a result, there are insufficient funds for current depreciation.

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Water and Sewer Revenue/Expenses for Fiscal Year 2014 and Last 9 Years



For FY 2014, revenues for the Water and Sewer Fund totaled \$4,025,801, a decrease of \$227,167 when compared to the FY 2013 total of \$4,252,968. Most of this decrease is related to a \$348,811 decrease in non-operating revenues, primarily connection fees. The decrease is also related to a lower demand for water service due to annual rainfall totals. Expenses totaled \$5,462,511, an increase of \$115,409 over the prior year, which is directly related to connection fee refunds totaling \$467,405. Total revenue from property taxes totaled \$132,638 or 3.29% of operating and non-operating revenues. These tax revenues are related to the Bottoms Bridge Service District which was established to support debt payments related to utility improvements in the designated area. Although FY 2014 water and sewer rates reflect an 8% increase, related operating revenues increased only 4.4% when compared to the prior year.

Component Unit – School Board: For FY 2014, revenues for the School Board totaled \$29,907,632. The annual payment from the County is the largest component of revenues, totaling \$15,334,744, or 51.3% of the total revenues. Operating Grants and Contributions is the second largest component of revenues for the School Board totaling \$13,803,539 or 46.2% of the total revenues. Of this amount, funding from State sources totaled \$12,570,869, an increase of \$471,971 over the FY 2013 total of \$12,098,898. Federal revenues totaled \$1,232,670, a decrease of \$292,257 when compared to 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 position of the EDA decreased \$74,116 from the prior year. The revenues for the EDA, \$8,946, are made up almost entirely of revenues from investments held by the EDA. Expenses, which totaled \$83,062, 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 2014, the County's *governmental funds* reported a combined ending fund balance of \$22,499,645, a decrease of \$1,644,037 from the prior fiscal year total of \$24,143,682.

GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions) was 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 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 classifications: 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. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. 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 June 30, 2014 total fund balance for governmental funds totaled \$22,499,645 and is comprised of the following components:

- **Nonspendable - \$387,180:** This amount is not available for expenditure and includes prepaid items.
- **Restricted - \$111,638:** These are grant funds that have been restricted for E-911 wireless, clean county committee/litter control, and asset forfeiture.

- **Committed - \$1,200,165:** Funds reported as committed are constrained for the computer fund (\$110,812) and debt service (1,089,353).
- **Assigned - \$13,155,730:** These funds have been assigned (designated) for the procurement of Capital projects; \$12,488,297 for County projects and \$667,433 for future school construction.
- **Unassigned Fund Balance - \$7,644,932:** 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 \$8.1 million of the \$13,155,730 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 2014, the fund balance for this fund totaled \$8,263,800; an increase of \$445,783 from the prior year. The County has established a policy to maintain a fund balance equal 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 2014, the County transferred \$1,301,184 in excess funds to the Capital Fund which will be used to fund future capital procurements on a cash basis. For FY 2014, the Capital Fund reflects an assigned fund balance of \$12,488,297; a decrease of \$2,134,544. The majority of this decrease is due to the annual transfer of excess funds from the General Fund. There have been funds transferred to the capital projects fund for each of the past thirteen years because the budgeted revenues were conservative and expenditures monitored tightly. The \$1,301,183.36 transfer amount for FY 2014 declined \$1,399,088 due to the following:

Explanation	Amount
FY13 Transfer to Fund 007	\$2,700,271.37
Overall reduction in the combined General Government Fund Balance (\$9,564,982 - \$10,518,288)	(953,305.57)
Overall decrease in carry forwards (\$640,478 - \$434,314)	206,163.96
Overall increase in pre-paid items (\$43,972 - \$366,402)	(322,430.00)
15% of the overall reduction in budgeted revenues (\$2,196,776 x 0.15)	(329,516.40)
Total FY14 Transfer to Fund 007 (Excess over 15% of Fund Balance)	1,301,183.36

The Airport Fund is used to account for and report the financial resources and operations of the County Airport. The Fund is supported by local, state and federal funding. Local resources consist of fuel and oil sales, as well as hangar rental. Unlike other County capital improvements, most Airport facilities are eligible to be financed with grants totaling up to 98% of the costs. Grant funds from the Federal Aviation Administration (FAA) and the Virginia Department of Aviation (DOAV) are used for the majority of the capital improvements made to the airport facility. At the end of FY 2014, the fund balance for this fund totaled a negative \$9,238, a decrease of \$121,302 from FY 2013. The negative balance is related to a single project that will require additional County funding in fiscal year 2015.

The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. For FY 2014, the fund balance for this fund increased \$166,026. This net increase is directly related to an allocation of \$300,000 from fund balance to pay debt service, and the \$465,085 that was transferred from the General Fund for future school construction projects. The fund balance of \$1,089,353 is committed for the following future expenditures:

Explanation	Amount
Debt Service – FY 2015	\$300,000
Debt Service – FY 2016	300,000
Debt Service – FY 2017	24,268
Future School Construction	465,085
Total FY14 Transfer to Fund 007 (Excess over 15% of Fund Balance)	\$1,089,353

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 remained unchanged at \$667,433 again for FY 2014. It is anticipated that these funds will be expended for the Historic School renovation project.

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 position of the Water & Sewer (W&S) Fund at the end of the fiscal year totaled \$6,406,631, a decrease of \$817,751 when compared to FY 2014. Total net position for the proprietary fund decreased \$1,436,710. Most of this decrease is related to depreciation expense which totaled \$1,478,498. Water and sewer operating revenues for FY 2014 totaled \$2,847,469, compared to \$2,724,066 for FY 2013. This \$123,403 increase is attributable to an 8% increase in utility rates. Connection fees, which totaled \$874,425 for FY 2014, declined \$292,781. Connection fee revenue is a function of construction activity within the County, and varies annually. Operating expenses, which totaled \$4,879,299, increased \$267,273, which is directly related to prior year connection fee refunds in the amount \$467,405.

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 the non-major governmental fund (Human Services) for the fiscal year ended June 30, 2014.

Governmental Funds Summary of Revenues June 30, 2014 and 2013					
	2014 Amount	Percent of total	2013 Amount	Increase (Decrease) from 2013	Percent Increase (Decrease)
Revenues					
General property taxes	\$ 24,678,308	64.1%	\$ 23,426,941	\$ 1,251,367	5.3%
Other local taxes *1	3,869,620	10.1%	3,620,732	248,888	6.9%
Permits, privilege fees and regulatory licenses	395,155	1.0%	385,976	9,179	2.4%
Fines and forfeitures	289,644	0.8%	243,811	45,833	18.8%
Revenue from the use of money and property	538,920	1.4%	582,919	(43,999)	-7.5%
Charges for services	595,958	1.5%	578,161	17,797	3.1%
Miscellaneous	614,507	1.6%	816,074	(201,567)	-24.7%
Recovered costs	265,097	0.7%	454,320	(189,223)	-41.6%
Commonwealth *1	5,668,219	14.7%	5,435,150	233,069	4.3%
Federal	1,560,065	4.1%	1,595,501	(35,436)	-2.2%
Total Revenues	\$ 38,475,493	100.0%	\$ 37,139,585	\$ 1,335,908	3.6%

*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.

When compared to FY 2013, Governmental Funds revenues increased by a total of \$1,335,908, due to the following:

- For FY 2014 general property taxes increased \$1,251,367. Of this amount, real estate revenues increased \$1,129,725, public service corporation tax collections increased \$136,955 and personal property tax revenues decreased \$3,657. Mobile home, machinery and tools, and related penalty and interest decreased a combined \$11,656. The real estate tax revenue increase was the result of new construction relative to homes and retail businesses as well as a rate increase of \$0.04. The \$136,955 increase for public service corporation revenues is the result of continued year-over-year assessment increases and the \$0.04 rate increase for FY 2014.
- Other local taxes increased \$248,888 due to strong growth in meals and sales tax collections. The growth is the result of several new retail businesses that have located to the County. We expect that this trend will continue into the foreseeable future.
- The \$9,179 increase in permits, fees and licenses is due to an overall increase in construction activity.
- Revenue from use of money and property was down \$43,999 due to declines in investment rates and the expenditure of cash reserves related to major capital projects. The \$233,069 increase in State revenues is due to additional revenues from several sources which include an additional \$46,528 for the Comprehensive Services Act (CSA); \$30,384 from the Virginia E911 Wireless Fund; \$101,434 from FEMA relative to Hurricane Irene, and \$39,193 from the Compensation Board for Constitutional Officers.

The following schedule presents the General Fund budgetary highlights for FY 2014. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Governmental 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. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.

The following schedule presents the General Fund budgetary highlights for FY 2014:

General Fund Budgetary Highlights Fiscal Year 2014					
	Original Budget	Amended Budget	Actual	Original vs. Actual	Amended vs. Actual
Revenues					
Taxes	\$ 28,179,939	\$ 28,179,939	\$ 28,547,928	\$ 367,989	\$ 367,989
Intergovernmental	5,568,186	6,922,290	6,376,632	808,446	(545,658)
Other	<u>2,477,979</u>	<u>2,694,794</u>	<u>2,341,828</u>	<u>(136,151)</u>	<u>(352,966)</u>
Total	\$ 36,226,104	\$ 37,797,023	\$ 37,266,388	\$ 1,040,284	\$ (530,635)
Expenditures and Other Financing Sources (Uses)					
Expenditures	\$ 29,561,025	\$ 31,366,597	\$ 29,256,872	\$ 304,153	\$ 2,109,725
Transfers In/Out	<u>6,364,945</u>	<u>6,528,949</u>	<u>7,563,733</u>	<u>(1,198,788)</u>	<u>(1,034,784)</u>
Total	\$ 35,925,970	\$ 37,895,546	\$ 36,820,605	\$ (894,635)	\$ 1,074,941
Increase (Decrease)	\$ <u>300,134</u>	\$ <u>(98,523)</u>	\$ <u>445,783</u>	\$ <u>145,649</u>	\$ <u>544,306</u>

The amended General Fund revenue budget exceeded actual revenues by a total of \$530,635 for FY 2014. The bullets below provide explanations for the major variances:

- The \$367,989 amount by which actual tax revenues exceeded the amended budget was primarily the result of better than expected collections across several revenue streams. As indicated above, meals, sales and business license tax collections are up due to moderate to strong growth relative to population and the location of retail businesses to the County. Although the County does monitor revenue collections on a monthly basis, we do not amend tax related budgets based on this information.
- The amended budget exceeded actual intergovernmental revenues by \$545,658. Most of this variance is related to various grants that have been delayed until FY 2015. These amounts will be carried forward and expended in the current year (FY 2015).

- Other revenues were \$352,966 less than budget. Due to the closing of Colonial Downs, off-track betting proceeds were \$185,793 less than budgeted. Ambulance and rescue services were \$196,983 less than budget due to the transition of the collection of these funds from in-house to an outside contractor.
- Combined, amended expenditure budgets exceeded actual expenditures by \$2,109,725 for a variety of reasons which include:
 1. Inmate housing was \$182,669 below budget due to a prior year credit.
 2. Vacancy savings relative to the public safety and other departments.
 3. Expenditures relative to the Comprehensive Service Act were \$712,552 under budget. Expenditures vary annually and are difficult to forecast. The annual budget reflects historical data and a cushion for contingencies.
 4. Unexpended grants and other restricted funds that will be carried forward and re-appropriated in fiscal year 2015.
 5. Unexpended funds relative to the Department of Social Services totaled \$281,018. Again, this is an area that is difficult to forecast demand for services.
 6. The School Board carry forward totals \$144,535
 7. Refuse expenditures were \$101,326 below budget due to a new contract.
- Actual transfers in/out to other funds were over the amended budget by \$1,034,784, which is directly related to the final year-end transfer from the General Fund to the Capital Improvement Fund. Annually, once the audit is complete and in accordance with County policy, the amount by which unassigned fund balance exceeds 15% of the annual budget is transferred to the Capital Improvement Fund. This transfer is not budgeted.

Also, during FY 2014, 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, 2014.
- To re-appropriate grant revenues authorized in fiscal year 2014 or earlier, but not expended or encumbered as of June 30, 2014.
- To appropriate grants or donations accepted or adjusted in FY 2014.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original FY 2014 budget.

Proprietary Funds: The County's proprietary fund is comprised of the Water & Sewer Fund and the Bottoms Bridge Service District Fund. The Enterprise Fund is committed to meeting the present and future water and sewer needs of the County by providing quality 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 2014, the department provided water service to approximately 2418 water customers, 1154 sewer customers and 3 reclaimed water 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 64 through the Route 106 and Route 155 interchanges 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 2014, the County's investment in capital assets for its governmental, business-type and component unit activities totaled \$182,253,089 (net of accumulated depreciation). When compared to the prior fiscal year, net investment in capital assets for all funds declined \$1,170,371. Although governmental activities assets increased \$220,110, net capital assets declined \$1,371,670 due to depreciation. Business-type assets increased \$286,758 due to the purchase of various equipment. Net of depreciation, business-type assets declined \$1,131,228. Capital assets, net of accumulated depreciation, for the fiscal years ended June 30, 2014 and 2013, are illustrated in the following table:

Capital Assets (Net of accumulated depreciation) June 30, 2014 and 2013								
	Governmental		Business-type		Total Primary		Component	
	Activities		Activities		Government		Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Non-Depreciable Assets								
Land	\$ 3,313,901	\$ 3,256,989	\$ 2,695,355	\$ 2,695,355	\$ 6,009,256	\$ 5,952,344	\$ 2,022,600	\$ 2,022,600
Construction in progress	3,061,761	2,189,311	934,012	28,176,557	3,995,773	30,365,868	10,022	96,682
Other Capital Assets								
Buildings	24,943,680	24,174,129	-	-	24,943,680	24,174,129	832,025	374,659
Machinery and equipment	12,307,346	12,496,296	-	-	12,307,346	12,496,296	5,559,279	6,075,310
Capital improvements	2,461,876	2,243,376	-	-	2,461,876	2,243,376	-	-
Intangible Assets	92,521	-	-	-	-	-	-	-
Jointly owned assets	59,073,903	60,674,777	-	-	59,073,903	60,674,777	20,832,323	19,252,923
Water production and distribution facilities	-	-	6,199,751	5,634,970	6,199,751	5,634,970	-	-
Machinery and Equipment	-	-	3,882,712	3,871,279	3,882,712	3,871,279	-	-
Infrastructure	-	-	75,393,461	48,440,372	75,393,461	48,440,372	-	-
	\$ 105,254,988	\$ 105,034,878	\$ 89,105,291	\$ 88,818,533	\$ 194,360,279	\$ 193,853,411	\$ 29,256,249	\$ 27,822,174
Less Accumulated Depreciation	(24,689,256)	(23,097,476)	(8,722,696)	(7,304,710)	(33,411,952)	(30,402,186)	(7,951,487)	(7,849,939)
Capital Assets Net of Depreciation	\$ 80,565,732	\$ 81,937,402	\$ 80,382,595	\$ 81,513,823	\$ 160,948,327	\$ 163,451,225	\$ 21,304,762	\$ 19,972,235

Note: The ending June 30, 2013 balance for Buildings under Capital assets subject to depreciation and accumulated depreciation were each adjusted by \$214,100 to better classify the Old Courthouse.

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

LONG-TERM OBLIGATIONS

At the end of the current fiscal year, outstanding long-term obligations (including the component units) totaled \$73,925,657. Of this amount, \$11,274,259 comprises debt backed by the full faith and credit of the government and \$57,932,490 represents bonds secured solely by specified revenue sources (i.e.,

revenue bonds). The remainder of the long-term obligations consists of accrued vacation and sick leave (\$1,200,103), bond premium (\$2,940,805) and Other Post-Employment Benefits (OPEB) liability (\$578,000). Details are summarized in the following table:

	Long-Term Obligations June 30, 2014 and 2013							
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ -	\$ 77,670	\$ -	\$ -	\$ -	\$ 77,670	\$ 11,274,259	\$ 12,176,083
Bond Premium	99,708	111,650	1,624,925	1,789,902	1,724,633	1,901,552	1,216,172	1,373,606
Accrued Vacation/Sick	673,114	699,534	104,832	92,412	777,946	791,946	422,157	390,795
Lease Revenue Bonds	6,259,917	6,574,790	14,535,000	14,995,000	20,794,917	21,569,790	37,137,573	38,784,932
OPEB Liability	-	-	-	-	-	-	578,000	477,000
	<u>\$ 7,032,739</u>	<u>\$ 7,463,644</u>	<u>\$ 16,264,757</u>	<u>\$ 16,877,314</u>	<u>\$ 23,297,496</u>	<u>\$ 24,340,958</u>	<u>\$ 50,628,161</u>	<u>\$ 53,202,416</u>

New Kent County's total long-term obligations for the Primary government and the Component Units, including OPEB Liability, decreased \$3,617,717 or 4.7%. Long-term obligations of Governmental Activities and Component Units decreased by a combined \$3,005,160, and Enterprise Fund long-term obligations decreased \$612,557.

Long-term obligations for Governmental Activities reflect a decrease of \$430,905 or 5.77%, while the long-term obligations of the Component Unit, School Board, decreased by \$2,574,255 or 4.83%. No new debt was issued for FY 2014 for governmental or component unit activities; and therefore, all principal reductions are in accordance with existing amortization tables. Compensated absences increased \$17,362 for the Primary Government and Component Unit.

OTHER INFORMATION

The above information and analysis provides the reader with an overview of the FY14 financial results of operations for the County. The following information provides an overview of the FY15 budget process and the estimates and considerations that served as the foundations for the allocations reflected in this document.

Overall, FY15 General Fund revenues are projected to increase \$790,857. Of this amount, the School Board operating fund will receive an additional \$420,000 which equates to 53.1% of new revenues. The FY15 budget also reflects personnel adjustments totaling \$316,612. The remaining \$54,245 in new revenues was allocated to address a 7.1% increase in employee health insurance rates and other personnel related costs.

Calendar year 2014 (FY15) is a reassessment year for the County. Assessments that were effective January 1, 2014 will be reflected in the real estate bills that will be due December 5, 2014 (FY15). When compared to last year, real estate tax revenues are estimated to increase a total of \$1,010,117, which equates to a 5.4% increase. Overall, this increase is primarily the result of new construction in the County, as real estate values on existing homes continue to remain relatively weak. Public service

corporation real estate tax revenues are projected to increase \$69,310, or 7.4%. The increase in assessments resulted in an equalized tax rate of \$0.84 per \$100 of assessed value, which is \$0.01 below the FY14 rate of \$0.85. The Board of Supervisors adopted the equalized rate of \$0.84. This is the rate that approximates revenues billed for calendar year 2013; thereby, leaving individual real estate tax bills basically unchanged. Personal property tax revenues increased a total of \$2,986, which is well below the FY14 increase of \$345,593. Sales and meals tax revenues reflect strong growth as the number of new retail establishments locating to the County continues to increase. Sales and meals tax revenues are projected to increase \$78,282 and \$40,178, respectively.

Early in the budget process, the County projected a \$44,300 decline in estimated FY15 off track betting (OTB) revenue. This anticipated reduction was in response to a continued annual decline in OTB revenue which dates back to 2008. In 2007, OTB revenue peaked at \$793,108 and steadily declined to \$409,332 in FY13. In January 2014, revenue from OTB activity was adversely impacted by an impasse in contract negotiations between Colonial Downs and the Virginia Horsemen's Benevolent and Protective Association. The impasse resulted in the shutdown of OTB activity related to thoroughbred racing in accordance with State law. In response to this development and a lack of progress between the two parties regarding contract negotiations, the County eliminated \$402,200 of OTB revenue (100%) from the FY15 budget. As a result of this reduction in revenues, the County was forced to eliminate an equivalent amount of spending from the FY15 budget which included a \$200,000 reduction in the planned annual transfer to the School Board. Additional reductions were made to the planned County personnel adjustments and the FY17 debt service reserve.

Although the School Board anticipates additional State revenues in the amount of \$505,037, these revenues were consumed by mandatory expenditures totaling \$674,877 relative to increases for employee retirement and health insurance costs. The FY15 School Board budget of \$28,404,281 reflects a \$940,037 increase over the FY14 budget of \$27,464,244. The County's FY15 annual operating transfer to the School Board will total \$12,954,595, which reflects an increase of \$420,000 over the FY14 transfer of \$12,534,595.

Growth in the County continues to present challenges in funding critical service and infrastructure needs in terms of additional schools, law enforcement, inmate housing, social services and fire protection. All these services come with significant capital and operating costs. For example, a new \$28 million school has the potential to increase County and School Board debt service and operating cost by approximately \$3.4 million annually. Each new law enforcement officer costs the County approximately \$85,000 to hire and equip. A new firefighter costs the County approximately \$60,000 for each new position. Additional costs of this magnitude would have to be funded by the County's largest revenue source, real estate taxes. But when you consider that a penny on the real estate tax rate equates to \$247,736 in new revenue, it is easy to understand the significant increase in the real estate tax rate that would be required to cover these additional costs. For example, the \$3.4 million debt service and operating costs for a new school would equate to a \$0.14 increase in the real estate tax rate. To take some of the pressure off the real estate rate relative to the funding of services and infrastructure, the County has worked hard to attract new businesses. With the recent growth in retail establishments, the County has seen significant growth in business license, sales and meals tax revenues. However combined, these three revenue sources account for only 7% of total General Fund revenues and cannot possibly provide the additional new revenues that are required.

