



**County of New Kent, Virginia
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2013**

INTRODUCTORY SECTION

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COUNTY OF NEW KENT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

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COUNTY OF NEW KENT, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2013

BOARD OF SUPERVISORS

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

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. StangerAssistant County Administrator
Michelle M. Gowdy County Attorney
Mary F. AltemusFinancial Services Director
Richard A. Opett Fire Chief and Emergency Management Coordinator
Lawrence A. Dame Public Utilities Director
Aaron Hickman Information Systems Director
Vanessa LivingstoneSocial Services Director
Clarence G. Jackson Building Official and Building Development Director
Kimberly Turner, Director Parks and Recreation
Kelli L. Z. Le Duc Community Development - Planning Manager
Vacant Community Development – Environmental Planning Manager
William L. Kelly, III 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

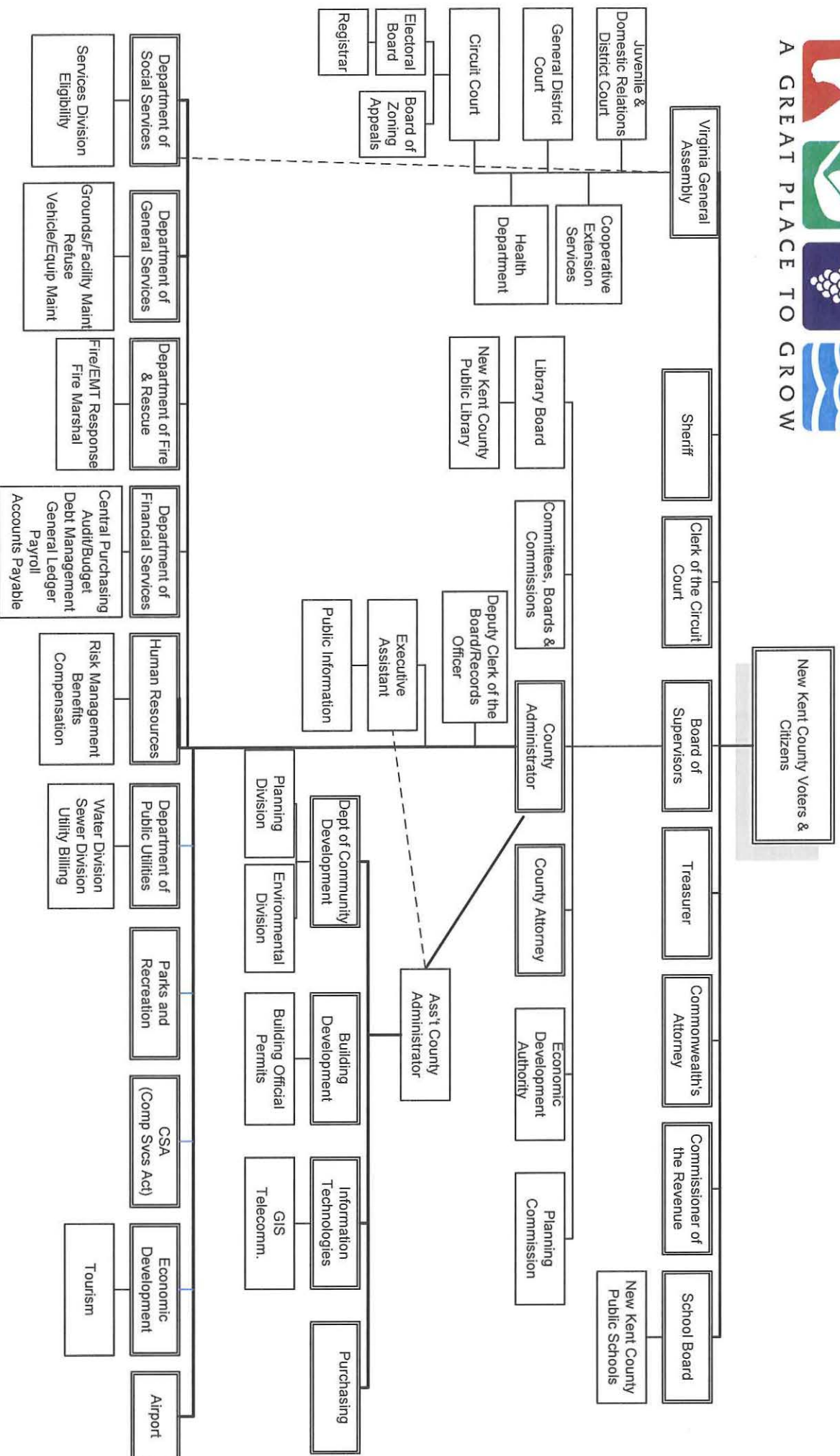
SCHOOL BOARD ADMINISTRATIVE OFFICERS

Dr. Robert F. "Rick" Richardson, Jr.Superintendent
Ralph L. Westbay 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
for Excellence
in Financial
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Presented to