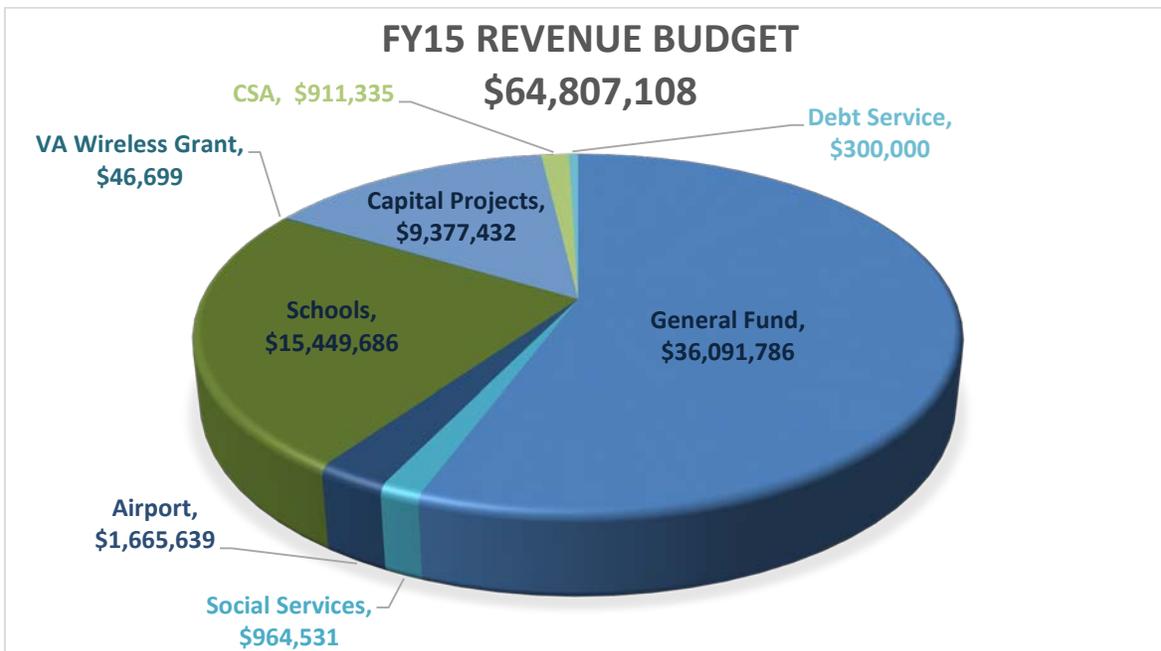
As indicated in prior budget messages, a balanced approach will be required to address the future service and infrastructure needs of the County, as tax increases alone would place an undue burden on

our citizens, many of whom are struggling to make ends meet in this weak economy. Therefore, the County will continue to employ strategies that provide opportunities for cost containment, best practices, grants, pay-as-you-go capital investments, debt refinancing, targeted user fees and economic development. At the beginning of the FY15 budget process, the County requested that departments hold the line on budgetary increases, and we are happy to report a \$69,728 reduction in operating costs when compared to FY14. In FY13 the County cut \$820,040 from departmental budgets, and the FY14 operating budgets reflected an increase of only \$5,419. These cost containment strategies have been made possible by eliminating positions through attrition, investing in technologies that reduce operating costs and leveraging the purchasing power of the County. In calendar year 2012, the Board of Supervisors approved the restructuring of three debt issues that will result in total savings exceeding \$1.8 million over the life of the bonds. In addition, New Kent County Public Schools are routinely listed in the bottom tier of Virginia schools ranked by operating costs. The County will continue to look for opportunities to deliver services to our citizens in a cost efficient and practical manner.

COUNTY REVENUE BUDGET

The chart below denotes total revenues by fund. The \$64,807,108 FY15 budget reflects a \$4,470,144 increase over the FY14 budget which totaled \$60,336,964.

Transfers have been eliminated to reflect net resources and to eliminate the double accounting of revenues. The Computer Replacement Fund is entirely supported by a \$124,200 transfer from the Capital Projects Fund, and therefore, reflects a zero revenue balance. The Debt Service Fund is funded by a \$5,302,610 transfer from the General Fund and \$300,000 of fund balance. The FY15 School revenue budget, which totals \$28,404,281, reflects a \$12,954,595 transfer from the General Fund which has been eliminated to arrive at the \$15,449,686 revenue budget below. The Social Services and CSA Funds are supported by \$366,740 and \$824,913 transfers from the General Fund, respectively. The \$911,335 for CSA and \$964,531 for Social Services below are primarily made up of state and federal funds. The Capital Projects Fund reflects loan funds of \$5 million, grant funds totaling \$939,550 and the appropriation of fund balance totaling \$3,437,882.



GENERAL FUND REVENUE BUDGET

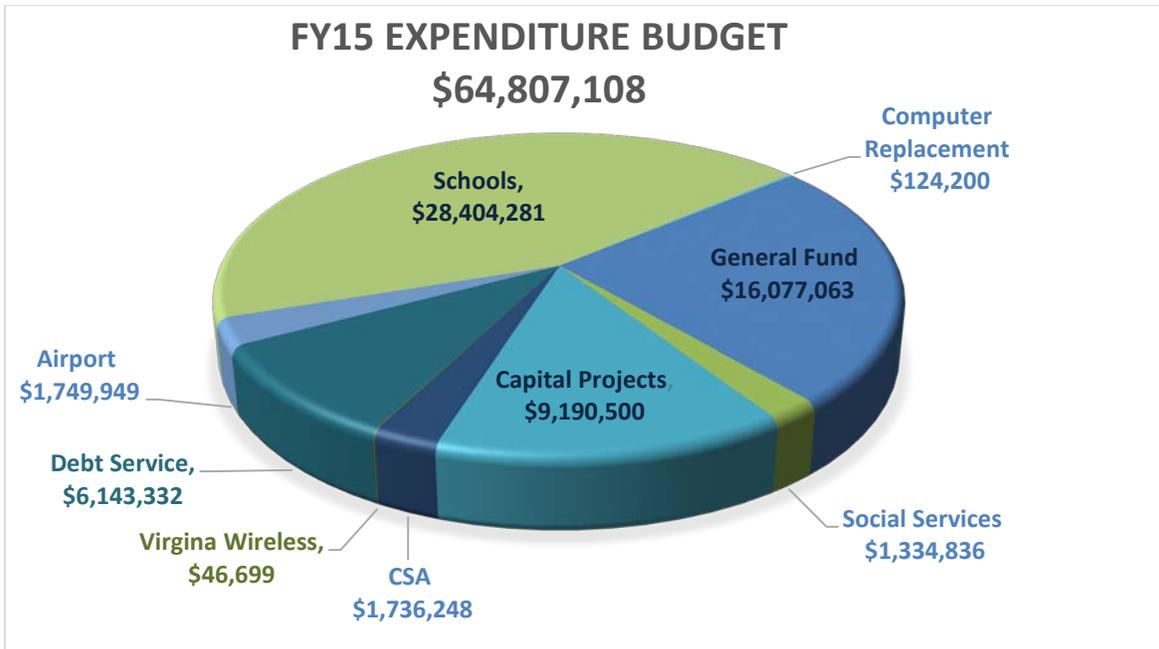
The FY15 adopted General Fund revenue budget totals \$36,091,786, which reflects a \$790,857 increase over the FY14 budget of \$35,300,929. The schedule below summarizes the major increases and decreases when compared to FY14.

<i>FY14 General Fund Revenue Budget - Adopted</i>	\$35,300,929
Real Estate – Reflects an equalized rate of \$0.84 (a one penny decrease from \$0.85), and a 97% collection rate	1,079,427
PP Taxes - 94% Collection Rate	2,986
Sales Taxes - Reflects New Retail Establishments	78,282
Consumption Taxes	12,000
Business License Tax - New Businesses & Improving Economy	9,950
Vehicle Licenses – Population Growth	8,000
Bank Stock Taxes - Reduction in Capital due to Economy	(3,200)
Recordation Tax – Commercial Activity Within the County	18,340
Meals Tax - Due to New Retail Establishments	40,178
Permits & Licenses - Improving Housing Sector	65,210
Investment Earnings & Property - Decreasing Cash Balance due to Completion of Projects	850
OTB & Recreation - OTB Sites Closed due to Contract Impasse	(402,200)
Commonwealth of Virginia - Primarily Recordation Taxes	11,843
Federal - SAFER Grant Completion	(61,274)
Other	(69,535)
Total New Revenues – FY15 General Fund	\$36,091,786

COUNTY EXPENDITURE BUDGET

The chart below denotes organizational expenditures by fund. The \$64,807,108 FY15 budget reflects a \$4,470,144 increase over the FY14 budget which totaled \$60,336,964. This increase will be examined in the paragraphs that follow this chart.

The chart below is presented net of transfers to other funds to avoid the double accounting of expenditures. For example, including transfers, the General Fund expenditure budget for FY15 totals \$36,091,786. Of this amount, \$20,014,723 will be transferred to other funds, and therefore, is reflected in the various expenditure totals for those funds. Because these transfers are reflected in the expenditure totals of the other funds, they must be subtracted from the General Fund total to present a net cost of government. The \$16,077,063 reflected below for the General Fund is the difference between total FY15 budget of \$36,091,786 and the \$20,014,723 that will be transferred to other funds. Transfers to other funds include \$12,954,595 to Schools, \$5,302,610 for FY15 debt service, \$824,913 for at-risk youth, \$486,136 for future school construction, \$366,740 for social services, \$54,586 for future debt service and a \$25,143 operating transfer to the Airport.



GENERAL FUND EXPENDITURE BUDGET

The FY15 adopted General Fund expenditure budget totals \$36,091,786 (including transfers of \$20,014,723), which reflects a \$790,857 increase over the FY14 budget of \$35,300,929. The schedule below summarizes the major expenditure increases and decreases when compared to FY14.

FY14 General Fund Expenditure Budget	\$35,300,929
Increase in School Funding (Represents 53.1% of New Revenues)	420,000
Personnel Adjustments – See Details Below	316,612
Other Personnel Cost, Including Health Insurance, Workers’ Comp., PT and LODA	144,591
Transfer to Debt Service - FY17 Reserve	54,586
Transfer to Debt Service - Increase in School Construction Reserve	21,051
Transfer to Debt Service – County Debt	16,768
Transfer to Social Services	(102,865)
Decrease in Departmental Operating Requests	(69,728)
Transfer to Airport	(9,045)
Transfer to CSA	(1,113)
Total FY15 General Fund Expenditure Budget	\$36,091,786

A. School Board Funding - The FY15 budget reflects additional School Board funding in the amount of \$420,000. The annual operating transfer to Schools will increase from \$12,534,595 to \$12,954,595. The additional funds represent 53.1% of new General Fund revenues for FY15, which are estimated to total \$790,857. In addition to the \$420,000 for operations, the Board of Supervisors also allocated \$875,000 for school related capital improvements.

B. Personnel Adjustments – The FY15 budget reflects personnel actions totaling \$316,612 as indicated below.

Personnel Actions By Department	Total
Full-Time Community Development Director Position - Currently Vacant	\$107,509
Full-Time Firefighter Position - New Position	52,544
Communications Officers - Market Adjustment (\$4,000 Each Position)	47,710
Full-Time Deputy Commissioner of Revenue Position - New Position	42,560
Administration - Part-time Project Manager	27,481
Fire Chief - Salary and Benefit Market Adjustment	10,000
Assistant County Administrator Position - Eliminated	(121,571)
Chief Technology Director Position - New Position	131,571
Custodial Staff – Reclassify From Grade 9 to 10 (5% Increase)	6,921
General Services Maintenance Supervisor Market Adjustment	4,770
Building Inspections - Position Upgrade - Obtained Certifications	3,467
Sheriff’s Office – Position Upgrade	2,170
Sheriff’s Office – Position Upgrade	1,480
Total	\$316,612

C. Employee Health Insurance & Other Personnel Costs – The County has been notified that health insurance rates will increase 7.2% for FY15. This increase follows a 12.1% average increase for FY14. Because the County absorbed the full cost of the 12.1% average increase last year, the employee’s share of monthly premium did not change – the employee’s share of premium was held constant at FY13 levels. Given our limited resources and the demands for those resources, the County had no choice but to pass along the FY14 rate increase of 12.1% to employees in the FY15 budget. In an effort to minimize future rate increases and to provide additional insurance products and choices to our employees, the County is in the process of obtaining an insurance consultant. The consultant will evaluate the County’s current plan and look for opportunities to enhance choices that reflect the health care needs of our employees.

While the VRS retirement rate declined from 11.78% to 10.20%, the group-term life insurance rate will increase from 1.19% to 1.32%. The County was also notified that the Line of Duty Act rate will increase 20%. Combined, these increases resulted in additional costs of \$144,591 for the County.

D. Transfer to Debt Service - FY17 Reserve - The proposed budget includes a \$54,586 transfer to the Debt Service Fund to partially offset the additional \$300,000 that the County will need for debt service in FY17. In prior years, at a time when the County was considering the construction of new schools and the resulting debt service, the Board set aside \$0.06 of the real estate tax rate for future principal and interest payments. Although this practice was discontinued a few years later, the accumulated funds (\$300,000 annually) have been used to offset the annual transfer from the General Fund to the Debt Service Fund. As the County will exhaust these funds in FY16, an additional \$300,000 transfer from the General Fund will be required in FY17.

E. Transfer to Debt Service - Elementary School Renovation Reserve – The FY14 budget reflects a \$0.04 increase in the real estate tax rate. Of this amount, \$0.02 was allocated to the County's operating budget, and the remaining \$0.02 was designated for future school construction projects. As indicated above, continued growth in the County will necessitate a new elementary school which is projected to cost approximately \$28 million. Principal and interest on the new school would total approximately \$2 million annually over the next 20 years, and the County would have to provide funding for additional annual operating costs estimated at \$1.4 million by the Schools. In total, real estate rates would have to increase \$0.14 to provide sufficient funds for the new debt service and additional operating costs. The \$0.02 provides the initial foundation for a future school construction project. The FY14 and FY15 budgets reflect \$465,085 and \$486,136 of set asides, respectively.

SUBSEQUENT EVENT- GENERAL FUND BUDGET

The above discussion reflects the original estimates and considerations relative to the FY 2015 budget. However, in November 2014, the County discovered that the FY 2015 real estate revenue estimate was overstated by approximately \$522,000 due to a math error relative to net assessments. The County has taken a variety of actions relative to FY 2015 revenues and expenditures to balance the budget, and does not expect that this matter will have a material impact on FY 2015 operations.

ENTERPRISE FUND FY 2014 BUDGET

Water & Sewer Fund - The Water & Sewer Fund's 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 FY15 budget includes a 6% 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 yet realized the economies of scale of a mature system. 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.

The Water & Sewer Fund budget reflects a \$1,131,111 decline. Most of this reduction is related to the amount allocated for capital projects. In FY14, the capital budget totaled \$2,001,000; whereas, in FY15 the capital budget totals \$1,050,324. The operating budget reflects a decrease of \$180,435.

Bottoms Bridge Service District – The District was established in 2004 as a financing vehicle to provide resources for the construction of water and sewer facilities in the Bottoms Bridge area. Excluding water and sewer volume fees, all revenues collected in the District are legally dedicated to the payment of debt service on the original construction bonds. For the most part, revenues collected in the District include an ad valorem tax in the amount of \$0.15 per \$100 of assessed value, investment income and connection fees. Because the District has been unable to generate sufficient revenues to pay debt service on the 2004 construction debt, the FY15 budget reflects a \$0.05 increase in the ad valorem tax rate. This rate, which is in addition to the regular \$0.84 real estate tax rate, will increase from \$0.10 to \$0.15 per \$100 of assessed value. This increase brings the County into compliance with the terms of the original service district agreement.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, creditors and other interested parties 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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Statement of Net Position
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 22,154,819	\$ 6,312,250	\$ 28,467,069	\$ 3,042,062	\$ 195,314
Investments	-	-	-	-	281,977
Receivables (net of allowance for uncollectibles):					
Taxes receivable	2,047,521	23,531	2,071,052	-	-
Accounts receivable	219,543	744,226	963,769	72,666	-
Notes receivable	-	-	-	-	8,333
Due from other governmental units	1,299,307	-	1,299,307	994,673	-
Inventories	-	-	-	-	721,508
Prepaid items	387,180	898	388,078	-	-
Capital assets (net of accumulated depreciation):					
Land	3,313,901	2,695,355	6,009,256	2,022,600	-
Buildings and system	70,001,119	4,437,851	74,438,970	17,871,177	-
Intangible assets	90,593	-	90,593	-	-
Machinery and equipment	4,098,358	2,121,196	6,219,554	1,400,963	-
Infrastructure	-	70,194,181	70,194,181	-	-
Construction in progress	3,061,761	934,012	3,995,773	10,022	-
Total assets	\$ 106,674,102	\$ 87,463,500	\$ 194,137,602	\$ 25,414,163	\$ 1,207,132
DEFERRED OUTFLOW OF RESOURCES					
Deferred charges on refunding	\$ -	\$ 1,220,977	\$ 1,220,977	\$ -	\$ -
Total deferred outflow of resources	\$ -	\$ 1,220,977	\$ 1,220,977	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 934,932	\$ 302,797	\$ 1,237,729	\$ 543,786	\$ -
Accrued liabilities	120,911	-	120,911	2,804,414	-
Accrued interest payable	1,104,939	152,902	1,257,841	-	-
Unearned revenue	250,382	-	250,382	-	-
Deposits held in escrow	284,788	113,743	398,531	-	-
Long-term liabilities:					
Due within one year	3,800,841	737,181	4,538,022	227,029	-
Due in more than one year	52,859,902	15,527,576	68,387,478	773,128	-
Total liabilities	\$ 59,356,695	\$ 16,834,199	\$ 76,190,894	\$ 4,348,357	\$ -
DEFERRED INFLOW OF RESOURCES					
Deferred revenue - property taxes	\$ 82,112	\$ -	\$ 82,112	\$ -	\$ -
Total deferred inflows of resources	\$ 82,112	\$ -	\$ 82,112	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 24,578,103	\$ 65,443,647	\$ 90,021,750	\$ 21,304,762	\$ -
Restricted:					
E-911	85,707	-	85,707	-	-
Asset forfeiture	25,230	-	25,230	-	-
Litter control	701	-	701	-	-
Unrestricted	22,545,554	6,406,631	28,952,185	(238,956)	1,207,132
Total net position	\$ 47,235,295	\$ 71,850,278	\$ 119,085,573	\$ 21,065,806	\$ 1,207,132

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, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,540,907	\$ -	\$ 203,821	\$ -
Judicial administration	1,958,406	457,005	506,242	-
Public safety	7,748,268	401,785	1,904,736	-
Public works	2,020,146	122,127	59,654	336,649
Health and welfare	2,547,174	-	1,281,886	-
Education	16,107,096	-	-	-
Parks, recreation, and cultural	754,994	298,204	4,500	-
Community development	855,116	1,636	6,003	-
Interest on long-term debt	2,581,399	-	-	-
Total governmental activities	<u>\$ 38,113,506</u>	<u>\$ 1,280,757</u>	<u>\$ 3,966,842</u>	<u>\$ 336,649</u>
Business-type activities:				
Water and sewer	\$ 4,573,366	\$ 3,431,765	\$ -	\$ -
Bottom's Bridge	889,145	408,475	-	-
Total business-type activities	<u>\$ 5,462,511</u>	<u>\$ 3,840,240</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 43,576,017</u>	<u>\$ 5,120,997</u>	<u>\$ 3,966,842</u>	<u>\$ 336,649</u>
COMPONENT UNITS:				
School Board	\$ 28,543,738	\$ 624,260	\$ 13,803,539	\$ -
Economic Development Authority	83,062	-	-	-
Total component units	<u>\$ 28,626,800</u>	<u>\$ 624,260</u>	<u>\$ 13,803,539</u>	<u>\$ -</u>