**County of New Kent
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

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, 2013

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, 2013. 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, 2013 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, 2013 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 19,554 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 92 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 not later than June 30 for a fiscal year commencing on July 1. The proposed and adopted budgets also include funding for the first year of the five-year Capital Improvements Plan. The Budget Appropriation motion establishes budgetary appropriation amounts at the fund level (e.g., General Fund). The Code of Virginia requires that the School Board's requested budget be submitted in its entirety to the

Board. Legislation passed in the 1978 General Assembly requires the County to approve an annual education budget by May 1 or within 30 days of the receipt of estimates of educational funds to the County. Activities of the general fund, special revenue funds, capital projects, debt service, school funds, and proprietary funds are included in the annual appropriated budget.

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

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

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

Economic Overview

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

Local economy:

Despite challenging national economic conditions, New Kent has maintained population growth, business investment, and positive economic activity. While the adopted FY13 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 not fallen to the extent seen in other parts of the country. The average property value for housing in the County has increased slightly, the number of home sales has increased but houses are staying on the market longer. We believe the local economy continues to be positioned to weather these tough economic conditions better than most localities, but it will still be a challenge.

The County enjoys the fifth-highest median household income and the fourth-lowest poverty rate of the fourteen jurisdictions in the Richmond/Petersburg, VA Metropolitan Statistical Area. (Source: U.S. Bureau of the Census 2011 Quick-Facts) While the County continues to be largely a bedroom community as documented in 2010 Census Bureau data with a negative 4,770 Net In-Commuters, it has maintained a moderate unemployment rate compared to the rates of the surrounding region, Virginia, and the United States. As of June 2013, the County had an unemployment rate of 5.6% compared to 5.9% and 7.8% for Virginia and the United States respectively. (Source: Virginia Workforce Connection – Labor Force Information; Virginia Employment Commission, Local Area Unemployment Statistics; U. S. Bureau of Labor Statistics)

Although residential 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. (Source: University of Virginia, Weldon Cooper Center) Single family home permits increased to 160 in FY 2013 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. Seventeen commercial building permits were issued in FY 2013, an increase from the thirteen commercial building permits issued for new construction in FY 2012 and FY 2011. Commercial building permits issued for additions and alterations decreased to 25 compared to 29 in FY 2012. (Source: New Kent County Building Official and Building Development Office) Approximately 2,300 new homes are proposed to be constructed by 2015. (Source: New Kent County Department of Community Development)

New Kent taxable sales have steadily increased over the last twenty years. There was a 213% increase from 1996 - 2008. There was a decrease from a high of \$94,688,177 in 2008 to \$84,614,389 for 2009. From 2009 – 2012 taxable sales increased 14%. The increase can be attributed to the increase in the business classification of Food Services and Drinking Places which also is indicative of the increase in meals tax revenues. (Source: Virginia Department of Taxation, Taxable Sales in Virginia Counties and Cities Based on Retail Sales Tax Revenues – published quarterly with annual summary)

Economic development update: New Kent County is predominately rural in nature with approximately 72% of the County covered in forests. Farming and forestry have been prominent to the New Kent County economy for many years. However, trends are changing, as the agricultural and forestry industries are in decline. In the second quarter of 2013, the largest employment industries were government (federal, state and local), followed by construction, health care and social assistance, retail trade and art, entertainment and recreation. (Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 2nd Quarter (April, May, June) 2013) 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 County is host to Colonial Downs, the only pari-mutual horse track in the Commonwealth of Virginia. As host of this facility, the County also receives a share of the revenues generated from the Off-Track-Betting facilities located in other communities in the Commonwealth. There are presently eleven such facilities statewide.
- The Kentland Planned Unit Development (PUD) occupies approximately 3,165 acres and is located within the southeast quadrant of the Route 155/I-64 Interchange. The Kentland community will consist of a variety of residential, office, retail, and recreational uses designed to complement the Colonial Downs racetrack and the Legends of New Kent golf complex. The Kentland PUD currently consists of approximately 1,300 lots that have been created for residential use and is approved for an additional 1,900 residential lots. Also, a commercial area has been established that consists of a gas station, several restaurants, spa and the New Kent County Library.
- The Farms of New Kent is a mixed use PUD that consists of approximately 2,500 acres located in the central area of the County near the 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.