General revenues:
 General property taxes
 Local sales and use tax
 Taxes on recordation and wills
 Business license tax
 Vehicle registration 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 position
 Net position - beginning
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	EDA	
\$ (3,337,086)	\$ -	\$ (3,337,086)	\$ -	\$ -	
(995,159)	-	(995,159)	-	-	
(5,441,747)	-	(5,441,747)	-	-	
(1,501,716)	-	(1,501,716)	-	-	
(1,265,288)	-	(1,265,288)	-	-	
(16,107,096)	-	(16,107,096)	-	-	
(452,290)	-	(452,290)	-	-	
(847,477)	-	(847,477)	-	-	
(2,581,399)	-	(2,581,399)	-	-	
<u>\$ (32,529,258)</u>	<u>\$ -</u>	<u>\$ (32,529,258)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (1,141,601)	\$ (1,141,601)	\$ -	\$ -	
-	(480,670)	(480,670)	-	-	
<u>\$ -</u>	<u>\$ (1,622,271)</u>	<u>\$ (1,622,271)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (32,529,258)</u>	<u>\$ (1,622,271)</u>	<u>\$ (34,151,529)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	(14,115,939)	\$ -	
-	-	-	-	(83,062)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,115,939)</u>	<u>\$ (83,062)</u>	
\$ 25,046,147	\$ 132,638	\$ 25,178,785	\$ -	\$ -	
1,353,844	-	1,353,844	-	-	
275,609	-	275,609	-	-	
727,984	-	727,984	-	-	
501,927	-	501,927	-	-	
683,587	-	683,587	-	-	
326,669	-	326,669	-	-	
538,920	52,923	591,843	1,435	8,742	
614,507	-	614,507	143,654	204	
2,924,793	-	2,924,793	-	-	
-	-	-	15,334,744	-	
<u>\$ 32,993,987</u>	<u>\$ 185,561</u>	<u>\$ 33,179,548</u>	<u>\$ 15,479,833</u>	<u>\$ 8,946</u>	
\$ 464,729	\$ (1,436,710)	\$ (971,981)	\$ 1,363,894	\$ (74,116)	
46,770,566	73,286,988	120,057,554	19,701,912	1,281,248	
<u>\$ 47,235,295</u>	<u>\$ 71,850,278</u>	<u>\$ 119,085,573</u>	<u>\$ 21,065,806</u>	<u>\$ 1,207,132</u>	

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FUND FINANCIAL STATEMENTS

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Balance Sheet
 Governmental Funds
 June 30, 2014

	<u>General</u>	<u>Airport</u>	<u>Debt Service</u>	<u>County Capital Improvements</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 7,400,598	\$ 1,200	\$ 1,089,353	\$ 12,996,235	\$ 667,433	\$ -	\$ 22,154,819
Receivables (net of allowance for uncollectibles):							
Taxes receivable	2,047,521	-	-	-	-	-	2,047,521
Accounts receivable	192,797	8,787	-	17,959	-	-	219,543
Due from other funds	180,585	-	-	-	-	-	180,585
Due from other governmental units	886,021	243,135	-	-	-	170,151	1,299,307
Prepaid items	367,300	19,880	-	-	-	-	387,180
Total assets	<u>\$ 11,074,822</u>	<u>\$ 273,002</u>	<u>\$ 1,089,353</u>	<u>\$ 13,014,194</u>	<u>\$ 667,433</u>	<u>\$ 170,151</u>	<u>\$ 26,288,955</u>
LIABILITIES							
Accounts payable	\$ 433,080	\$ 102,690	\$ -	\$ 242,309	\$ -	\$ 156,853	\$ 934,932
Accrued liabilities	109,848	11,063	-	-	-	-	120,911
Due to other funds	-	167,287	-	-	-	13,298	180,585
Unearned revenue	250,382	-	-	-	-	-	250,382
Deposits held in escrow	-	1,200	-	283,588	-	-	284,788
Total liabilities	<u>\$ 793,310</u>	<u>\$ 282,240</u>	<u>\$ -</u>	<u>\$ 525,897</u>	<u>\$ -</u>	<u>\$ 170,151</u>	<u>\$ 1,771,598</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	\$ 2,017,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,017,712
Total deferred inflows of resources	<u>\$ 2,017,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,017,712</u>
FUND BALANCES							
Nonspendable	\$ 367,300	\$ 19,880	\$ -	\$ -	\$ -	\$ -	\$ 387,180
Restricted	111,638	-	-	-	-	-	111,638
Committed	110,812	-	1,089,353	-	-	-	1,200,165
Assigned	-	-	-	12,488,297	667,433	-	13,155,730
Unassigned	7,674,050	(29,118)	-	-	-	-	7,644,932
Total fund balances	<u>\$ 8,263,800</u>	<u>\$ (9,238)</u>	<u>\$ 1,089,353</u>	<u>\$ 12,488,297</u>	<u>\$ 667,433</u>	<u>\$ -</u>	<u>\$ 22,499,645</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,074,822</u>	<u>\$ 273,002</u>	<u>\$ 1,089,353</u>	<u>\$ 13,014,194</u>	<u>\$ 667,433</u>	<u>\$ 170,151</u>	<u>\$ 26,288,955</u>

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 Position
 June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	22,499,645	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost	\$	105,254,988	
Accumulated depreciation		<u>(24,689,256)</u>	80,565,732
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
			1,935,600
Long-term liabilities and related assets, including bonds payable. Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds payable	\$	(54,671,749)	
Bond issuance premium		(1,315,880)	
Accrued interest payable		(1,104,939)	
Compensated absences		<u>(673,114)</u>	<u>(57,765,682)</u>
Net position of governmental activities	\$		<u><u>47,235,295</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2014

	General	Airport	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
REVENUES							
General property taxes	\$ 24,678,308	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,678,308
Other local taxes	3,869,620	-	-	-	-	-	3,869,620
Permits, privilege fees, and regulatory licenses	395,155	-	-	-	-	-	395,155
Fines and forfeitures	289,644	-	-	-	-	-	289,644
Revenue from the use of money and property	463,276	75,644	-	-	-	-	538,920
Charges for services	510,338	85,620	-	-	-	-	595,958
Miscellaneous	418,318	-	-	186,616	-	9,573	614,507
Recovered costs	265,097	-	-	-	-	-	265,097
Intergovernmental:							
Commonwealth	5,153,216	59,654	-	-	-	455,349	5,668,219
Federal	1,223,416	336,649	-	-	-	-	1,560,065
Total revenues	<u>\$ 37,266,388</u>	<u>\$ 557,567</u>	<u>\$ -</u>	<u>\$ 186,616</u>	<u>\$ -</u>	<u>\$ 464,922</u>	<u>\$ 38,475,493</u>
EXPENDITURES							
Current:							
General government administration	\$ 3,291,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,291,289
Judicial administration	1,445,417	-	-	-	-	-	1,445,417
Public safety	7,459,094	-	-	-	-	-	7,459,094
Public works	1,385,542	212,049	-	-	-	-	1,597,591
Health and welfare	1,476,264	-	-	-	-	1,024,549	2,500,813
Education	12,789,955	-	-	-	-	-	12,789,955
Parks, recreation, and cultural	697,661	-	-	-	-	-	697,661
Community development	711,650	-	-	-	-	-	711,650
Capital projects	-	491,542	-	3,466,942	-	-	3,958,484
Debt service:							
Principal retirement	-	-	2,941,726	-	-	-	2,941,726
Interest and other fiscal charges	-	-	2,725,850	-	-	-	2,725,850
Total expenditures	<u>\$ 29,256,872</u>	<u>\$ 703,591</u>	<u>\$ 5,667,576</u>	<u>\$ 3,466,942</u>	<u>\$ -</u>	<u>\$ 1,024,549</u>	<u>\$ 40,119,530</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 8,009,516</u>	<u>\$ (146,024)</u>	<u>\$ (5,667,576)</u>	<u>\$ (3,280,326)</u>	<u>\$ -</u>	<u>\$ (559,627)</u>	<u>\$ (1,644,037)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 246,196	\$ 84,188	\$ 5,833,602	\$ 1,441,978	\$ -	\$ 559,627	\$ 8,165,591
Transfers out	(7,809,929)	(59,466)	-	(296,196)	-	-	(8,165,591)
Total other financing sources (uses)	<u>\$ (7,563,733)</u>	<u>\$ 24,722</u>	<u>\$ 5,833,602</u>	<u>\$ 1,145,782</u>	<u>\$ -</u>	<u>\$ 559,627</u>	<u>\$ -</u>
Net change in fund balances	\$ 445,783	\$ (121,302)	\$ 166,026	\$ (2,134,544)	\$ -	\$ -	\$ (1,644,037)
Fund balances - beginning	7,818,017	112,064	923,327	14,622,841	667,433	-	24,143,682
Fund balances - ending	<u>\$ 8,263,800</u>	<u>\$ (9,238)</u>	<u>\$ 1,089,353</u>	<u>\$ 12,488,297</u>	<u>\$ 667,433</u>	<u>\$ -</u>	<u>\$ 22,499,645</u>

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, 2014

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

Net change in fund balances - total governmental funds \$ (1,644,037)

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	\$	3,057,312	
Depreciation expense		(1,741,632)	
Jointly owned asset allocation of assets		(1,600,874)	
Jointly owned asset depreciation		<u>(948,309)</u>	(1,233,503)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (138,167)

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

Increase (decrease) in unavailable property taxes 367,839

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

Principal payments	\$	2,941,726	
Premium amortization		<u>169,376</u>	3,111,102

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	\$	26,420	
(Increase) decrease in accrued interest payable		<u>(24,925)</u>	<u>1,495</u>

Change in net position of governmental activities \$ 464,729

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

Statement of Net Position
 Proprietary Fund
 June 30, 2014

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,284,315	\$ 27,935	\$ \$ 6,312,250
Receivables (net of allowance for uncollectibles):			
Taxes receivable	-	23,531	23,531
Accounts receivable	744,226	-	744,226
Prepaid items	898	-	898
Total current assets	<u>\$ 7,029,439</u>	<u>\$ 51,466</u>	<u>\$ 7,080,905</u>
Noncurrent assets:			
Capital assets:			
Infrastructure	\$ 54,659,613	\$ 20,733,848	\$ 75,393,461
Land	1,442,314	1,253,041	2,695,355
Water production and distribution facilities	6,199,751	-	6,199,751
Machinery and equipment	3,882,712	-	3,882,712
Construction in progress	934,012	-	934,012
Accumulated depreciation	(6,808,803)	(1,913,893)	(8,722,696)
Total capital assets	<u>\$ 60,309,599</u>	<u>\$ 20,072,996</u>	<u>\$ 80,382,595</u>
Total noncurrent assets	<u>\$ 60,309,599</u>	<u>\$ 20,072,996</u>	<u>\$ 80,382,595</u>
Total assets	<u>\$ 67,339,038</u>	<u>\$ 20,124,462</u>	<u>\$ 87,463,500</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on refunding	\$ -	\$ 1,220,977	\$ 1,220,977
Total deferred outflow of resources	<u>\$ -</u>	<u>\$ 1,220,977</u>	<u>\$ 1,220,977</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 302,797	\$ -	\$ 302,797
Accrued interest payable	-	152,902	152,902
Compensated absences - current portion	97,255	-	97,255
Deposits held in escrow	113,743	-	113,743
Bonds payable - current portion	-	639,926	639,926
Total current liabilities	<u>\$ 513,795</u>	<u>\$ 792,828</u>	<u>\$ 1,306,623</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ -	\$ 15,519,999	\$ 15,519,999
Compensated absences - net of current portion	7,577	-	7,577
Total noncurrent liabilities	<u>\$ 7,577</u>	<u>\$ 15,519,999</u>	<u>\$ 15,527,576</u>
Total liabilities	<u>\$ 521,372</u>	<u>\$ 16,312,827</u>	<u>\$ 16,834,199</u>
NET POSITION			
Net investment in capital assets	\$ 60,309,599	\$ 5,134,048	\$ 65,443,647
Unrestricted	6,508,067	(101,436)	6,406,631
Total net position	<u>\$ 66,817,666</u>	<u>\$ 5,032,612</u>	<u>\$ 71,850,278</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2014

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 2,847,469	\$ -	\$ 2,847,469
Other revenues	57,446	-	57,446
Total operating revenues	<u>\$ 2,904,915</u>	<u>\$ -</u>	<u>\$ 2,904,915</u>
OPERATING EXPENSES			
Personal services	\$ 931,621	\$ -	\$ 931,621
Fringe benefits	334,411	-	334,411
Contractual services	659,495	-	659,495
Other charges	1,475,274	-	1,475,274
Depreciation	1,159,516	318,982	1,478,498
Total operating expenses	<u>\$ 4,560,317</u>	<u>\$ 318,982</u>	<u>\$ 4,879,299</u>
Operating income (loss)	<u>\$ (1,655,402)</u>	<u>\$ (318,982)</u>	<u>\$ (1,974,384)</u>
NONOPERATING REVENUES (EXPENSES)			
Connection and reconnection fees	\$ 465,950	\$ 408,475	\$ 874,425
Investment income	52,923	-	52,923
Availability fees	60,900	-	60,900
Loss on disposal of assets	(12,462)	-	(12,462)
Tax revenue	-	132,638	132,638
Interest expense	(587)	(570,163)	(570,750)
Total nonoperating revenues (expenses)	<u>\$ 566,724</u>	<u>\$ (29,050)</u>	<u>\$ 537,674</u>
Income before contributions and transfers	<u>\$ (1,088,678)</u>	<u>\$ (348,032)</u>	<u>\$ (1,436,710)</u>
Transfers in	-	403,511	403,511
Transfers out	(403,511)	-	(403,511)
Change in net position	<u>\$ (1,492,189)</u>	<u>\$ 55,479</u>	<u>\$ (1,436,710)</u>
Total net position - beginning	<u>68,309,855</u>	<u>4,977,133</u>	<u>73,286,988</u>
Total net position - ending	<u>\$ 66,817,666</u>	<u>\$ 5,032,612</u>	<u>\$ 71,850,278</u>

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, 2014

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,708,502	\$ -	\$ 2,708,502
Receipts for miscellaneous items	57,446	-	57,446
Payments to suppliers	(2,080,930)	-	(2,080,930)
Payments to employees	(1,253,612)	-	(1,253,612)
Net cash provided by (used for) operating activities	\$ (568,594)	\$ -	\$ (568,594)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (403,511)	\$ -	\$ (403,511)
Transfers from other funds	-	403,511	403,511
Tax revenue	-	127,477	127,477
Net cash provided by (used for) noncapital financing activities	\$ (403,511)	\$ 530,988	\$ 127,477
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (359,732)	\$ -	\$ (359,732)
Principal payment on loan from general fund	(19,571)	-	(19,571)
Principal payments on bonds	-	(460,000)	(460,000)
Connection and availability fees	526,850	408,475	935,325
Interest expense	(587)	(626,529)	(627,116)
Net cash provided by (used for) capital and related financing activities	\$ 146,960	\$ (678,054)	\$ (531,094)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	\$ 52,923	\$ -	\$ 52,923
Net cash provided by (used for) investing activities	\$ 52,923	\$ -	\$ 52,923
Net increase (decrease) in cash and cash equivalents	\$ (772,222)	\$ (147,066)	\$ (919,288)
Cash and cash equivalents - beginning	7,056,537	175,001	7,231,538
Cash and cash equivalents - ending	\$ 6,284,315	\$ 27,935	\$ 6,312,250
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,655,402)	\$ (318,982)	\$ (1,974,384)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 1,159,516	\$ 318,982	\$ 1,478,498
(Increase) decrease in accounts receivable	(138,967)	-	(138,967)
(Increase) decrease in prepaid items	(23)	-	(23)
Increase (decrease) in accounts payable	53,862	-	53,862
Increase (decrease) in compensated absences	12,420	-	12,420
Total adjustments	\$ 1,086,808	\$ 318,982	\$ 1,405,790
Net cash provided by (used for) operating activities	\$ (568,594)	\$ -	\$ (568,594)

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 11,286
Total assets	\$ <u>11,286</u>
LIABILITIES	
Amounts held for social services clients	\$ 11,286
Total liabilities	\$ <u>11,286</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board, and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. 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 Position and the Statement of Activities) 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 Position - The Statement of Net Position 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 Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 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).

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 (CONTINUED)

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, 2014.

Discretely Presented Component Unit

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, 2014.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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, 2014. 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, 2014 was \$185,943. 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 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.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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 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.

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.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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

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

The County's fiduciary funds are presented in the fund financial statements by type and have no measurement focus but use the accrual basis of accounting for asset and liability recognition. 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 unearned 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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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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, County 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's and School Board's general long-term debt financing is provided by appropriations from the General Fund, Capital Fund - proffers, and the Airport Fund.

Capital Projects Funds – The County Capital Improvements 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.

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. The County's one non-major Special Revenue Fund is the Human Services (Comprehensive Services Act) Fund.

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. The Airport Fund is a major Special Revenue Fund.

Internal Service Funds – accounts for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Self-Insurance Fund reported in the Component Unit School Board.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating 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.

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. Agency Funds include the Special Welfare Fund.

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 "advances 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 \$317,395 at June 30, 2014 and is comprised of property taxes of \$307,582 and water and sewer receivables of \$9,813.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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.

	<u>Real Property</u>	<u>Personal Property</u>
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 and infrastructure, 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, 2014.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Capital improvements	20-50
Machinery and equipment	5-30
Intangible assets	48
Infrastructure	65
Vehicles	5-8
Water production and distribution facilities	50

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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 Position. 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 Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

M. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied. received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

O. Prepaid Items

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

P. Restricted Assets

The County reports restricted fund balance on the balance sheet in the amount of \$111,638, which represents E-911 wireless, Litter Control and asset forfeiture funds.

Q. Fund Equity

The County reports fund balances in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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

Q. Fund Equity (Continued)

- **Committed Fund Balance** – 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. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- **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.

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 a resolution. 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.

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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

Q. Fund Equity (Continued)

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 Funds		Total
				County Capital Improvements Fund	School Construction Fund	
Fund Balances:						
Nonspendable:						
Prepaid items	\$ 367,300	\$ 19,880	\$ -	\$ -	\$ -	\$ 387,180
Total Nonspendable Fund Balance	\$ 367,300	\$ 19,880	\$ -	\$ -	\$ -	\$ 387,180
Restricted:						
E-911 Wireless	\$ 85,707	\$ -	\$ -	\$ -	\$ -	\$ 85,707
Litter Control	701	-	-	-	-	701
Asset Forfeiture - Sheriff	1,758	-	-	-	-	1,758
Asset Forfeiture - Comm. Atty	23,472	-	-	-	-	23,472
Total Restricted Fund Balance	\$ 111,638	\$ -	\$ -	\$ -	\$ -	\$ 111,638
Committed:						
Computer Fund	\$ 110,812	\$ -	\$ -	\$ -	\$ -	\$ 110,812
Debt Service	-	-	1,089,353	-	-	1,089,353
Total Committed Fund Balance	\$ 110,812	\$ -	\$ 1,089,353	\$ -	\$ -	\$ 1,200,165
Assigned:						
Capital Improvements	\$ -	\$ -	\$ -	12,488,297	\$ -	\$ 12,488,297
Future school construction	-	-	-	-	667,433	667,433
Total Assigned Fund Balance	\$ -	\$ -	\$ -	\$ 12,488,297	\$ 667,433	\$ 13,155,730
Unassigned						
	\$ 7,674,050	\$ (29,118)	\$ -	\$ -	\$ -	\$ 7,644,932
Total Fund Balances	\$ 8,263,800	\$ (9,238)	\$ 1,089,353	\$ 12,488,297	\$ 667,433	\$ 22,499,645

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and the business-type activities statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING: (CONTINUED)

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 committed 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, 2014.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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, 2014 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, 2014 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	\$ 3,890
Total	\$ 3,890

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

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. There were no investments with interest rate risk at year end.

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.