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

- The County has approximately 8,096 housing units. The total number of housing units in New Kent County has increased approximately 64.8% since 2000, having only 4911 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 was \$254,455 in 2013 with an average cost of \$107.37 per square foot (\$266,666 in 2012). The average sold square footage in 2013 was 2301 whereas the square footage in 2012 was 2280 with a price of \$116.91 per square foot. When all properties are given weight, the average property value for housing in the County is \$236,715 whereas in FY 2012 it was \$232,940

(2011 was \$232,765). The housing market in New Kent County appears to have stabilized, with new construction up from 140 in 2012 to 156 in 2013 compared to 123 new homes in 2011 and 173 in 2010. (Source: New Kent County Commissioner of the Revenue).

To internally assess our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows that New Kent has the 25th lowest level of fiscal stress and the 20th highest median household income. A component of the fiscal stress index is a locality's tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to raise their taxes. New Kent County's growth does place stress upon our budgetary process as the services sought by many residents in the County are similar to services offered by higher taxing localities. The preceding economic highlights are indicators of good fiscal health and are also indicative of the traditionally strong indicators that the County has improved over many years but the County is seeing the effect of the downturn in the economy. The median household income remained constant at 20th in FY 2009, 2010, and 2011 whereas the fiscal stress indicator declined slightly from 24th to 25th for FY 2010 but remained constant at 25th for FY 2011. (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 2011*)

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 nine 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 first operational year of the Bridging Communities Regional Technical Center. The 101 enrolled students earned 645 college credits and 86 Industry Certifications this past year. Bridging Communities will be expanding its program of offerings to a full-day schedule in FY14. The partnering school divisions include Charles City, King William, King and Queen, Middlesex and New Kent. Evening adult programs will also soon be available through Bridging Communities.

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 countless 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, 2012. This was the ninth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

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

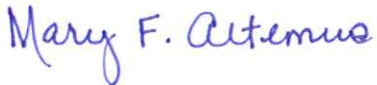
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of

this report. Thanks also to the Office of the Commissioner of the Revenue, the Office of the Treasurer, the Community Development Department, Building Codes and Compliance Department, the Human Resources Department, the Economic Development Director, and the School Board Office. The cover design was created by Krista M. Eutsey, Executive Assistant to the County Administrator. Special thanks must also be given to our independent accounting firm, Robinson, Farmer, Cox Associates for their support and assistance in conducting the audit and for their insights and guidance on improving our financial reporting. In addition, credit also must be given to the Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of the County finances.

Respectfully submitted,



Rodney A. Hathaway
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, 2013, 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 the County of New Kent, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-26, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the 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 November 4, 2013, on our consideration of the County of New Kent, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
November 4, 2013

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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, 2013 (FY 2013). 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 2013

- 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 \$120,057,554 (net position) at the close of the most recent fiscal year. Of this amount, \$31,119,392 (*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 2012, as restated, increased by \$354,528 of which the governmental activities increased by \$1,448,662 and business-type activities decreased by \$1,094,134.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$24,143,682, a decrease of \$670,514 in comparison with the prior year. Approximately 94.8% of this total amount, \$22,894,013, is *available for spending* at the County's discretion (*Assigned and Unassigned Fund Balance*). The \$22,894,013 consists of \$7,603,739 unassigned in the General Fund, \$14,622,841 assigned in the County Capital Improvements Fund and \$667,433 assigned in the School Construction Fund. Approximately \$6.3 million of the \$14,622,841 in the County Capital Improvements Fund is currently unencumbered.
- At the end of the current fiscal year, assigned and unassigned fund balance for the General Fund totaled \$7,603,739 or 16.28% of governmental fund expenditures and transfers to other funds totaling \$46,697,674. FY 2012 reflected an assigned and unassigned fund balance for the General Fund of \$7,718,777 or 15.67% of governmental fund expenditures and transfers to other funds totaling \$49,255,164.
- On the government-wide basis for governmental activities, expenses net of program revenue totaled \$30,193,191. Expenses net of program revenues are less than the general revenues of \$31,641,853 by \$1,448,662. The \$30,193,191 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 has 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 27-29 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 27 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 34 of this report.