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2014, the County has amounts due from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales tax	\$ -	\$ 514,876
Motor vehicle carrier tax	13,813	-
Victim witness grant	11,667	-
Mobile home titling tax	225	-
Rental vehicle tax	355	-
E-911 wireless funds	94,684	-
Recordation tax	20,981	-
Fire programs grant	8,751	-
VA domestic violence victim grant	10,000	-
Welfare	22,259	-
Comprehensive services	170,151	-
FEMA grant	3,131	-
Communication sales tax	101,052	-
Constitutional officer reimbursements	123,269	-
Local sales tax	260,228	-
Airport improvement	44,265	-
Misc. reimbursement from state agencies	3,234	-
Federal Government:		
School fund grants	-	479,797
FEMA grants	118,318	-
DMV	11,906	-
Safer retention grant	19,958	-
Welfare	43,605	-
Airport improvement	198,870	-
Other federal grants	18,585	-
Total due from other governments	<u>\$ 1,299,307</u>	<u>\$ 994,673</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2014, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 180,585	\$ -
Airport Fund		167,287
Other Governmental	-	13,298
Total Governmental Funds	<u>\$ 180,585</u>	<u>\$ 180,585</u>

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 \$19,571 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, 2014:

Primary Government:

	<u>Restated Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 3,256,989	\$ 56,912	\$ -	\$ 3,313,901
Construction in progress	2,189,311	2,163,034	1,290,584	3,061,761
Total capital assets not subject to depreciation	<u>\$ 5,446,300</u>	<u>\$ 2,219,946</u>	<u>\$ 1,290,584</u>	<u>\$ 6,375,662</u>
Capital assets subject to depreciation:				
Buildings	\$ 24,174,129	\$ 769,551	\$ -	\$ 24,943,680
Machinery and equipment	12,496,296	1,047,378	1,236,328	12,307,346
Capital improvements	2,243,376	218,500	-	2,461,876
Intangible assets	-	92,521	-	92,521
Jointly owned assets - buildings	60,674,777	-	1,600,874	59,073,903
Total capital assets being depreciated	<u>\$ 99,588,578</u>	<u>\$ 2,127,950</u>	<u>\$ 2,837,202</u>	<u>\$ 98,879,326</u>
Accumulated depreciation:				
Buildings	\$ 4,342,662	\$ 647,021	\$ -	\$ 4,989,683
Machinery and equipment	8,311,419	995,730	1,098,161	8,208,988
Capital improvements	729,633	96,953	-	826,586
Intangible assets	-	1,928	-	1,928
Jointly owned assets - buildings	9,713,762	1,237,246	288,937	10,662,071
Total accumulated depreciation	<u>\$ 23,097,476</u>	<u>\$ 2,978,878</u>	<u>\$ 1,387,098</u>	<u>\$ 24,689,256</u>
Total capital assets being depreciated, net	<u>\$ 76,491,102</u>	<u>\$ (850,928)</u>	<u>\$ 1,450,104</u>	<u>\$ 74,190,070</u>
Governmental activities capital assets, net	<u>\$ 81,937,402</u>	<u>\$ 1,369,018</u>	<u>\$ 2,740,688</u>	<u>\$ 80,565,732</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

Component Unit—School Board:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not subject to depreciation:				
Land	\$ 2,022,600	\$ -	\$ -	\$ 2,022,600
Construction in progress	<u>96,682</u>	<u>310,784</u>	<u>397,444</u>	<u>10,022</u>
Total capital assets not subject to depreciation	\$ <u>2,119,282</u>	\$ <u>310,784</u>	\$ <u>397,444</u>	\$ <u>2,032,622</u>
Capital assets subject to depreciation:				
Buildings	\$ 374,659	\$ 457,366	\$ -	\$ 832,025
Jointly owned assets - buildings	19,252,923	-	(1,579,400)	20,832,323
Machinery and equipment	<u>6,075,310</u>	<u>799,899</u>	<u>1,315,930</u>	<u>5,559,279</u>
Total capital assets being depreciated	\$ <u>25,702,892</u>	\$ <u>1,257,265</u>	\$ <u>(263,470)</u>	\$ <u>27,223,627</u>
Accumulated depreciation:				
Buildings	\$ 25,687	\$ 25,118	\$ -	\$ 50,805
Jointly owned assets - buildings	3,082,308	392,595	(267,463)	3,742,366
Machinery and equipment	<u>4,741,944</u>	<u>684,532</u>	<u>1,268,160</u>	<u>4,158,316</u>
Total accumulated depreciation	\$ <u>7,849,939</u>	\$ <u>1,102,245</u>	\$ <u>1,000,697</u>	\$ <u>7,951,487</u>
Total capital assets being depreciated, net	\$ <u>17,852,953</u>	\$ <u>155,020</u>	\$ <u>(1,264,167)</u>	\$ <u>19,272,140</u>
Capital assets, net	\$ <u>19,972,235</u>	\$ <u>465,804</u>	\$ <u>(866,723)</u>	\$ <u>21,304,762</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 163,844
Judicial administration	522,564
Public safety	452,277
Public works	283,397
Health and welfare	71,402
Education	1,237,246
Parks, recreation and cultural	56,578
Community development	<u>\$ 191,570</u>
Total Governmental activities	<u>\$ 2,978,878</u>
Component Unit School Board	<u>\$ 1,102,245</u>
Business-Type Activities	<u>\$ 1,478,498</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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, 2014, is that school financed assets in the amount of \$48,411,832 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2014 follows:

Enterprise Fund:	Balance			Balance
	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 2,695,355	\$ -	\$ -	\$ 2,695,355
Construction in progress	<u>28,176,557</u>	<u>340,845</u>	<u>27,583,390</u>	<u>934,012</u>
Total capital assets not subject to depreciation	<u>\$ 30,871,912</u>	<u>\$ 340,845</u>	<u>\$ 27,583,390</u>	<u>\$ 3,629,367</u>
Capital assets subject to depreciation:				
Water production and distribution facilities	\$ 5,634,970	\$ 564,781	\$ -	\$ 6,199,751
Machinery and equipment	3,871,279	64,407	52,974	3,882,712
Infrastructure	<u>48,440,372</u>	<u>26,973,089</u>	<u>20,000</u>	<u>75,393,461</u>
Total capital assets being depreciated	<u>\$ 57,946,621</u>	<u>\$ 27,602,277</u>	<u>\$ 72,974</u>	<u>\$ 85,475,924</u>
Accumulated depreciation:				
Water production and distribution facilities	\$ 1,627,033	\$ 134,867	\$ -	\$ 1,761,900
Machinery and equipment	1,632,676	181,814	52,974	1,761,516
Infrastructure	<u>4,045,001</u>	<u>1,161,817</u>	<u>7,538</u>	<u>5,199,280</u>
Total accumulated depreciation	<u>\$ 7,304,710</u>	<u>\$ 1,478,498</u>	<u>\$ 60,512</u>	<u>\$ 8,722,696</u>
Total capital assets being depreciated, net	<u>\$ 50,641,911</u>	<u>\$ 26,123,779</u>	<u>\$ 12,462</u>	<u>\$ 76,753,228</u>
Business-type activities capital assets, net	<u>\$ 81,513,823</u>	<u>\$ 26,464,624</u>	<u>\$ 27,595,852</u>	<u>\$ 80,382,595</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General	\$ 246,196	\$ 7,809,929
Other Governmental	559,627	-
County Capital Improvements	1,441,978	296,196
Debt Service	5,833,602	-
Airport	84,188	59,466
Total Governmental Funds	<u>\$ 8,165,591</u>	<u>\$ 8,165,591</u>
Enterprise Funds:		
Water and Sewer	\$ -	\$ 403,511
Bottom's Bridge	403,511	-
Total Enterprise Funds	<u>\$ 403,511</u>	<u>\$ 403,511</u>
Total-All Funds	<u><u>\$ 8,569,102</u></u>	<u><u>\$ 8,569,102</u></u>

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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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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, 2014:

	<u>Balance at July 1, 2013</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Incurred by County:					
Compensated absences (payable from the General Fund)	\$ 699,534	\$ 702,796	\$ 729,216	\$ 673,114	\$ 673,114
Lease revenue bonds	6,574,790	-	314,873	6,259,917	327,955
General obligation bond	77,670	-	77,670	-	-
Bond premium	111,650	-	11,942	99,708	11,415
Total incurred by County	<u>\$ 7,463,644</u>	<u>\$ 702,796</u>	<u>\$ 1,133,701</u>	<u>\$ 7,032,739</u>	<u>\$ 1,012,484</u>
Incurred by School Board:					
General obligation bonds	\$ 12,176,083	-	\$ 901,824	\$ 11,274,259	\$ 910,950
Lease revenue bond	38,784,932	-	1,647,359	37,137,573	1,728,376
Bond premium	1,373,606	-	157,434	1,216,172	149,031
Total incurred by School Board	<u>\$ 52,334,621</u>	<u>\$ -</u>	<u>\$ 2,706,617</u>	<u>\$ 49,628,004</u>	<u>\$ 2,788,357</u>
Total Governmental Activities	<u>\$ 59,798,265</u>	<u>\$ 702,796</u>	<u>\$ 3,840,318</u>	<u>\$ 56,660,743</u>	<u>\$ 3,800,841</u>
Business-type Activities:					
Compensated absences (payable from the Enterprise Fund)	\$ 92,412	\$ 98,152	\$ 85,732	\$ 104,832	\$ 97,255
Lease revenue bonds	14,995,000	-	460,000	14,535,000	475,000
Bond premium	1,789,902	-	164,977	1,624,925	164,926
Total Business-type Activities	<u>\$ 16,877,314</u>	<u>\$ 98,152</u>	<u>\$ 710,709</u>	<u>\$ 16,264,757</u>	<u>\$ 737,181</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Lease Revenue Bonds	
	Principal	Interest
2015	\$ 327,955	\$ 264,276
2016	342,162	250,469
2017	356,500	236,031
2018	371,472	220,960
2019	387,081	205,225
2020	403,833	188,797
2021	420,732	171,623
2022	438,783	153,698
2023	455,494	136,991
2024	474,862	117,523
2025	495,394	97,189
2026	516,600	75,934
2027	538,482	53,728
2028	357,299	32,450
2029	373,268	16,579
Total	\$ <u>6,259,917</u>	\$ <u>2,221,473</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations			
	General Obligation Bond		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
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	-	-	3,366,732	149,538
Total	\$ <u>11,274,259</u>	\$ <u>3,625,609</u>	\$ <u>37,137,573</u>	\$ <u>15,588,041</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	Enterprise Obligations	
	Lease Revenue Bonds	
	Principal	Interest
2015	\$ 475,000	\$ 603,141
2016	450,000	586,094
2017	465,000	567,847
2018	485,000	546,478
2019	505,000	521,884
2020	535,000	495,309
2021	565,000	467,197
2022	600,000	437,444
2023	620,000	406,281
2024	660,000	373,731
2025	685,000	340,716
2026	715,000	307,681
2027	745,000	274,284
2028	780,000	241,503
2029	815,000	208,466
2030	850,000	173,713
2031	855,000	142,522
2032	885,000	112,234
2033	920,000	77,731
2034	950,000	45,313
2035	975,000	15,234
Total	\$ <u>14,535,000</u>	\$ <u>6,944,803</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Year Issued</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities Obligations:			
Incurred by County:			
Lease revenue Bonds			
2006 lease revenue bonds	2007	4.00%-5.00%	\$ 4,117,427
2007 lease revenue bonds	2008	3.98%	2,142,490
Unamortized premium			99,708
Compensated absences (payable from the General Fund)			<u>673,114</u>
Total incurred by County			\$ <u>7,032,739</u>
Incurred by School Board:			
General obligation bonds			
2007 School bonds	2008	5.10%	\$ 4,945,531
2006 School bonds	2007	4.225%-5.10%	4,740,243
2005 School bonds - primary school	2006	4.60%-5.10%	1,486,297
1995 School bonds	1995	6.10%-6.60%	102,188
Lease revenue bond			
2006 lease revenue bond	2007	4.00%-5.00%	37,137,573
Unamortized premium			<u>1,216,172</u>
Total incurred by School Board			\$ <u>49,628,004</u>
Total Governmental Activities Obligations			\$ <u><u>56,660,743</u></u>
Business-type Activities Obligations:			
Lease revenue bonds			
2004 lease revenue bond	2004	2.30-4.60%	\$ 450,000
2012B lease revenue bond	2012	2.279-5.125%	8,930,000
2012C lease revenue bond	2012	2.172-4.839%	5,155,000
Unamortized premium			1,624,925
Compensated absences (payable from the Enterprise Fund)			<u>104,832</u>
Total Business-type Obligations			\$ <u><u>16,264,757</u></u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Rate Covenant

The 2014 lease revenue bond prescribes that the County shall fix, charge and collect such charges for the use of and for the services furnished by the System so that net revenues available for debt service in any fiscal year is equal to or greater than 115% of annual debt service required to be paid for bonds in that fiscal year. The following calculation shows the County's compliance with this rate covenant

Fiscal Year	Total Revenues	Cash Reserves *1	Total Revenue and Cash Available for Debt Service	Adjusted Expenditures *2	Net Revenues and Cash Available For Debt Service	Fiscal Year Debt Service All W&S Bonds *3	Percentage of Net Revenues and Cash Available For Debt Service
2014	\$ 4,025,801	\$ 6,198,507	\$ 10,224,308	\$ 2,723,545	\$ 7,500,763	\$ 1,079,802	695%

*1 - Uncommitted cash at June 30th

*2 - Total Expenditures less depreciation and capital improvements

*3 - Includes debt service for Series 2004B, 2012B, 2012C, 2014

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, 2014:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Compensated absences (payable from the School Fund)	\$ 390,795	\$ 241,525	\$ 210,163	\$ 422,157	\$ 227,029
Net OPEB Obligation	477,000	153,000	52,000	578,000	-
Total Component Unit School Board	\$ 867,795	\$ 394,525	\$ 262,163	\$ 1,000,157	\$ 227,029

NOTE 9—UNEARNED AND DEFERRED/UNAVAILABLE REVENUE:

Unearned and deferred/unavailable 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. Unearned and deferred/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,935,600 at June 30, 2014.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2014, but paid in advance by the tax payers totaled \$82,112 at June 30, 2014.

Unearned Revenue: Other miscellaneous unearned revenue items totaled \$250,382 at June 30, 2014, of which \$229,030 is FEMA funds related to Hurricane Irene.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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, 2014:

<u>Fund</u>	<u>Project</u>	<u>Contractor</u>	<u>Amount Of Contract</u>	<u>Contract Outstanding At June 30, 2014</u>
Capital Projects Fund	South Building School	Marengo Management	\$ 1,857,483	\$ 616,203

NOTE 11—LITIGATION:

At June 30, 2014, 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.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2014.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2014.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. 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 regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2014.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2014.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2014.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** – Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** – Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** – Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** – Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2014.
10. **Normal Retirement Age** - Normal Social Security retirement age.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

- 14. Eligibility** – Same as VRS Plan 1—Refer to Section 14.

- 15. Exceptions to COLA Effective Dates** – Same as VRS Plan 1—Refer to Section 15.

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** – Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

1. Plan Overview (Continued)

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. Eligible Members - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. *Non-Eligible Members - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. Retirement Contributions - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation – Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2— Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS plan 2—Refer to –Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—PENSION PLAN: (CONTINUED)

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. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The County opted for employees to begin making the full 5% contribution in FY 2014. 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 and School Board's contribution rate for the fiscal year ended 2014 was 11.78% and 8.40% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,686,510, \$1,610,013, and \$855,051 to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012 respectively and these contributions represented 11.66%, 11.66%, and 6.33%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County's annual pension cost of \$887,169 was equal to the County's required and actual contributions.

Three Year Trend Information - County

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 887,169	100%	\$ -
June 30, 2013	821,128	100%	-
June 30, 2012	654,999	100%	-

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—PENSION PLAN: (CONTINUED)

C. Annual Pension Cost (Continued)

For the fiscal year 2014, the School Board's annual pension cost of \$122,470 was equal to the School Board's required and actual contributions.

Three Year Trend Information - School Board Non-Professional			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 122,470	100%	\$ -
June 30, 2013	110,937	100%	-
June 30, 2012	87,173	100%	-

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board'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 and School Board'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, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 81.52% funded. The actuarial accrued liability for benefits was \$19,983,552, and the actuarial value of assets was \$16,289,722, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,693,830. The covered payroll (annual payroll of active employees covered by the plan) was \$7,112,874, and ratio of the UAAL to the covered payroll was 51.93%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 88.03% funded. The actuarial accrued liability for benefits was \$4,088,552, and the actuarial value of assets was \$3,599,069, resulting in an unfunded actuarial accrued liability (UAAL) of \$489,483. The covered payroll (annual payroll of active employees covered by the plan) was \$1,335,955, and the ratio of the UAAL to the covered payroll was 36.64%.

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.

COUNTY OF NEW KENT, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)**

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 16—SURETY BONDS:

	<u>Amount</u>
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
Virginia Association of Counties Group Self Insurance Risk Pool	
All School Employees - Blanket Bond	1,000,000
Fidelity and Deposit Company of Maryland - Surety	
Thomas W. Evelyn, Board of Supervisor	1,000
James H. Burrell, Board of Supervisor	1,000
W. R. Davis, Jr., Board of Supervisor	1,000
Travelers Casualty and Surety Company of America	
Rodney A. Hathaway, County Administrator	1,000
C. Thomas Tiller, Jr., Board of Supervisor	1,000
Ron Stiers, Board of Supervisor	1,000
VaRISK2 - Virginia Group Liability Self Insurance Plan - Surety	1,000,000
All Social Services Employees - Blanket Bond	

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 17—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

A. Plan Description

Beginning in fiscal year 2009, the School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to postemployment 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 postemployment 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.

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.
- Retirees are eligible for the School's wellness program. The wellness program provides a subsidy of \$720 per year for participants who meet certain wellness criteria.

B. Funding Policy

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 11 retirees on their plan.

C. 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.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 17—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

C. 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:

		<u>SCHOOLS</u>
Annual required contribution	\$	155,000
Interest on net OPEB obligation		17,000
Adjustment to annual required contribution		<u>(19,000)</u>
Annual OPEB cost (expense)	\$	153,000
Contributions made		<u>(52,000)</u>
Increase in net OPEB obligation		101,000
Net OPEB obligation-beginning of year		<u>477,000</u>
Net OPEB obligation-end of year	\$	<u><u>578,000</u></u>

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 2014 and the preceding two years were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
Schools:			
6/30/2014	\$ 153,000	33.99%	\$ 578,000
6/30/2013	143,000	34.27%	477,000
6/30/2012	222,000	47.30%	383,000

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 17—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

Funded Status and Funding Progress

At July 1, 2013, the start of the most recent actuarial report, the School Board's actuarial accrued liability for benefits was \$1,208,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$15,922,044, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.59 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 July 1, 2013 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 35% of eligible retirees who qualify will elect coverage.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 17–OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (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	2.8%
Rate of Growth in Real Income/GDP per capita	0.9%
Income Multiplier for Health Spending	1.3
Extra Trend due to Technology and other factors	1.1%
Health Share of GDP Resistance Point	23.0%
Year for Limiting Cost Growth to GDP Growth	2060

Based on the historical and expected returns of the School Board's short-term investment portfolio, a discount of 3.50% 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 July 1, 2013 was twenty-five years.

Rate of inflation – The inflation rate used was 2.8%.

NOTE 18–OTHER POSTEMPLOYMENT BENEFITS - VRS HEALTH INSURANCE CREDIT:

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 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$160,551, \$153,269, and \$81,047, respectively and equaled the required contributions for each year.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 19–UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

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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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 24,609,089	\$ 24,609,089	\$ 24,678,308	\$ 69,219
Other local taxes	3,570,850	3,570,850	3,869,620	298,770
Permits, privilege fees, and regulatory licenses	322,370	322,370	395,155	72,785
Fines and forfeitures	241,500	241,500	289,644	48,144
Revenue from the use of money and property	545,795	545,995	463,276	(82,719)
Charges for services	487,402	496,548	510,338	13,790
Miscellaneous	464,000	574,889	418,318	(156,571)
Recovered costs	416,912	513,492	265,097	(248,395)
Intergovernmental:				
Commonwealth	4,908,478	5,442,111	5,153,216	(288,895)
Federal	659,708	1,480,179	1,223,416	(256,763)
Total revenues	\$ 36,226,104	\$ 37,797,023	\$ 37,266,388	\$ (530,635)
EXPENDITURES				
Current:				
General government administration	\$ 3,341,311	\$ 3,532,109	\$ 3,291,289	\$ 240,820
Judicial administration	1,441,873	1,511,771	1,445,417	66,354
Public safety	7,439,264	8,439,099	7,459,094	980,005
Public works	1,511,958	1,545,332	1,385,542	159,790
Health and welfare	1,730,606	1,759,220	1,476,264	282,956
Education	12,538,989	12,934,490	12,789,955	144,535
Parks, recreation, and cultural	749,996	776,447	697,661	78,786
Community development	807,028	868,129	711,650	156,479
Total expenditures	\$ 29,561,025	\$ 31,366,597	\$ 29,256,872	\$ 2,109,725
Excess (deficiency) of revenues over (under) expenditures	\$ 6,665,079	\$ 6,430,426	\$ 8,009,516	\$ 1,579,090
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 246,196	\$ 246,196	\$ 246,196	\$ -
Transfers out	(6,611,141)	(6,775,145)	(7,809,929)	(1,034,784)
Total other financing sources (uses)	\$ (6,364,945)	\$ (6,528,949)	\$ (7,563,733)	\$ (1,034,784)
Net change in fund balances	\$ 300,134	\$ (98,523)	\$ 445,783	\$ 544,306
Fund balances - beginning	(300,134)	98,523	7,818,017	7,719,494
Fund balances - ending	\$ -	\$ -	\$ 8,263,800	\$ 8,263,800

Airport Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 100,620	\$ 100,620	\$ 75,644	\$ (24,976)
Charges for services	135,925	135,925	85,620	(50,305)
Intergovernmental:				
Commonwealth	3,500	57,046	59,654	2,608
Federal	-	366,238	336,649	(29,589)
Total revenues	<u>\$ 240,045</u>	<u>\$ 659,829</u>	<u>\$ 557,567</u>	<u>\$ (102,262)</u>
EXPENDITURES				
Current:				
Public works	\$ 274,233	\$ 274,233	\$ 212,049	\$ 62,184
Capital projects	50,000	574,685	491,542	83,143
Total expenditures	<u>\$ 324,233</u>	<u>\$ 848,918</u>	<u>\$ 703,591</u>	<u>\$ 145,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (84,188)</u>	<u>\$ (189,089)</u>	<u>\$ (146,024)</u>	<u>\$ 43,065</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 84,188	\$ 84,188	\$ 84,188	\$ -
Transfers out	-	(40,000)	(59,466)	(19,466)
Total other financing sources (uses)	<u>\$ 84,188</u>	<u>\$ 44,188</u>	<u>\$ 24,722</u>	<u>\$ (19,466)</u>
Net change in fund balances	\$ -	\$ (144,901)	\$ (121,302)	\$ 23,599
Fund balances - beginning	-	144,901	112,064	(32,837)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,238)</u>	<u>\$ (9,238)</u>

Schedule of Pension Funding Progress
For the Year Ended June 30, 2014

Primary Government:
County Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3-2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 16,289,722	\$ 19,983,552	\$ 3,693,830	81.52%	\$ 7,112,874	51.93%
6/30/2012	14,961,977	19,375,566	4,413,589	77.22%	7,095,880	62.20%
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%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3-2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 3,599,069	\$ 4,088,552	\$ 489,483	88.03%	\$ 1,335,955	36.64%
6/30/2012	3,438,608	4,067,424	628,816	84.54%	1,255,605	50.08%
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%

Schedule of OPEB Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2014

Actuarial 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)	Covered Payroll * (c)	UAAL as % of Payroll ((b-a)/c)
School Board:						
7/1/2011	\$ -	\$ 1,751,000	\$ 1,751,000	0.00%	\$ 14,771,287	11.85%
7/1/2012	-	1,118,000	1,118,000	0.00%	15,128,675	7.39%
7/1/2013	-	1,208,000	1,208,000	0.00%	15,922,044	7.59%

* 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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt service:				
Principal retirement	\$ 2,879,873	\$ 2,941,729	\$ 2,941,726	\$ 3
Interest and other fiscal charges	2,725,435	2,726,788	2,725,850	938
Total expenditures	<u>\$ 5,605,308</u>	<u>\$ 5,668,517</u>	<u>\$ 5,667,576</u>	<u>\$ 941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,605,308)</u>	<u>\$ (5,668,517)</u>	<u>\$ (5,667,576)</u>	<u>\$ 941</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,770,393	\$ 5,833,602	\$ 5,833,602	\$ -
Total other financing sources (uses)	<u>\$ 5,770,393</u>	<u>\$ 5,833,602</u>	<u>\$ 5,833,602</u>	<u>\$ -</u>
Net change in fund balances	\$ 165,085	\$ 165,085	\$ 166,026	\$ 941
Fund balances - beginning	(165,085)	(165,085)	923,327	1,088,412
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,089,353</u>	<u>\$ 1,089,353</u>

County Capital Improvements Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ 86	\$ 186,616	\$ 186,530
Total revenues	\$ -	\$ 86	\$ 186,616	\$ 186,530
EXPENDITURES				
Capital projects	\$ 7,433,895	\$ 12,198,526	\$ 3,466,942	\$ 8,731,584
Total expenditures	\$ 7,433,895	\$ 12,198,526	\$ 3,466,942	\$ 8,731,584
Excess (deficiency) of revenues over (under) expenditures	\$ (7,433,895)	\$ (12,198,440)	\$ (3,280,326)	\$ 8,918,114
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 140,795	\$ 1,441,978	\$ 1,301,183
Transfers out	(296,196)	(296,196)	(296,196)	-
Issuance of bonds	5,000,000	5,000,000	-	(5,000,000)
Total other financing sources (uses)	\$ 4,703,804	\$ 4,844,599	\$ 1,145,782	\$ (3,698,817)
Net change in fund balances	\$ (2,730,091)	\$ (7,353,841)	\$ (2,134,544)	\$ 5,219,297
Fund balances - beginning	2,730,091	7,353,841	14,622,841	7,269,000
Fund balances - ending	\$ -	\$ -	\$ 12,488,297	\$ 12,488,297

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2014

	Human Services Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 9,573	\$ 9,573
Intergovernmental:				
Commonwealth	911,075	911,075	455,349	(455,726)
Total revenues	<u>\$ 911,075</u>	<u>\$ 911,075</u>	<u>\$ 464,922</u>	<u>\$ (446,153)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 1,737,101	\$ 1,737,101	\$ 1,024,549	\$ 712,552
Total expenditures	<u>\$ 1,737,101</u>	<u>\$ 1,737,101</u>	<u>\$ 1,024,549</u>	<u>\$ 712,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (826,026)</u>	<u>\$ (826,026)</u>	<u>\$ (559,627)</u>	<u>\$ 266,399</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 826,026	\$ 826,026	\$ 559,627	\$ (266,399)
Total other financing sources (uses)	<u>\$ 826,026</u>	<u>\$ 826,026</u>	<u>\$ 559,627</u>	<u>\$ (266,399)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2014

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>SSI Dedicated</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9,844	\$ 1,442	\$ 11,286
Total assets	<u>\$ 9,844</u>	<u>\$ 1,442</u>	<u>\$ 11,286</u>
LIABILITIES			
Amounts held for social services clients	\$ 9,844	\$ 1,442	\$ 11,286
Total liabilities	<u>\$ 9,844</u>	<u>\$ 1,442</u>	<u>\$ 11,286</u>

Fiduciary Funds
 Combining Statement of Changes in Assets and Liabilities - Agency Funds
 Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 10,466	\$ 4,457	\$ 5,079	\$ 9,844
Total assets	<u>\$ 10,466</u>	<u>\$ 4,457</u>	<u>\$ 5,079</u>	<u>\$ 9,844</u>
Liabilities:				
Amounts held for social services clients	\$ 10,466	\$ 4,457	\$ 5,079	\$ 9,844
Total liabilities	<u>\$ 10,466</u>	<u>\$ 4,457</u>	<u>\$ 5,079</u>	<u>\$ 9,844</u>
SSI Dedicated Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 10,542	\$ 9,100	\$ 1,442
Total assets	<u>\$ -</u>	<u>\$ 10,542</u>	<u>\$ 9,100</u>	<u>\$ 1,442</u>
Liabilities:				
Amounts held for social services clients	\$ -	\$ 10,542	\$ 9,100	\$ 1,442
Total liabilities	<u>\$ -</u>	<u>\$ 10,542</u>	<u>\$ 9,100</u>	<u>\$ 1,442</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 10,466	\$ 14,999	\$ 14,179	\$ 11,286
Total assets	<u>\$ 10,466</u>	<u>\$ 14,999</u>	<u>\$ 14,179</u>	<u>\$ 11,286</u>
Liabilities:				
Amounts held for social services clients	\$ 10,466	\$ 14,999	\$ 14,179	\$ 11,286
Total liabilities	<u>\$ 10,466</u>	<u>\$ 14,999</u>	<u>\$ 14,179</u>	<u>\$ 11,286</u>

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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, 2014

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,076,672	\$ 358,338	\$ 2,435,010
Receivables (net of allowance for uncollectibles):			
Accounts receivable	109	-	109
Due from other governmental units	935,733	58,940	994,673
Total assets	<u>\$ 3,012,514</u>	<u>\$ 417,278</u>	<u>\$ 3,429,792</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 269,943	\$ 25,464	\$ 295,407
Accrued liabilities	2,750,195	54,219	2,804,414
Total liabilities	<u>\$ 3,020,138</u>	<u>\$ 79,683</u>	<u>\$ 3,099,821</u>
Fund balances:			
Committed			
Cafeteria fund	\$ -	\$ 238,541	\$ 238,541
Textbook fund	-	99,054	99,054
Assigned	<u>\$ (7,624)</u>	<u>\$ -</u>	<u>\$ (7,624)</u>
Total fund balances	<u>\$ (7,624)</u>	<u>\$ 337,595</u>	<u>\$ 329,971</u>
Total liabilities and fund balances	<u>\$ 3,012,514</u>	<u>\$ 417,278</u>	<u>\$ 3,429,792</u>

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

Total fund balances per above	\$ 329,971
-------------------------------	------------

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

Capital assets cost	\$ 29,256,249	
Less: accumulated depreciation	<u>(7,951,487)</u>	21,304,762

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

431,230

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	\$ (422,157)	
Net OPEB obligation	<u>(578,000)</u>	<u>(1,000,157)</u>

Net position of governmental activities	<u>\$ 21,065,806</u>
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 100	\$ 1,335	\$ 1,435
Charges for services	51,970	572,290	624,260
Miscellaneous	140,119	3,535	143,654
Intergovernmental:			
Local government	12,785,561	-	12,785,561
Commonwealth	12,410,268	160,601	12,570,869
Federal	896,095	336,575	1,232,670
Total revenues	<u>\$ 26,284,113</u>	<u>\$ 1,074,336</u>	<u>\$ 27,358,449</u>
EXPENDITURES			
Current:			
Education	\$ 26,159,098	\$ 1,180,128	\$ 27,339,226
Total expenditures	<u>\$ 26,159,098</u>	<u>\$ 1,180,128</u>	<u>\$ 27,339,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 125,015</u>	<u>\$ (105,792)</u>	<u>\$ 19,223</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 125,000	\$ 125,000
Transfers out	(125,000)	-	(125,000)
Total other financing sources (uses)	<u>\$ (125,000)</u>	<u>\$ 125,000</u>	<u>\$ -</u>
Net change in fund balances	\$ 15	\$ 19,208	\$ 19,223
Fund balances - beginning	(7,639)	318,387	310,748
Fund balances - ending	<u>\$ (7,624)</u>	<u>\$ 337,595</u>	<u>\$ 329,971</u>
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			\$ 19,223
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		\$ 2,771,479	
Depreciation expense		<u>(1,391,182)</u>	1,284,757
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.			47,770
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		\$ (31,362)	
(Increase) decrease in net OPEB obligation		<u>(101,000)</u>	(132,362)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.			<u>144,506</u>
Change in net position of governmental activities			<u>\$ 1,363,894</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 100	\$ (4,900)
Charges for services	121,500	121,500	51,970	(69,530)
Miscellaneous	68,000	68,000	140,119	72,119
Intergovernmental:				
Local government	12,534,595	12,930,096	12,785,561	(144,535)
Commonwealth	12,658,651	12,658,651	12,410,268	(248,383)
Federal	974,630	974,630	896,095	(78,535)
Total revenues	<u>\$ 26,362,376</u>	<u>\$ 26,757,877</u>	<u>\$ 26,284,113</u>	<u>\$ (473,764)</u>
EXPENDITURES				
Current:				
Education	\$ 26,362,376	\$ 26,732,877	\$ 26,159,098	\$ 573,779
Total expenditures	<u>\$ 26,362,376</u>	<u>\$ 26,732,877</u>	<u>\$ 26,159,098</u>	<u>\$ 573,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 125,015</u>	<u>\$ 100,015</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (25,000)	\$ (125,000)	\$ (100,000)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ (125,000)</u>	<u>\$ (100,000)</u>
Net change in fund balances	\$ -	\$ -	\$ 15	\$ 15
Fund balances - beginning	-	-	(7,639)	(7,639)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,624)</u>	<u>\$ (7,624)</u>

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, 2014

	School Cafeteria Fund				Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	1,335	\$ 1,335	\$ -	\$ -	\$ -	\$ -
Charges for services	783,684	783,684	572,290	(211,394)	-	-	-	-
Miscellaneous	-	-	3,172	3,172	-	-	363	363
Intergovernmental:								
Commonwealth	18,416	18,416	14,773	(3,643)	149,768	149,768	145,828	(3,940)
Federal	150,000	150,000	336,575	186,575	-	-	-	-
Total revenues	952,100	952,100	928,145	(23,955)	149,768	149,768	146,191	(3,577)
EXPENDITURES								
Current:								
Education	952,100	952,100	903,539	48,561	149,768	149,768	276,589	2,632
Total expenditures	952,100	952,100	903,539	48,561	149,768	149,768	276,589	2,632
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	24,606	24,606	\$ -	\$ (129,453)	\$ (130,398)	\$ (945)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	25,000	125,000	100,000
Total other financing sources (uses)	-	-	-	-	-	25,000	125,000	100,000
Net change in fund balances	\$ -	\$ -	24,606	24,606	\$ -	\$ (104,453)	\$ (5,398)	\$ 99,055
Fund balances - beginning	-	-	213,934	213,934	-	104,453	104,453	-
Fund balances - ending	\$ -	\$ -	238,540	238,540	\$ -	\$ 99,055	\$ 99,055	\$ 99,055

Statement of Fiduciary Net Position
 Fiduciary Fund - Discretely Presented Component Unit School Board
 June 30, 2014

	<u>Bridging Communities</u>
ASSETS	
Cash and cash equivalents	\$ 125,094
Accounts receivable	23,682
Due from other governmental units	14,016
Total assets	<u>\$ 162,792</u>
LIABILITIES	
Accounts payable	\$ 6,682
Accrued liabilities	53,144
Total liabilities	<u>\$ 59,826</u>
NET POSITION	
Held in trust for education	<u>\$ 102,966</u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2014

	<u>Bridging Communities</u>
ADDITIONS	
Contributions:	
Tuition	\$ 619,330
VPSA technology grant	24,481
Other revenues	43,692
Total additions	<u>\$ 687,503</u>
DEDUCTIONS	
Instruction	\$ 413,822
Administration	206,623
Operation and maintenance	15,064
Technology	30,091
Total deductions	<u>\$ 665,600</u>
Change in net position	\$ 21,903
Net position - beginning	81,063
Net position - ending	<u><u>\$ 102,966</u></u>

Statement of Net Position
 Internal Service Fund - Discretely Presented Component Unit - School Board
 June 30, 2014

	Self- Insurance Fund
	<u> </u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 607,052
Accounts receivable, net of allowances for uncollectibles	72,557
Total assets	<u>\$ 679,609</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 248,379
Total liabilities	<u>\$ 248,379</u>
NET POSITION	
Unrestricted	\$ 431,230
Total net position	<u>\$ 431,230</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Internal Service Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	Self- Insurance Fund
	<u> </u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 2,970,392
Total operating revenues	<u>\$ 2,970,392</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 2,828,324
Total operating expenses	<u>\$ 2,828,324</u>
Operating income (loss)	<u>\$ 142,068</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>\$ 2,438</u>
Change in net position	<u>\$ 144,506</u>
Total net position - beginning	<u>\$ 286,724</u>
Total net position - ending	<u><u>\$ 431,230</u></u>

Statement of Cash Flows
 Internal Service Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	<u>Self- Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 3,519,750
Payments for premiums	<u>(2,915,136)</u>
Net cash provided by (used for) operating activities	<u>\$ 604,614</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>\$ 2,438</u>
Net increase (decrease) in cash and cash equivalents	\$ 607,052
Cash and cash equivalents - beginning	\$ -
Cash and cash equivalents - ending	<u><u>\$ 607,052</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 142,068</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ 549,358
Increase (decrease) in accounts payable	<u>(86,812)</u>
Total adjustments	<u>\$ 462,546</u>
Net cash provided by (used for) operating activities	<u><u>\$ 604,614</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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Statement of Net Position
 Discretely Presented Component Unit - Economic Development Authority
 June 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$	195,314
Investments		281,977
Notes receivable		8,333
Land held for resale		721,508
Total current assets	\$	<u>1,207,132</u>
Total assets	\$	<u>1,207,132</u>

NET POSITION

Unrestricted	\$	<u>1,207,132</u>
Total net position	\$	<u><u>1,207,132</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2014

OPERATING REVENUES

Miscellaneous	\$ 204
Total operating revenues	<u>\$ 204</u>

OPERATING EXPENSES

Other charges	\$ 83,062
Total operating expenses	<u>\$ 83,062</u>

Operating income (loss)	<u>\$ (82,858)</u>
-------------------------	--------------------

NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$ 8,742
Total nonoperating revenues (expenses)	<u>\$ 8,742</u>

Change in net position	\$ (74,116)
------------------------	-------------

Total net position - beginning	<u>1,281,248</u>
Total net position - ending	<u><u>\$ 1,207,132</u></u>

Statement of Cash Flows
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts for customers	\$ 1,004
Payments for operating activities	<u>(83,062)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (82,058)</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	<u>\$ 537</u>
Net increase (decrease) in cash and cash equivalents	\$ (81,521)
Cash and cash equivalents - beginning	<u>276,835</u>
Cash and cash equivalents - ending	<u><u>\$ 195,314</u></u>

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	<u>\$ (82,858)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in loans receivable	<u>\$ 800</u>
Total adjustments	<u>\$ 800</u>
Net cash provided by (used for) operating activities	<u><u>\$ (82,058)</u></u>

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SUPPORTING SCHEDULES

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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	\$ 19,215,066	\$ 19,215,066	\$ 19,233,535	\$ 18,469
Real and personal public service corporation taxes	935,848	935,848	1,016,462	80,614
Personal property taxes	4,144,950	4,144,950	4,104,117	(40,833)
Mobile home taxes	36,714	36,714	35,274	(1,440)
Machinery and tools taxes	6,511	6,511	5,977	(534)
Penalties	165,000	165,000	162,618	(2,382)
Interest	105,000	105,000	120,325	15,325
Total general property taxes	<u>\$ 24,609,089</u>	<u>\$ 24,609,089</u>	<u>\$ 24,678,308</u>	<u>\$ 69,219</u>
Other local taxes:				
Local sales and use taxes	\$ 1,185,718	\$ 1,185,718	\$ 1,353,844	\$ 168,126
Consumers' utility taxes	200,000	200,000	218,729	18,729
Electric consumption taxes	62,000	62,000	67,417	5,417
Business license taxes	667,050	667,050	727,984	60,934
Cable TV franchise tax	6,400	6,400	6,738	338
Vehicle registration tax	502,000	502,000	501,927	(73)
Bank stock taxes	12,000	12,000	11,374	(626)
Taxes on recordation and wills	276,660	276,660	275,609	(1,051)
Hotel and motel room taxes	15,000	15,000	16,577	1,577
Meals tax	639,822	639,822	683,587	43,765
Admissions tax	4,200	4,200	5,834	1,634
Total other local taxes	<u>\$ 3,570,850</u>	<u>\$ 3,570,850</u>	<u>\$ 3,869,620</u>	<u>\$ 298,770</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 23,000	\$ 23,000	\$ 18,482	\$ (4,518)
Transfer fees	600	600	772	172
Permits and other licenses	298,770	298,770	375,901	77,131
Total permits, privilege fees, and regulatory licenses	<u>\$ 322,370</u>	<u>\$ 322,370</u>	<u>\$ 395,155</u>	<u>\$ 72,785</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 241,500	\$ 241,500	\$ 289,644	\$ 48,144
Total fines and forfeitures	<u>\$ 241,500</u>	<u>\$ 241,500</u>	<u>\$ 289,644</u>	<u>\$ 48,144</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 290,587	\$ 290,587	\$ 204,000	\$ (86,587)
Revenue from use of property	255,208	255,408	259,276	3,868
Total revenue from use of money and property	<u>\$ 545,795</u>	<u>\$ 545,995</u>	<u>\$ 463,276</u>	<u>\$ (82,719)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2014 (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	\$ 15,000	\$ 15,000	\$ 19,151	\$ 4,151
Charges for law enforcement and traffic control	1,000	1,000	1,102	102
Charges for circuit court	63,027	65,188	66,972	1,784
Charges for courthouse security	75,000	75,000	79,585	4,585
Charges for Commonwealth's Attorney	1,000	1,000	1,653	653
Charges for other protection	5,900	5,900	5,528	(372)
Charges for sanitation and waste removal	52,475	52,475	36,507	(15,968)
Charges for parks and recreation	272,500	279,482	298,204	18,722
Charges for sale of publications	1,500	1,503	1,636	133
Total charges for services	<u>\$ 487,402</u>	<u>\$ 496,548</u>	<u>\$ 510,338</u>	<u>\$ 13,790</u>
Miscellaneous revenue:				
Miscellaneous	\$ 17,500	\$ 128,389	\$ 157,611	\$ 29,222
Off-track betting proceeds	446,500	446,500	260,707	(185,793)
Total miscellaneous revenue	<u>\$ 464,000</u>	<u>\$ 574,889</u>	<u>\$ 418,318</u>	<u>\$ (156,571)</u>
Recovered costs:				
Plum Point loan repay-program income	\$ -	\$ 42,093	\$ 42,093	\$ -
Extension program sponsorship	-	6,175	6,175	-
9th judicial court/localities	15,412	15,412	15,412	-
Colonial Downs - fire/rescue standby	100,000	100,000	56,788	(43,212)
Fire suppression	1,500	1,500	-	(1,500)
Other recovered costs	-	48,312	41,612	(6,700)
Ambulance and rescue service	300,000	300,000	103,017	(196,983)
Total recovered costs	<u>\$ 416,912</u>	<u>\$ 513,492</u>	<u>\$ 265,097</u>	<u>\$ (248,395)</u>
Total revenue from local sources	<u>\$ 30,657,918</u>	<u>\$ 30,874,733</u>	<u>\$ 30,889,756</u>	<u>\$ 15,023</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 44,000	\$ 44,000	\$ 13,813	\$ (30,187)
Mobile home titling tax	7,000	7,000	4,108	(2,892)
Motor vehicle rental tax	1,000	1,000	1,125	125
State recordation tax	95,366	95,366	88,172	(7,194)
Personal property tax relief funds	2,217,883	2,217,883	2,217,883	-
Communications sales tax	615,000	615,000	599,692	(15,308)
Total noncategorical aid	<u>\$ 2,980,249</u>	<u>\$ 2,980,249</u>	<u>\$ 2,924,793</u>	<u>\$ (55,456)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 223,665	\$ 223,665	\$ 223,929	\$ 264
Sheriff	862,450	862,450	862,623	173
Commissioner of revenue	88,298	88,298	88,752	454
Treasurer	81,214	81,214	78,400	(2,814)
Registrar/electoral board	40,000	40,000	36,334	(3,666)
Clerk of the Circuit Court	216,197	258,493	237,495	(20,998)
Total shared expenses	<u>\$ 1,511,824</u>	<u>\$ 1,554,120</u>	<u>\$ 1,527,533</u>	<u>\$ (26,587)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 274,630	\$ 275,020	\$ 244,251	\$ (30,769)
Four for Life grant	-	21,438	21,438	-
Emergency services grants	-	20,500	20,500	-
Virginia commission for the arts	4,500	4,500	4,500	-
Other state grants	-	126,495	129,638	3,143
E-911 wireless	52,111	296,482	128,449	(168,033)
Forfeited assets	-	5,413	5,924	511
Va. Domestic Violence grant	40,000	40,000	39,686	(314)
Victim-witness grant	45,164	45,173	44,818	(355)
Fire programs	-	55,348	55,348	-
Litter control	-	6,003	6,003	-
DMV animal friendly plates	-	11,370	335	(11,035)
Total other categorical aid	<u>\$ 416,405</u>	<u>\$ 907,742</u>	<u>\$ 700,890</u>	<u>\$ (206,852)</u>
Total categorical aid	<u>\$ 1,928,229</u>	<u>\$ 2,461,862</u>	<u>\$ 2,228,423</u>	<u>\$ (233,439)</u>
Total revenue from the Commonwealth	<u>\$ 4,908,478</u>	<u>\$ 5,442,111</u>	<u>\$ 5,153,216</u>	<u>\$ (288,895)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 598,434	\$ 599,284	\$ 582,286	\$ (16,998)
DMV - alcohol open container requirements	-	77,098	66,498	(10,600)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Drive Smart VA	\$ -	\$ 232	\$ 232	\$ -
Emergency management and response	61,274	94,286	26,543	(67,743)
Justice assistance grants	-	47,629	48,320	691
Safer retention grant	-	103,359	58,289	(45,070)
Forfeited assets	-	147,629	14,932	(132,697)
Bulletproof vest grant	-	3,709	3,709	-
FEMA - Hurricane Irene	-	406,953	422,607	15,654
Total categorical aid	<u>\$ 659,708</u>	<u>\$ 1,480,179</u>	<u>\$ 1,223,416</u>	<u>\$ (256,763)</u>
Total revenue from the federal government	<u>\$ 659,708</u>	<u>\$ 1,480,179</u>	<u>\$ 1,223,416</u>	<u>\$ (256,763)</u>
Total General Fund	<u>\$ 36,226,104</u>	<u>\$ 37,797,023</u>	<u>\$ 37,266,388</u>	<u>\$ (530,635)</u>
Special Revenue Funds:				
Airport Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	<u>\$ 100,620</u>	<u>\$ 100,620</u>	<u>\$ 75,644</u>	<u>\$ (24,976)</u>
Total revenue from use of money and property	<u>\$ 100,620</u>	<u>\$ 100,620</u>	<u>\$ 75,644</u>	<u>\$ (24,976)</u>
Charges for services:				
Fuel/oil sales	\$ 135,325	\$ 135,325	\$ 85,620	\$ (49,705)
Airport access fees	600	600	-	(600)
Total charges for services	<u>\$ 135,925</u>	<u>\$ 135,925</u>	<u>\$ 85,620</u>	<u>\$ (50,305)</u>
Total revenue from local sources	<u>\$ 236,545</u>	<u>\$ 236,545</u>	<u>\$ 161,264</u>	<u>\$ (75,281)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Department of Aviation grants	<u>\$ 3,500</u>	<u>\$ 57,046</u>	<u>\$ 59,654</u>	<u>\$ 2,608</u>
Total categorical aid	<u>\$ 3,500</u>	<u>\$ 57,046</u>	<u>\$ 59,654</u>	<u>\$ 2,608</u>
Total revenue from the Commonwealth	<u>\$ 3,500</u>	<u>\$ 57,046</u>	<u>\$ 59,654</u>	<u>\$ 2,608</u>
Revenue from the federal government:				
Categorical aid:				
Airport improvement program	<u>\$ -</u>	<u>\$ 366,238</u>	<u>\$ 336,649</u>	<u>\$ (29,589)</u>
Total categorical aid	<u>\$ -</u>	<u>\$ 366,238</u>	<u>\$ 336,649</u>	<u>\$ (29,589)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 366,238</u>	<u>\$ 336,649</u>	<u>\$ (29,589)</u>
Total Airport Fund	<u>\$ 240,045</u>	<u>\$ 659,829</u>	<u>\$ 557,567</u>	<u>\$ (102,262)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2014 (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	\$ -	\$ -	\$ 9,573	\$ 9,573
Total miscellaneous revenue	\$ -	\$ -	\$ 9,573	\$ 9,573
Total revenue from local sources	\$ -	\$ -	\$ 9,573	\$ 9,573
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 911,075	\$ 911,075	\$ 455,349	\$ (455,726)
Total categorical aid	\$ 911,075	\$ 911,075	\$ 455,349	\$ (455,726)
Total revenue from the Commonwealth	\$ 911,075	\$ 911,075	\$ 455,349	\$ (455,726)
Total Human Services Fund	\$ 911,075	\$ 911,075	\$ 464,922	\$ (446,153)
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Cash proffers	\$ -	\$ -	\$ 186,530	\$ 186,530
Other miscellaneous	-	86	86	-
Total miscellaneous revenue	\$ -	\$ 86	\$ 186,616	\$ 186,530
Total revenue from local sources	\$ -	\$ 86	\$ 186,616	\$ 186,530
Total County Capital Improvements Fund	\$ -	\$ 86	\$ 186,616	\$ 186,530
Total Primary Government	\$ 37,377,224	\$ 39,368,013	\$ 38,475,493	\$ (892,520)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
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	\$ 100	\$ (4,900)
Total revenue from use of money and property	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 100</u>	<u>\$ (4,900)</u>
Charges for services:				
Tuition and payments from other divisions	\$ 121,500	\$ 121,500	\$ 51,970	\$ (69,530)
Total charges for services	<u>\$ 121,500</u>	<u>\$ 121,500</u>	<u>\$ 51,970</u>	<u>\$ (69,530)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 68,000	\$ 68,000	\$ 140,119	\$ 72,119
Total miscellaneous revenue	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ 140,119</u>	<u>\$ 72,119</u>
Total revenue from local sources	<u>\$ 194,500</u>	<u>\$ 194,500</u>	<u>\$ 192,189</u>	<u>\$ (2,311)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of New Kent, Virginia	\$ 12,534,595	\$ 12,930,096	\$ 12,785,561	\$ (144,535)
Total revenues from local governments	<u>\$ 12,534,595</u>	<u>\$ 12,930,096</u>	<u>\$ 12,785,561</u>	<u>\$ (144,535)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,012,254	\$ 3,012,254	\$ 2,913,846	\$ (98,408)
Basic school aid	7,013,349	7,013,349	6,834,633	(178,716)
ISAEF (GED program)	7,859	7,859	8,754	895
Regular foster care	29,470	29,470	11,229	(18,241)
Gifted and talented	76,778	76,778	74,759	(2,019)
Remedial education	98,477	98,477	95,886	(2,591)
English as a second language	7,994	7,994	10,658	2,664
Special education	739,410	739,410	738,960	(450)
Vocational education	35,051	35,051	34,129	(922)
Social security fringe benefits	405,591	405,591	394,921	(10,670)
Retirement fringe benefits	677,653	677,653	659,827	(17,826)
Group life insurance fringe benefits	25,036	25,036	24,378	(658)
Early reading intervention	31,392	31,392	26,160	(5,232)
Homebound education	9,374	9,374	10,097	723
Vocational education equipment	3,638	3,638	3,770	132
At risk payments	50,569	50,569	49,200	(1,369)
Technology	154,000	154,000	240,534	86,534
Compensation supplement	159,297	159,297	155,160	(4,137)
Mentor teacher program	1,962	1,962	2,045	83
Additional asst retire inflation preschool	105,214	105,214	105,214	-
Other state funds	14,283	14,283	16,108	1,825
Total categorical aid	<u>\$ 12,658,651</u>	<u>\$ 12,658,651</u>	<u>\$ 12,410,268</u>	<u>\$ (248,383)</u>
Total revenue from the Commonwealth	<u>\$ 12,658,651</u>	<u>\$ 12,658,651</u>	<u>\$ 12,410,268</u>	<u>\$ (248,383)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (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: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 221,600	\$ 221,600	\$ 219,789	\$ (1,811)
Title III, Part A, ESL	1,400	1,400	-	(1,400)
Title VI-B, special education flow-through	608,750	608,750	574,103	(34,647)
Vocational education	27,487	27,487	29,236	1,749
Title VI-B, special education preschool	48,601	48,601	14,320	(34,281)
Technology literacy challenge	4,055	4,055	-	(4,055)
Title II - teacher quality	62,737	62,737	58,197	(4,540)
Advance placement incentive program	-	-	450	450
Total categorical aid	<u>\$ 974,630</u>	<u>\$ 974,630</u>	<u>\$ 896,095</u>	<u>\$ (78,535)</u>
Total revenue from the federal government	<u>\$ 974,630</u>	<u>\$ 974,630</u>	<u>\$ 896,095</u>	<u>\$ (78,535)</u>
Total School Operating Fund	<u>\$ 26,362,376</u>	<u>\$ 26,757,877</u>	<u>\$ 26,284,113</u>	<u>\$ (473,764)</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,335	\$ 1,335
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,335</u>	<u>\$ 1,335</u>
Charges for services:				
Cafeteria sales	\$ 783,684	\$ 783,684	\$ 572,290	\$ (211,394)
Total charges for services	<u>\$ 783,684</u>	<u>\$ 783,684</u>	<u>\$ 572,290</u>	<u>\$ (211,394)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 3,172	\$ 3,172
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,172</u>	<u>\$ 3,172</u>
Total revenue from local sources	<u>\$ 783,684</u>	<u>\$ 783,684</u>	<u>\$ 576,797</u>	<u>\$ (206,887)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 18,416	\$ 18,416	\$ 14,773	\$ (3,643)
Total categorical aid	<u>\$ 18,416</u>	<u>\$ 18,416</u>	<u>\$ 14,773</u>	<u>\$ (3,643)</u>
Total revenue from the Commonwealth	<u>\$ 18,416</u>	<u>\$ 18,416</u>	<u>\$ 14,773</u>	<u>\$ (3,643)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (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)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 150,000	\$ 150,000	\$ 306,911	\$ 156,911
Commodities	-	-	29,664	29,664
Total categorical aid	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 336,575</u>	<u>\$ 186,575</u>
Total revenue from the federal government	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 336,575</u>	<u>\$ 186,575</u>
Total School Cafeteria Fund	<u>\$ 952,100</u>	<u>\$ 952,100</u>	<u>\$ 928,145</u>	<u>\$ (23,955)</u>
Textbook Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 363	\$ 363
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 363</u>	<u>\$ 363</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 363</u>	<u>\$ 363</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 149,768	\$ 149,768	\$ 145,828	\$ (3,940)
Total revenue from the Commonwealth	<u>\$ 149,768</u>	<u>\$ 149,768</u>	<u>\$ 145,828</u>	<u>\$ (3,940)</u>
Total Textbook Fund	<u>\$ 149,768</u>	<u>\$ 149,768</u>	<u>\$ 146,191</u>	<u>\$ (3,577)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 27,464,244</u>	<u>\$ 27,859,745</u>	<u>\$ 27,358,449</u>	<u>\$ (501,296)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

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	\$ 96,817	\$ 104,520	\$ 87,897	\$ 16,623
General and financial administration:				
County administrator	\$ 429,099	\$ 457,542	\$ 441,568	\$ 15,974
Legal services	209,317	259,317	250,826	8,491
Central switchboard	26,185	30,083	28,404	1,679
Commissioner of revenue	510,114	523,004	520,199	2,805
Treasurer	355,013	388,551	369,711	18,840
Financial services	535,944	532,644	507,368	25,276
Department of information technology	581,369	643,600	542,123	101,477
Human Resources	182,299	186,559	166,063	20,496
Purchasing	214,521	201,246	180,637	20,609
Other general and financial administration	9,114	9,114	937	8,177
Total general and financial administration	<u>\$ 3,052,975</u>	<u>\$ 3,231,660</u>	<u>\$ 3,007,836</u>	<u>\$ 223,824</u>
Board of elections:				
Electoral board and officials	\$ 191,519	\$ 195,929	\$ 195,556	\$ 373
Total board of elections	<u>\$ 191,519</u>	<u>\$ 195,929</u>	<u>\$ 195,556</u>	<u>\$ 373</u>
Total general government administration	<u>\$ 3,341,311</u>	<u>\$ 3,532,109</u>	<u>\$ 3,291,289</u>	<u>\$ 240,820</u>
Judicial administration:				
Courts:				
Circuit court	\$ 86,219	\$ 86,219	\$ 83,078	\$ 3,141
General district court	16,155	19,298	17,191	2,107
Sheriff	571,936	588,982	570,580	18,402
Magistrate	1,146	1,146	1,092	54
Juvenile and domestic relations district court	6,475	8,475	5,933	2,542
Clerk of the circuit court	336,158	378,454	346,361	32,093
Victim and witness assistance	50,474	50,474	50,158	316
Total courts	<u>\$ 1,068,563</u>	<u>\$ 1,133,048</u>	<u>\$ 1,074,393</u>	<u>\$ 58,655</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 373,310	\$ 378,723	\$ 371,024	\$ 7,699
Total commonwealth's attorney	<u>\$ 373,310</u>	<u>\$ 378,723</u>	<u>\$ 371,024</u>	<u>\$ 7,699</u>
Total judicial administration	<u>\$ 1,441,873</u>	<u>\$ 1,511,771</u>	<u>\$ 1,445,417</u>	<u>\$ 66,354</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,417,949	\$ 2,645,262	\$ 2,448,135	\$ 197,127
Grants programs	-	186,567	127,975	58,592
Total law enforcement and traffic control	<u>\$ 2,417,949</u>	<u>\$ 2,831,829</u>	<u>\$ 2,576,110</u>	<u>\$ 255,719</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014 (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	\$ 1,800	\$ 49,329	\$ 15,257	\$ 34,072
Disaster relief - Irene	-	3,965	3,965	-
State forestry service	7,208	7,208	7,207	1
Fire and emergency management	2,405,047	2,674,615	2,558,766	115,849
Total fire and rescue services	<u>\$ 2,414,055</u>	<u>\$ 2,735,117</u>	<u>\$ 2,585,195</u>	<u>\$ 149,922</u>
Correction and detention:				
Confinement and care of prisoners	\$ 826,000	\$ 827,921	\$ 645,252	\$ 182,669
Probation & pretrial	175,539	175,539	115,668	59,871
Total correction and detention	<u>\$ 1,001,539</u>	<u>\$ 1,003,460</u>	<u>\$ 760,920</u>	<u>\$ 242,540</u>
Inspections:				
Building	\$ 358,405	\$ 358,169	\$ 353,586	\$ 4,583
Total inspections	<u>\$ 358,405</u>	<u>\$ 358,169</u>	<u>\$ 353,586</u>	<u>\$ 4,583</u>
Other protection:				
Animal control	\$ 251,958	\$ 299,817	\$ 256,716	\$ 43,101
E-911	995,358	1,210,707	926,567	284,140
Total other protection	<u>\$ 1,247,316</u>	<u>\$ 1,510,524</u>	<u>\$ 1,183,283</u>	<u>\$ 327,241</u>
Total public safety	<u>\$ 7,439,264</u>	<u>\$ 8,439,099</u>	<u>\$ 7,459,094</u>	<u>\$ 980,005</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 711,000	\$ 711,000	\$ 609,674	\$ 101,326
Total sanitation and waste removal	<u>\$ 711,000</u>	<u>\$ 711,000</u>	<u>\$ 609,674</u>	<u>\$ 101,326</u>
Maintenance of general buildings and grounds:				
General properties	\$ 800,958	\$ 834,332	\$ 775,868	\$ 58,464
Total maintenance of general buildings and grounds	<u>\$ 800,958</u>	<u>\$ 834,332</u>	<u>\$ 775,868</u>	<u>\$ 58,464</u>
Total public works	<u>\$ 1,511,958</u>	<u>\$ 1,545,332</u>	<u>\$ 1,385,542</u>	<u>\$ 159,790</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 190,362	\$ 190,362	\$ 188,424	\$ 1,938
Total health	<u>\$ 190,362</u>	<u>\$ 190,362</u>	<u>\$ 188,424</u>	<u>\$ 1,938</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014 (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	<u>\$ 97,645</u>	<u>\$ 97,645</u>	<u>\$ 97,645</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 1,346,234	\$ 1,374,848	\$ 1,093,830	\$ 281,018
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	<u>\$ 1,442,599</u>	<u>\$ 1,471,213</u>	<u>\$ 1,190,195</u>	<u>\$ 281,018</u>
Total health and welfare	<u>\$ 1,730,606</u>	<u>\$ 1,759,220</u>	<u>\$ 1,476,264</u>	<u>\$ 282,956</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 4,394	\$ 4,394	\$ 4,394	-
Contribution to County School Board	12,534,595	12,930,096	12,785,561	144,535
Total education	<u>\$ 12,538,989</u>	<u>\$ 12,934,490</u>	<u>\$ 12,789,955</u>	<u>\$ 144,535</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Administration and programs	\$ 526,530	\$ 552,981	\$ 474,195	\$ 78,786
Total parks and recreation	<u>\$ 526,530</u>	<u>\$ 552,981</u>	<u>\$ 474,195</u>	<u>\$ 78,786</u>
Cultural enrichment:				
Fine arts center	\$ 9,000	\$ 9,000	\$ 9,000	-
County fair association	5,000	5,000	5,000	-
Total cultural enrichment	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 209,466	\$ 209,466	\$ 209,466	-
Total library	<u>\$ 209,466</u>	<u>\$ 209,466</u>	<u>\$ 209,466</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 749,996</u>	<u>\$ 776,447</u>	<u>\$ 697,661</u>	<u>\$ 78,786</u>
Community development:				
Planning and community development:				
Community development	\$ 60,802	\$ 60,802	\$ 47,097	\$ 13,705
Zoning board	2,200	2,200	565	1,635
Planning commission	35,679	35,693	23,459	12,234
Plum Point housing rehab	-	42,093	13,386	28,707
Planning and zoning	236,945	236,945	218,906	18,039
Economic development	165,638	165,638	154,179	11,459
Agricultural and forestal	8,350	8,350	102	8,248
Historic commission	725	725	554	171
Total planning and community development	<u>\$ 510,339</u>	<u>\$ 552,446</u>	<u>\$ 458,248</u>	<u>\$ 94,198</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014 (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	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Environmental management	223,464	223,464	181,432	42,032
Wetlands board	4,640	4,640	2,202	2,438
Litter control	-	7,357	6,656	701
Total environmental management	<u>\$ 240,104</u>	<u>\$ 247,461</u>	<u>\$ 202,290</u>	<u>\$ 45,171</u>
Cooperative extension program:				
Extension office	\$ 56,585	\$ 68,222	\$ 51,112	\$ 17,110
Total cooperative extension program	<u>\$ 56,585</u>	<u>\$ 68,222</u>	<u>\$ 51,112</u>	<u>\$ 17,110</u>
Total community development	<u>\$ 807,028</u>	<u>\$ 868,129</u>	<u>\$ 711,650</u>	<u>\$ 156,479</u>
Total General Fund	<u><u>\$ 29,561,025</u></u>	<u><u>\$ 31,366,597</u></u>	<u><u>\$ 29,256,872</u></u>	<u><u>\$ 2,109,725</u></u>
Special Revenue Funds:				
Airport Fund:				
Current:				
Public Works:				
Salaries and fringes	\$ 106,267	\$ 106,267	\$ 105,967	\$ 300
Contractual services	8,000	8,000	10,633	(2,633)
Electricity	7,300	7,300	6,707	593
Miscellaneous	152,666	152,666	88,742	63,924
Total public works	<u>\$ 274,233</u>	<u>\$ 274,233</u>	<u>\$ 212,049</u>	<u>\$ 62,184</u>
Capital projects expenditures:				
Airport improvement	\$ 50,000	\$ 574,685	\$ 491,542	\$ 83,143
Total capital projects	<u>\$ 50,000</u>	<u>\$ 574,685</u>	<u>\$ 491,542</u>	<u>\$ 83,143</u>
Total Airport Fund	<u><u>\$ 324,233</u></u>	<u><u>\$ 848,918</u></u>	<u><u>\$ 703,591</u></u>	<u><u>\$ 145,327</u></u>
Human Services Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,716,601	\$ 1,716,601	\$ 1,004,049	\$ 712,552
Virginia juvenile crime control act	20,500	20,500	20,500	-
Total welfare and social services	<u>\$ 1,737,101</u>	<u>\$ 1,737,101</u>	<u>\$ 1,024,549</u>	<u>\$ 712,552</u>
Total health and welfare	<u>\$ 1,737,101</u>	<u>\$ 1,737,101</u>	<u>\$ 1,024,549</u>	<u>\$ 712,552</u>
Total Human Services Fund	<u><u>\$ 1,737,101</u></u>	<u><u>\$ 1,737,101</u></u>	<u><u>\$ 1,024,549</u></u>	<u><u>\$ 712,552</u></u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,879,873	\$ 2,941,729	\$ 2,941,726	\$ 3
Interest and other fiscal charges	2,725,435	2,726,788	2,725,850	938
Total Debt Service Fund	<u>\$ 5,605,308</u>	<u>\$ 5,668,517</u>	<u>\$ 5,667,576</u>	<u>\$ 941</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital projects	\$ 1,499,223	\$ 5,900,413	\$ 2,702,523	\$ 3,197,890
School projects	5,934,672	6,298,113	764,419	5,533,694
Total capital projects	<u>\$ 7,433,895</u>	<u>\$ 12,198,526</u>	<u>\$ 3,466,942</u>	<u>\$ 8,731,584</u>
Total County Capital Improvements Fund	<u>\$ 7,433,895</u>	<u>\$ 12,198,526</u>	<u>\$ 3,466,942</u>	<u>\$ 8,731,584</u>
Total Primary Government	<u>\$ 44,661,562</u>	<u>\$ 51,819,659</u>	<u>\$ 40,119,530</u>	<u>\$ 11,700,129</u>
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 31,675	\$ 31,675	\$ 38,431	\$ (6,756)
Executive administration services	1,070,306	1,070,306	1,043,673	26,633
Total administration of schools	<u>\$ 1,101,981</u>	<u>\$ 1,101,981</u>	<u>\$ 1,082,104</u>	<u>\$ 19,877</u>
Instruction costs:				
Elementary and secondary schools	\$ 19,509,621	\$ 19,822,972	\$ 19,200,491	\$ 622,481
Total instruction costs	<u>\$ 19,509,621</u>	<u>\$ 19,822,972</u>	<u>\$ 19,200,491</u>	<u>\$ 622,481</u>
Operating costs:				
Attendance and health services	\$ 939,080	\$ 922,530	\$ 919,526	\$ 3,004
Pupil transportation	2,450,450	2,464,150	2,546,853	(82,703)
Operation and maintenance of school plant	2,361,244	2,421,244	2,410,124	11,120
Total operating costs	<u>\$ 5,750,774</u>	<u>\$ 5,807,924</u>	<u>\$ 5,876,503</u>	<u>\$ (68,579)</u>
Total education	<u>\$ 26,362,376</u>	<u>\$ 26,732,877</u>	<u>\$ 26,159,098</u>	<u>\$ 573,779</u>
Total School Operating Fund	<u>\$ 26,362,376</u>	<u>\$ 26,732,877</u>	<u>\$ 26,159,098</u>	<u>\$ 573,779</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 952,100	\$ 952,100	\$ 873,875	\$ 78,225
Commodities	-	-	29,664	(29,664)
Total school food services	<u>\$ 952,100</u>	<u>\$ 952,100</u>	<u>\$ 903,539</u>	<u>\$ 48,561</u>
Total Cafeteria Fund	<u>\$ 952,100</u>	<u>\$ 952,100</u>	<u>\$ 903,539</u>	<u>\$ 48,561</u>
Textbook Fund:				
Education:				
Instruction	\$ 149,768	\$ 279,221	\$ 276,589	\$ 2,632
Total Textbook	<u>\$ 149,768</u>	<u>\$ 279,221</u>	<u>\$ 276,589</u>	<u>\$ 2,632</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 27,464,244</u>	<u>\$ 27,964,198</u>	<u>\$ 27,339,226</u>	<u>\$ 624,972</u>

Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	5-9
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	10-11
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	12-13
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	14-16

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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

Table 1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 12,228,885	\$ 15,038,906	\$ 9,438,366	\$ 16,407,609	\$ 15,885,375	\$ 24,889,762	\$ 20,138,682	\$ 21,006,854	\$ 22,838,671	\$ 24,578,103
Restricted	529,641	823,127	-	-	5,017,970	-	-	33,738	36,885	111,638
Unrestricted	12,306,601	16,968,552	17,196,160	17,921,278	22,836,534	21,701,270	26,045,094	25,006,307	23,895,010	22,545,554
Total governmental activities net position	\$ 25,065,127	\$ 32,830,585	\$ 26,634,526	\$ 34,328,887	\$ 43,739,879	\$ 46,591,032	\$ 46,183,776	\$ 46,046,899	\$ 46,770,566	\$ 47,235,295
Business-type activities										
Net investment in capital assets	\$ 13,004,622	\$ 12,838,155	\$ 19,983,157	\$ 35,637,527	\$ 38,497,889	\$ 52,595,933	\$ 66,749,297	\$ 67,060,987	\$ 66,062,606	\$ 65,443,647
Unrestricted	5,204,171	11,624,152	43,534,175	31,615,532	28,769,945	19,181,071	7,694,815	7,320,135	7,224,382	6,406,631
Total business-type activities net position	\$ 18,208,793	\$ 24,462,307	\$ 63,517,332	\$ 67,253,059	\$ 67,267,834	\$ 71,777,004	\$ 74,444,112	\$ 74,381,122	\$ 73,286,988	\$ 71,850,278
Primary Government										
Net investment in capital assets	\$ 25,233,507	\$ 27,877,061	\$ 29,421,523	\$ 52,045,136	\$ 54,383,264	\$ 77,485,695	\$ 86,887,979	\$ 88,067,841	\$ 88,901,277	\$ 90,021,750
Restricted	529,641	823,127	-	-	5,017,970	-	-	33,738	36,885	111,638
Unrestricted	17,510,772	28,592,704	60,730,335	49,536,810	51,606,479	40,882,341	33,739,909	32,326,442	31,119,392	28,952,185
Total Primary government net position	\$ 43,273,920	\$ 57,292,892	\$ 90,151,858	\$ 101,581,946	\$ 111,007,713	\$ 118,368,036	\$ 120,627,888	\$ 120,428,021	\$ 120,057,554	\$ 119,085,573

COUNTY OF NEW KENT, VIRGINIA
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

Table 2
 Page 1 of 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government administration	\$ 1,447,448	\$ 2,135,653	\$ 2,467,397	\$ 1,897,867	\$ 3,112,985	\$ 3,178,178	\$ 3,127,903	\$ 3,249,773	\$ 3,108,766	\$ 3,540,907
Judicial administration	573,244	1,148,168	1,414,736	1,369,100	1,340,241	1,281,668	1,626,082	1,689,574	1,724,039	1,958,406
Public safety	5,939,781	4,797,876	5,669,671	5,941,239	6,448,840	6,974,536	6,873,657	8,096,297	7,591,790	7,748,268
Public works	2,079,328	634,629	1,562,298	1,821,422	2,029,548	2,111,602	2,135,389	1,917,625	1,874,687	2,020,146
Health and welfare	2,035,533	2,001,494	2,730,201	2,789,425	2,549,020	2,470,269	2,632,900	2,443,203	2,425,394	2,547,174
Education	9,216,426	8,606,853	23,299,435	7,691,487	5,617,649	15,413,852	13,735,944	14,503,170	14,343,635	16,107,096
Parks, Recreation and cultural	404,051	375,468	138,908	680,412	764,787	707,331	710,686	711,281	943,381	754,994
Community development	58,215	820,618	998,293	1,728,272	1,389,121	1,017,515	1,194,287	894,520	824,551	855,116
Interest and other financial charges	138,407	292,157	2,632,446	3,166,070	3,211,074	3,141,450	2,896,772	2,713,149	2,642,703	2,581,399
Total governmental activities	\$ 21,892,433	\$ 20,812,916	\$ 40,913,385	\$ 27,085,294	\$ 26,463,265	\$ 36,296,401	\$ 34,933,620	\$ 36,218,592	\$ 35,478,946	\$ 38,113,506
Business-type activities										
Water and Sewer	\$ 1,512,621	\$ 1,847,797	\$ 2,373,385	\$ 2,396,236	\$ 2,892,413	\$ 2,665,738	\$ 3,043,612	\$ 3,380,899	\$ 4,328,428	\$ 4,573,366
Bottoms Bridge	143,985	598,797	538,689	-	932,255	1,053,599	1,040,173	1,026,936	1,018,674	889,145
Total business-type activities	\$ 1,656,606	\$ 2,446,594	\$ 2,912,074	\$ 2,396,236	\$ 3,824,668	\$ 3,719,337	\$ 4,083,785	\$ 4,407,835	\$ 5,347,102	\$ 5,462,511
Total primary government expenses	\$ 23,549,039	\$ 23,259,510	\$ 43,825,459	\$ 29,481,530	\$ 30,287,933	\$ 40,015,738	\$ 39,017,405	\$ 40,626,427	\$ 40,826,048	\$ 43,576,017
Program Revenues										
Governmental activities										
Charges for services:										
General government administration	\$ 854,141	\$ 976,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	100,630	108,277	401,236	386,857	393,169	351,749	363,772	329,291	399,170	457,005
Public safety	14,638	118,371	694,944	670,915	467,676	437,179	319,879	461,092	390,953	401,785
Public works	131,431	160,223	112,478	69,744	110,879	45,231	50,901	126,347	145,479	122,127
Health and welfare	-	-	-	-	-	-	-	-	-	-
Education	55,875	208,170	-	-	-	-	-	-	-	-
Parks, recreation and cultural	64,347	74,350	125,355	247,457	268,455	294,890	263,089	276,852	271,041	298,204
Community development	-	-	328	6,462	2,440	87,478	106,075	63,701	1,305	1,636
Operating grants and contributions	5,290,164	3,121,241	3,760,077	3,940,686	3,534,316	3,541,020	3,361,044	3,850,528	3,680,325	3,966,842
Capital Grants and contributions	952,147	421,375	311,342	700,673	428,223	26,451	14,818	-	397,482	336,649
Total governmental activities	\$ 7,463,373	\$ 5,188,681	\$ 5,405,760	\$ 6,022,794	\$ 5,205,158	\$ 4,783,998	\$ 4,479,578	\$ 5,107,811	\$ 5,285,755	\$ 5,584,248
Business-type activities										
Charges for services:										
Water and Sewer	\$ 2,629,494	\$ 7,427,792	\$ 37,719,032	\$ 2,993,759	\$ 3,094,791	\$ 4,155,390	\$ 3,191,329	\$ 3,456,940	\$ 3,470,827	\$ 3,431,765
Bottoms Bridge	27,918	382,589	492,327	599,004	271,412	98,928	292,400	372,700	588,950	408,475
Operating grants and contributions	-	-	44,289	-	-	-	-	-	-	-
Capital grants and contributions	1,769,979	141,200	1,021,455	947,934	-	3,798,166	2,942,658	305,348	-	-
Total business-type activities	\$ 4,427,391	\$ 7,951,581	\$ 39,271,103	\$ 4,540,697	\$ 3,366,203	\$ 8,052,484	\$ 6,426,387	\$ 4,134,988	\$ 4,059,777	\$ 3,840,240
Total primary government revenues	\$ 11,890,764	\$ 13,140,262	\$ 44,682,863	\$ 10,563,491	\$ 8,571,361	\$ 12,836,482	\$ 10,905,965	\$ 9,242,799	\$ 9,345,532	\$ 9,424,488

COUNTY OF NEW KENT, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2
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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ (14,429,060)	\$ (15,624,235)	\$ (35,504,705)	\$ (21,230,463)	\$ (21,258,107)	\$ (31,512,403)	\$ (30,454,042)	\$ (31,110,781)	\$ (30,193,191)	\$ (32,529,258)
Business-type activities	2,770,785	5,504,987	36,365,029	2,144,461	(458,465)	4,333,147	2,342,602	(272,847)	(1,287,325)	(1,622,271)
Total primary government net expense	\$ (11,658,275)	\$ (10,119,248)	\$ 860,324	\$ (19,086,002)	\$ (21,716,572)	\$ (27,179,256)	\$ (28,111,440)	\$ (31,383,628)	\$ (31,480,516)	\$ (34,151,529)

General Revenues and Other Changes in Net Position

Governmental Activities:										
Taxes										
Property taxes	\$ 12,870,154	\$ 13,891,200	\$ 17,808,606	\$ 18,678,094	\$ 22,352,347	\$ 22,330,764	\$ 22,263,513	\$ 23,080,188	\$ 23,669,284	\$ 25,046,147
Other local taxes	2,861,365	3,972,970	4,095,757	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620
Proffer revenues	243,902	-	-	-	-	-	-	-	-	-
Investment earnings	322,551	390,396	2,717,504	2,427,528	1,631,096	872,932	797,493	632,029	582,919	538,920
Miscellaneous	885,652	1,422,398	1,523,291	1,144,452	305,112	858,794	781,793	865,267	816,074	614,507
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	2,952,844	2,924,793
Loss on disposal of net assets	-	-	-	(5,719)	-	-	-	-	-	-
Transfers	(1,606)	(18,773)	12,001	-	-	560	(3,660)	-	-	-
Total governmental activities	\$ 17,182,018	\$ 22,062,972	\$ 28,672,746	\$ 28,924,824	\$ 30,669,099	\$ 34,363,556	\$ 30,046,786	\$ 30,973,904	\$ 31,641,853	\$ 32,993,987

Business-type activities										
Taxes										
Investment earnings	\$ 195,955	729,754	1,681,641	1,539,254	378,363	63,610	203,188	82,190	72,426	52,923
Miscellaneous	1,606	18,733	(12,001)	-	-	(560)	3,660	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	\$ 197,561	\$ 748,487	\$ 1,700,182	\$ 1,591,266	\$ 473,240	\$ 176,023	\$ 324,506	\$ 209,857	\$ 193,191	\$ 185,561
Total primary government	\$ 17,379,579	\$ 22,811,459	\$ 30,372,928	\$ 30,516,090	\$ 31,142,339	\$ 34,539,579	\$ 30,371,292	\$ 31,183,761	\$ 31,835,044	\$ 33,179,548

Changes in Net Position

Governmental activities	\$ 2,752,958	\$ 6,438,737	\$ (6,831,959)	\$ 7,694,361	\$ 9,410,992	\$ 2,851,153	\$ (407,256)	\$ (136,877)	\$ 1,448,662	\$ 464,729
Business-type activities	2,968,346	6,253,474	38,065,211	3,735,727	14,775	4,509,170	2,667,108	(62,990)	(1,094,134)	(1,436,710)
Total primary government	\$ 5,721,304	\$ 12,692,211	\$ 31,233,252	\$ 11,430,088	\$ 9,425,767	\$ 7,360,323	\$ 2,259,852	\$ (199,867)	\$ 354,528	\$ (971,981)

Table 3

COUNTY OF NEW KENT, VIRGINIA
 Fund Balances of Governmental Funds
 Last Ten Fiscal Years (1)
 (modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	\$ -	\$ -	\$ 38,111	\$ 42,394	\$ 324,244	\$ 296,700	\$ -	\$ -	\$ -	\$ -
Unreserved	4,649,809	5,561,288	7,489,255	8,365,163	8,828,235	8,409,015	-	-	-	-
Nonspendable	-	-	-	-	-	-	3,934	9,319	43,994	367,300
Restricted	-	-	-	-	-	-	46,118	33,738	36,885	111,638
Committed	-	-	-	-	-	-	82,456	55,837	133,399	110,812
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	7,688,117	7,718,777	7,603,739	7,674,050
Total general fund	\$ 4,649,809	\$ 5,561,288	\$ 7,527,366	\$ 8,407,557	\$ 9,152,479	\$ 8,705,715	\$ 7,820,625	\$ 7,817,671	\$ 7,818,017	\$ 8,263,800
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	1,817,891	420,906	514,657	275,033	450,208	-	-	-	-
Capital projects funds	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	134,892	19,880
Restricted	-	-	-	-	-	-	4,137,075	-	-	-
Committed	-	-	-	-	-	-	673,763	305,772	900,499	1,089,353
Assigned	-	-	-	-	-	-	12,187,794	15,439,060	15,290,274	13,155,730
Unassigned	-	-	-	-	-	-	-	-	-	(29,118)
Total all other governmental funds	\$ 7,521,908	\$ 15,819,172	\$ 52,481,954	\$ 28,423,570	\$ 18,818,056	\$ 17,383,107	\$ 18,254,541	\$ 16,996,525	\$ 16,325,665	\$ 14,235,845

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

Table 4

COUNTY OF NEW KENT, VIRGINIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
General property taxes	\$ 12,705,548	\$ 14,146,386	\$ 17,523,220	\$ 18,678,094	\$ 22,029,662	\$ 22,222,442	\$ 22,297,958	\$ 22,901,566	\$ 23,426,941	\$ 24,678,308
Other local taxes	2,861,365	3,972,970	4,095,757	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620
Permits, privilege fees and licenses	671,713	689,055	669,615	660,112	459,232	430,902	310,578	377,288	385,976	395,155
Fines and Forfeitures	180,150	239,856	221,938	212,547	219,372	191,841	215,521	242,185	243,811	289,644
Revenue from use of money & property	360,183	688,101	2,624,902	2,259,565	1,631,096	872,932	797,493	632,029	582,919	538,920
Charges for services	312,774	716,023	445,708	508,776	564,015	593,784	577,617	637,810	578,161	595,958
Miscellaneous	1,131,483	992,979	1,523,291	1,144,452	1,011,475	858,794	781,793	865,267	816,074	614,507
Recovered costs	16,864	147,995	509,553	533,865	736,896	594,960	485,748	495,986	454,320	265,097
Commonwealth of Virginia	4,526,958	4,748,765	5,535,817	5,685,369	5,384,875	4,869,299	4,823,858	5,244,698	5,471,597	5,668,219
Federal Government	1,715,353	896,803	984,524	1,331,260	864,586	990,768	875,463	1,574,059	1,559,054	1,560,065
Total revenues	\$ 24,482,391	\$ 27,238,933	\$ 34,134,325	\$ 35,319,239	\$ 36,994,831	\$ 35,290,932	\$ 35,050,217	\$ 36,399,079	\$ 37,139,585	\$ 38,475,493
Expenditures										
General government administration	\$ 1,931,326	\$ 1,992,187	\$ 2,298,557	\$ 2,838,389	\$ 2,966,220	\$ 2,892,335	\$ 2,859,703	\$ 3,111,352	\$ 3,018,483	\$ 3,291,289
Judicial administration	594,240	1,096,622	1,333,063	1,334,679	1,271,699	1,271,058	1,293,438	1,355,640	1,379,237	1,445,417
Public Safety	4,828,250	4,678,449	5,349,980	5,875,647	5,803,309	6,223,255	6,757,429	8,028,355	7,561,349	7,459,094
Public works	2,334,661	1,682,663	1,623,329	1,693,001	1,797,806	1,825,072	1,832,237	1,782,409	1,640,421	1,597,591
Health and welfare	2,066,373	1,983,586	2,718,814	2,804,957	2,536,125	2,487,966	2,529,648	2,354,831	2,349,627	2,500,813
Education	8,389,668	8,168,710	8,356,402	9,674,192	10,199,591	9,292,122	10,689,229	11,314,721	11,343,488	12,789,955
Parks, recreation and cultural	387,751	362,439	475,968	615,715	656,906	668,412	652,519	617,971	635,788	697,661
Community development	752,097	834,077	1,090,833	1,410,997	1,290,168	964,421	1,118,510	763,602	714,269	711,650
Capital projects	2,057,914	7,604,394	20,382,379	39,636,653	12,079,368	3,473,438	1,649,068	2,639,793	3,573,424	3,958,484
Debt service										
Principal	774,354	762,357	903,226	2,124,007	3,697,636	4,705,781	2,626,864	2,704,858	2,787,611	2,941,726
Interest and other fiscal charges	138,407	292,157	1,497,487	3,109,102	3,556,595	3,369,345	3,102,636	2,986,517	2,877,650	2,725,850
Bond issuance costs	-	-	1,035,707	98,920	-	-	-	-	-	-
Total Expenditures	\$ 24,255,041	\$ 29,457,641	\$ 47,065,745	\$ 71,216,259	\$ 45,855,423	\$ 37,173,205	\$ 35,111,281	\$ 37,660,049	\$ 37,881,347	\$ 40,119,530
Revenues over (under) expenditures	\$ 227,350	\$ (2,218,708)	\$ (12,931,420)	\$ (35,897,020)	\$ (8,860,592)	\$ (1,882,273)	\$ (61,064)	\$ (1,260,970)	\$ (741,762)	\$ (1,644,037)
Other financing sources (uses)										
Transfers in	\$ 2,170,296	\$ 5,337,482	\$ 6,996,327	\$ 6,872,077	\$ 11,739,565	\$ 13,193,093	\$ 9,455,572	\$ 11,595,115	\$ 8,816,327	\$ 8,165,591
Transfers out	(2,171,902)	(5,356,255)	(6,984,326)	(6,872,077)	(11,739,565)	(13,192,533)	(9,459,232)	(11,595,115)	(8,816,327)	(8,165,591)
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	-	71,248	-
Total other financing sources (uses)	\$ (1,606)	\$ 9,730,745	\$ 51,560,279	\$ 12,718,827	\$ -	\$ 560	\$ 47,408	\$ -	\$ 71,248	\$ -
Net change in fund balances	\$ 225,744	\$ 7,512,037	\$ 38,628,859	\$ (23,178,193)	\$ (8,860,592)	\$ (1,881,713)	\$ (13,656)	\$ (1,260,970)	\$ (670,514)	\$ (1,644,037)
Debt service as a percentage of noncapital expenditures	4.60%	4.83%	13.07%	17.54%	25.33%	22.63%	16.72%	16.01%	16.43%	15.29%

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

Table 5

Taxpayer	2014			2005		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
Colonial Downs Holdings Inc.	1	\$ 26,619,500	1.16%	2	\$ 26,048,800	2.04%
City of Newport News	2	25,000,800	1.09%	1	28,040,131	2.19%
New Kent Farms LLC	3	24,573,000	1.07%			
Kinney Jonathan C. Trustee	4	23,370,500	1.01%	5	7,661,500	0.60%
NKP LB5 LLC	5	11,674,700	0.51%			
SPF Investments, LLC	6	10,784,700	0.47%			
Kentland Investments LLC	7	9,869,800	0.43%	6	7,399,300	0.58%
NKP LB4 LLC	8	9,114,100	0.40%			
Patriot's Landing Mgmt. Corp.	9	7,575,800	0.33%			
AHS Cumberland Hospital, LLC	10	6,597,300	0.29%			
Bluegreen Properties of Virginia				8	6,184,200	0.48%
Tideland Title Agency, Inc.				3	15,069,300	1.18%
Goodall, Marjorie R				4	8,976,000	0.70%
Tradition Golf Club Royal New Kent				7	7,296,500	0.57%
Colonial Downs LLC				9	5,400,000	0.42%
Total		\$ 155,180,200	6.737%	10	\$ 5,287,400	0.41%
Total Assessed Valuation of RE		\$ 2,303,303,078	100.000%		\$ 117,363,131	9.183%
					\$ 1,278,073,681	100.000%

Notes:

(1) Based on January 1, 2013 Real Estate Assessments Less Land Use

(2) Based on January 1, 2004 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 (\$)	Percentage of Levy	Amount (\$)	Percentage of Levy				Amount (\$)	Percentage of Levy
2014	\$ 19,552,791	95.99%	\$ 18,769,457	95.99%	\$ -	\$ 19,552,791	-	\$ 18,769,457	95.99%
2013	18,281,426	96.79%	17,694,331	96.79%	6,050	18,287,476	220,940	17,915,272	97.96%
2012	18,212,680	96.83%	17,636,241	96.83%	1,616	18,214,296	345,511	17,981,752	98.72%
2011	18,024,674	96.60%	17,412,481	96.60%	(945)	18,023,729	446,856	17,859,337	99.09%
2010	18,150,753	96.31%	17,481,715	96.31%	(130,455)	18,020,298	466,963	17,948,678	99.60%
2009	17,544,380	96.49%	16,928,858	96.49%	(20,740)	17,523,640	545,857	17,474,714	99.72%
2008	14,683,271	96.90%	14,228,315	96.90%	(228)	14,683,043	431,243	14,659,558	99.84%
2007	13,684,954	96.70%	13,233,449	96.70%	(2,665)	13,682,289	444,215	13,677,664	99.97%
2006	10,873,944	97.29%	10,579,423	97.29%	41,551	10,915,495	333,436	10,912,859	99.98%
2005	9,769,591	97.69%	9,543,630	97.69%	18,429	9,788,020	242,644	9,786,274	99.98%

Notes:

- (1) Exclusive of penalties and interest.
- (2) Includes Original Assessment, Abateements 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.

Table 7

COUNTY OF NEW KENT, VIRGINIA
Assessed and Estimated Actual Value of Real Property
Last Ten Fiscal Years

Fiscal Year	Residential/ Agricultural		Commercial		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
	Property (4) (5)	Property (4)	Property (4)	Property (4)						
2014	\$ 2,168,009,978	\$ 211,393,700	\$ 2,379,403,678	\$ 76,100,600	\$ 2,303,303,078	\$ 0.85	\$ 2,294,089,866	99.60% (2)		
2013	2,135,222,057	211,238,700	2,346,460,757	75,552,700	2,270,908,057	0.81	2,232,302,620	98.30%		
2012	2,446,399,899	242,290,949	2,688,690,848	75,360,400	2,613,330,448	0.70	2,448,716,619	106.72%		
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%		

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 2014 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.

Table 8
COUNTY OF NEW KENT, VIRGINIA
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
2014	177,749,271	\$ 906,954	\$ 1,076,630	\$ 119,599,045	\$ 299,331,900
2013	177,404,046	407,528	1,237,663	110,051,084	289,100,321
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

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; includes Mobile Homes.

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

(3) Includes Real Estate.

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

Table 9

Fiscal Year	Public Service		Machinery & Tools	Aircraft	Mobile Homes
	Real Estate	Personal Property			
2014	\$ 0.85	\$ 3.75	\$ 1.50	\$ 0.75	\$ 0.85
2013	0.81	3.75	1.50	0.75	0.81
2012	0.70	3.75	1.50	0.75	0.70
2011	0.70	3.75	1.50	0.75	0.70
2010	0.73	3.75	1.50	0.75	0.73
2009	0.73	3.75	1.50	0.75	0.73
2008	0.93	3.75	3.00	0.75	0.93
2007	0.93	3.75	3.00	0.75	0.93
2006	0.81	3.75	3.00	0.75	0.81
2005	0.76	3.75	3.00	0.50	0.76

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

Fiscal Year	Governmental Activities					Business-Type	Summary Totals		
	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)
2014	\$ 11,274,259	\$ -	\$ -	\$ 43,397,490	-	\$ 14,535,000	\$ 69,206,749	N/A	N/A
2013	12,253,753	-	-	45,359,722	-	14,995,000	72,608,475	N/A	N/A
2012	13,162,303	-	-	47,238,783	-	15,755,000	76,156,086	10.29%	38,605
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

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

(1) Personal income and per capita personal income data for 2005 through 2012 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
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

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
2014	\$ 11,274,259	\$ -	\$ 11,274,259	\$ 566	0.47%
2013	12,253,753	-	12,253,753	627	0.52%
2012	13,162,303	-	13,162,303	687	0.49%
2011	14,062,018	-	14,062,018	749	0.53%
2010	14,953,146	-	14,953,146	806	0.58%
2009	16,085,398	-	16,085,398	891	0.66%
2008	17,076,570	100,000	17,176,570	969	1.06%
2007	11,530,439	200,000	11,730,439	680	0.79%
2006	4,575,039	300,000	4,875,039	292	0.35%
2005	2,721,663	400,000	3,121,663	196	0.24%

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
Demographic and Economic Statistics
Last Ten Calendar Years

Table 12

Year		Population (4)	Total Personal Income (in thousands) (1)	Per Capita Personal Income (1)	Unemployment Rate (2)	School Enrollment (3)
2014	(5)	19,912	N/A	N/A	4.9	2,977
2013		19,554	N/A	N/A	5.6	3,001
2012		19,169	740,013	38,605	5.6	2,940
2011		18,784	690,856	36,705	6.4	2,938
2010		18,563	647,830	34,891	7.1	2,888
2009		18,057	627,567	34,755	7.1	2,854
2008		17,728	642,476	36,241	3.4	2,784
2007		17,254	602,344	34,910	2.9	2,781
2006		16,680	549,740	32,958	3.0	2,721
2005		15,953	517,636	32,448	3.3	2,637

(1) Bureau of Economic Analysis - Bearfacts

(2) U.S. Bureau of Labor Statistics - Unemployment Rates 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) United States Census Bureau, Population Estimates of the Resident Population for Counties of Virginia

(5) New Kent County Department of Community Development - Estimate for June 2014

N/A - This information was not available.

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

Table 13

Employer	2014			2005		
	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	
Curtis Contracting Incorporated	100 to 249	4		50 to 99	10	
Food Lion	100 to 249	5		50 to 99	5	
Bruce Howard Contracting Inc.	100 to 249	6				
County of Henrico	100 to 249	7		100 to 249	4	
McDonald's	50 to 99	8				
Comfort Keepers 160	50 to 99	9				
Cornerstone Support Services	50 to 99	10				
Commercial Carrier Corp				50 to 99	6	
Direct Wood Products				50 to 99	7	
Allied Pallet Company				50 to 99	8	
Impact Management Service				50 to 99	9	

Source: Virginia Employment Commission

*Quarterly Census of Employment and Wages (QCEW)

Data for 2014: 1st Quarter 2014

Data for 2005: 1st Quarter 2005

**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
Full-Time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years

Table 14

Function / Department	Full-time Equivalent Employees as of June 30									
	2014 (2)	2013 (2)	2012 (1)	2011	2010	2009	2008	2007	2006	2005
General government:										
Clerk of the Board	5.0	5.0	5.0	4.5	4.5	4.5	4.0	3.5	3.0	2.0
Commissioner of the Revenue	8.1	7.1	7.0	6.0	6.0	6.0	6.0	4.0	4.0	4.0
Treasurer	5.1	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Finance	5.5	5.5	5.5	4.0	4.0	4.0	6.0	6.5	5.0	4.0
Human Resources	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	-	-
Information Technologies	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0
Registrar	2.7	2.4	2.5	2.0	2.0	2.0	2.0	1.0	1.0	1.0
County Attorney	1.0	2.0	2.0	2.0	2.0	2.5	2.0	2.0	2.0	-
Total General Government	32.4	32.0	32.0	27.5	27.5	28.0	28.0	24.0	21.0	17.0
Judicial Administration:										
Clerk of the Circuit Court	4.3	4.5	4.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Circuit Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
General District Court									1.0	1.0
Victim Witness	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commonwealth Attorney	4.1	4.1	3.5	3.5	3.5	3.5	3.5	3.5	2.0	2.0
Total Judicial Administration	10.4	10.6	10.0	8.5	8.5	8.5	8.5	8.5	8.0	8.0
Public Safety:										
Sheriff and Animal Control	55.1	55.6	50.5	41.0	39.0	39.0	37.0	45.0	36.0	35.0
Fire and Emergency Mgmt.	30.8	27.6	22.5	16.0	16.0	13.0	10.0	10.0	8.0	8.0
Building Inspections	5.0	5.0	5.0	5.0	5.0	5.0	7.0	7.0	8.0	6.0
Total Public Safety	90.9	88.2	78.0	62.0	60.0	57.0	54.0	62.0	52.0	49.0
Public Works:										
Refuse	10.0	9.6	9.0	10.0	10.0	10.0	10.0	9.0	1.0	1.0
General Services	7.3	8.0	9.0	8.0	8.0	8.0	8.0	5.0	6.0	6.0
Total Public Works	17.3	17.6	18.0	18.0	18.0	18.0	18.0	14.0	7.0	7.0
Health and Welfare:										
Social Services	16.5	18.7	16.5	15.5	12.5	12.5	13.5	13.5	10.0	10.0
Human Services	2.0	1.0	1.0						1.0	1.0
Total Health and Welfare	18.5	19.7	17.5	15.5	12.5	12.5	13.5	13.5	11.0	11.0
Community Development										
Planning/Environmental/Permitting	9.0	7.0	7.0	9.0	9.0	9.0	11.0	8.0	8.0	5.0
Extension	0.5	0.5	0.5							
Economic Development	2.1	2.1	1.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
Airport	1.3	1.8	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Community Development	12.9	11.4	10.0	12.0	12.0	12.0	13.0	10.0	10.0	7.0
Parks, Recreation and Cultural										
Parks and Recreation	7.4	5.4	3.5	3.5	4.0	4.0	4.0	4.0	1.0	2.0
Total Parks, Recreation and Cultural	7.4	5.4	3.5	3.5	4.0	4.0	4.0	4.0	1.0	2.0
Total Governmental	189.8	184.9	169.0	147.0	142.5	140.0	139.0	136.0	110.0	101.0
Public Utilities										
Water/Sewer	18.0	20.0	18.0	17.0	16.0	16.0	13.0	13.0	11.0	9.0
Total Public Utilities	18.0	20.0	18.0	17.0	16.0	16.0	13.0	13.0	11.0	9.0
Total County	207.8	204.9	187.0	164.0	158.5	156.0	152.0	149.0	121.0	110.0

Source: Human Resources Department, Human Resources Specialist

(1) Source: Human Resources Department, Human Resources Assistant

Definition refined for 2012 to include Constitutional Officers. Most increases are a result of this change versus an expansion of staff.

(2) Source: Workers' Compensation Report From BAI System

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

Table 15

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety (1)										
Fire and rescue companies	1	1	1	1	1	1	1	1	1	1
Number of Stations	4	4	4	4	4	3	3	3	3	3
Public Utilities (2)										
Active Vehicles	18	18	18	18	17	17	9	9	9	5
Refuse Collection (3)										
Refuse collected (tons per year)	5,580	5,561	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	4
Recyclables Collected										
Metal (tons)	199	201	222	260	277	284	311	350	350	332
ONP (tons)	76	77	91	92	91	128	158	177	177	186
OCC (tons)	81	93	89	93	79	99	85	46	45	42
Propane Tanks (units)	35	51	58	105	73	126	104	97	161	157
Batteries (units)	156	158	178	127	309	280	329	360	161	-
Used Oil (gallons)	9,034	12,095	10,368	12,381	12,320	12,210	13,845	12,470	11,345	12,145
Antifreeze (gallons)	394	353	560	475	515	480	595	270	415	430
Oil Filters (gallons)	1,045	1,045	880	935	935	1,210	1,210	1,055	960	900
Category 1 (gallons)	1,155	1,155	1,375	1,485	1,265	1,320	1,320	1,100	1,045	880
Parks, Recreation & Cultural (4)										
Land acres	330	330	275	275	275	275	275	259	159	158
Trails (miles)	6	6	6	6	5	5	5	5	3	3
Number of visitors	32,125	26,725	26,725	26,725	24,750	24,750	22,620	4,325	*	*
Library (5)										
Material circulated	47,805	48,922	52,592	50,637	43,230	41,589	47,850	60,435	55,958	48,860
Library patrons	23,382	24,193	26,466	26,763	25,937	24,123	24,160	5,750	*	*
Education (6)										
Elementary Schools										
Buildings	2	2	2	2	2	2	2	1	1	1
Primary Schools										
Buildings	0	0	0	0	0	0	0	1	1	1
Middle Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	750	750	750	750	750	750	522	522	522	522
High Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	1200	1200	1200	1200	1200	1200	800	800	800	800
Number of school buses	58	60	60	60	60	60	63	60	60	57

Sources:

- (1) New Kent County Fire Department
- (2) Financial Services
- (3) New Kent County General Services and CVWMA (Central Virginia Waste Management Authority)
- (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.

For FY13 the Library migrated systems the week of January 21, 2013 and some data was lost during the migration.

- (6) New Kent County Public Schools

* - This information is not available.

COUNTY OF NEW KENT, VIRGINIA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Table 16

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sheriff's Department (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	19	19	19	19	19	17	14	14
Total Calls Dispatched	38,204	34,651	34,964	34,884	31,094	34,087	38,302	31,604	25,712	19,667
Calls dispatched for traffic	9,035	8,702	6,810	6,628	4,043	3,503	3,298	3,368	2,863	2,850
Calls dispatched for rescue	1,756	1,524	2,994	2,765	1,707	1,620	1,353	1,106	1,701	2,776
Number of criminal warrants served	1,189	1,419	1,359	1,318	1,161	1,129	1,146	1,335	1,243	1,212
Number of civil warrants and traffic notices	7,914	6,108	6,829	7,171	7,165	8,424	8,576	9,215	7,639	6,989
Volunteer Fire and Rescue (2)										
Companies	1	1	1	1	1	1	1	1	1	1
Stations	4	4	4	4	4	3	3	3	3	3
Emergency responses	2,434	3,255	3,010	2,765	2,891	1,418	1453**	2,480	1,132	1,021
Fires extinguished	56	132	112	168	224	289	213**	886	557	732
Inspections	176	357	784	810	688	594	312	101	103	112
Parks and recreation (3)										
Number of parks maintained	8	8	7	7	7	7	6	6	N/A	N/A
Park acreage owned by the County	330	330	275	275	275	275	275	252	N/A	N/A
Park acreage leased	0	0	0	0	0	0	0	0	N/A	N/A
Library (4)										
Number of libraries	1	1	1	1	1	1	1*	1	1	1
Number of bookmobiles (non-operational)	0	0	0	0	0	1	1	1	1	1
Public Utilities (5)										
Water										
Daily average consumption (gallons)	660,071	502,263	667,000	828,208	572,212	697,149	811,600	694,000	648,000	344,568
Number of connections	2,418	2,400	2,133	2,101	1,990	1,918	1,887	1,732	1,576	1,384
Sewer										
Average daily sewage treatment (thousands of gallons)	239,069	244,000	255,000	234,000	320,000	340,000	328,000	256,000	188,000	135,000
Number of connections	1154	1142	951	916	809	733	725	579	422	268
Reclaimed										
Daily average consumption (gallons)	240,000	240,000	198,000							
Number of connections	3	3	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

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COMPLIANCE SECTION

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**Independent Auditors' 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, in accordance with the 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, 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 County of New Kent Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of New Kent, Virginia's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of New Kent Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of New Kent, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of New Kent, Virginia's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of New Kent, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 31, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited 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 County of New Kent, Virginia's major federal programs for the year ended June 30, 2014. County of New Kent, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of New Kent, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of County of New Kent, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of New Kent, Virginia complied, in all material respects, with the types of 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, 2014.

Report on Internal Control over Compliance

Management of County of New Kent, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of New Kent, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 County of New Kent, Virginia's internal control over compliance.

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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 31, 2014

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number	FY2014 Federal Expenditures
Department of Agriculture:			
Pass Through Payments:			
Virginia Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	10111	\$ 157,509
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	17901-40591	60,433
National School Lunch Program	10.555	17901-40623	\$246,478
Department of Agriculture:			
Food Distribution - School Nutrition Program	10.555	17901-45707	<u>29,664</u>
Department of Forestry:			
Cooperative Forestry Assistance	10.664	50105	1,000
Total Department of Agriculture			<u>\$ 495,084</u>
Department of Homeland Security:			
Direct Payments:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	58,289
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	77501-52743	25,543
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602-155	422,607
Total Department of Homeland Security			<u>\$ 506,439</u>
Department of Justice:			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607	N/A	3,709
Pass Through Payments:			
Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-51100	48,320
Total Department of Justice			<u>\$ 52,029</u>
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	18,189
Temporary Assistance for Needy Families	93.558	0400109/0400110	110,881
Refugee and Entrant Assistance - State Administered Program	93.566	0500109/0500110	807
Low Income Home Energy Assistance	93.568	0600409/0600410	10,192
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/090110	773
Foster Care - Title IV-E	93.658	1100109/1100110	44,063
Adoption Assistance	93.659	1120109/1120110	33,706
Social Services Block Grant	93.667	1000109/1000110	70,285
Chafee Foster Care Independence Program	93.674	9150109/9150110	791
Children's Health Insurance Program	93.767	0540109/0540110	3,918
Medical Assistance Program	93.778	1200109/1200110	130,650
Promoting Safe and Stable Families	93.556	0950109/0950110	521
Total Department of Health and Human Services			<u>\$ 424,776</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	219,789
Career and Technical Education - Basic Grants to States	84.048	17901-61095	29,236
Improving Teacher Quality State Grants	84.367	17901-61480	58,197
Advanced Placement Program	84.330	17901-60957	450
Special Education Cluster:			
Special Education - Preschool Grants	84.173	17901-62521	14,320
Special Education Grants - Grants to States	84.027	17901-43071	574,103
Total Department of Education			<u>\$ 896,095</u>

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number	FY2014 Federal Expenditures
Department of Treasury:			
Direct Payments:			
Sheriff Asset Forfeiture funds	21.000	N/A	14,932
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	336,649
Pass Through Payments:			
Department of Motor Vehicles:			
National Motor Carrier Safety	20.218	0091-12-01-00	232
State and Community Highway Safety	20.600	60507-53150	10,063
Occupant Protection Incentive Grants	20.602	60507-53149	1,190
Alcohol Open Container Requirements	20.607	60507-53137	50,976
National Priority Safety Programs	20.616	60507-54084	4,270
Total Department of Transportation			\$ 418,312
Total Expenditures of Federal Awards			\$ 2,792,735

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

COUNTY OF NEW KENT, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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, 2014. The information in this Schedule is presented in accordance with the requirements of 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 position, 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 \$ 1,223,416

Special Revenue Funds:

Airport Fund 336,649

Total primary government \$ 1,560,065

Component Unit Public Schools:

School Operating Fund \$ 896,095

School Cafeteria Fund 336,575

Total component unit public schools \$ 1,232,670

Total federal expenditures per basic financial

statements \$ 2,792,735

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 2,792,735

COUNTY OF NEW KENT, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

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 Unmodified

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

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

Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2014

There were no prior year findings.

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