- **Fiduciary Funds** – The County is the trustee, or fiduciary, for Agency Funds. The County is responsible for ensuring that the assets reported in these Funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of 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 37 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 38-74 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 75 of this report.

Other Supplementary Information contains the schedule of revenues, expenditures and changes in fund balances for the Debt Service Fund, County Capital Improvements Fund, and the 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 79 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 \$120,057,554 at the close of the most recent fiscal year.

A large portion of the County's net position (\$88,901,277, 74% of total) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment). 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).

Statement of Net Position

The following table reflects a summary of condensed information on the County's net position at June 30, 2013 and 2012:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2013	2012	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 27,498,245	\$ 27,885,543	\$ 7,836,471	\$ 7,912,419	\$ 35,334,716	\$ 35,797,962	\$ 5,185,040	\$ 4,545,239
Capital assets	81,937,402	83,070,228	81,513,823	82,815,987	163,451,225	165,886,215	19,972,235	18,974,198
Total Assets	\$ 109,435,647	\$ 110,955,771	\$ 89,350,294	\$ 90,728,406	\$ 198,785,941	\$ 201,684,177	\$ 25,157,275	\$ 23,519,437
Deferred Outflows of Resources	\$ -	\$ -	\$ 1,333,685	\$ -	\$ 1,333,685	\$ -	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 109,435,647	\$ 110,955,771	\$ 90,683,979	\$ 90,728,406	\$ 200,119,626	\$ 201,684,177	\$ 25,157,275	\$ 23,519,437
Current and other Liabilities	\$ 2,774,678	\$ 2,883,858	\$ 519,677	\$ 506,346	\$ 3,294,355	\$ 3,390,204	\$ 3,306,320	\$ 2,731,913
Long-term liabilities	59,798,265	62,750,009	16,877,314	15,840,938	76,675,579	78,590,947	867,795	700,608
Total Liabilities	\$ 62,572,943	\$ 65,633,867	\$ 17,396,991	\$ 16,347,284	\$ 79,969,934	\$ 81,981,151	\$ 4,174,115	\$ 3,432,521
Deferred Inflows of Resources	\$ 92,138	\$ -	\$ -	\$ -	\$ 92,138	\$ -	\$ -	\$ -
Total Liabilities and Deferred Inflows of Resources	\$ 62,665,081	\$ 65,633,867	\$ 17,396,991	\$ 16,347,284	\$ 80,062,072	\$ 81,981,151	\$ 4,174,115	\$ 3,432,521
Net Position								
Net investment in capital assets	\$ 22,838,671	\$ 21,006,854	\$ 66,062,606	\$ 67,060,987	\$ 88,901,277	\$ 88,067,841	\$ 19,972,235	\$ 18,974,198
Restricted For:								
E-911	9,370	7,414	-	-	9,370	7,414	-	-
Asset Forfeiture	26,161	26,322	-	-	26,161	26,322	-	-
Litter Control	1,354	2	-	-	1,354	2	-	-
Unrestricted (deficit)-Restated	23,895,010	24,281,312	7,224,382	7,320,135	31,119,392	31,601,447	1,010,925	1,112,718
Total Net Position-Restated	\$ 46,770,566	\$ 45,321,904	\$ 73,286,988	\$ 74,381,122	\$ 120,057,554	\$ 119,703,026	\$ 20,983,160	\$ 20,086,916

Current and other assets for the primary government decreased \$463,246 from the prior year. Of this amount, \$387,298 is attributable to the governmental funds and \$75,948 is related to business-type activities. Although current and other assets decreased \$463,246, cash and cash equivalents increased \$1,105,802 (\$994,156 governmental and \$111,646 business-type activities). It is worth noting that, combined, receivables decreased \$486,944 and prepaid items reflect a decrease totaling \$1,082,104. The decrease in prepaid items is directly related to the County remitting its debt service payments for FY 2013 via wire transfers. This provided an opportunity to maximize interest earnings and negated the need to prepay debt service. The amount due from other governments decreased \$764,422, which is primarily due to outstanding receivables relative to the Federal Emergency Management Agency (FEMA) for Hurricane Irene damage (\$302,002 reduction), and a grant from the U.S. Department of Homeland

Security related to the hiring of six firefighters (\$289,030). At June 30, 2013, the outstanding FEMA balance for Hurricane Irene totaled \$652,729. The County anticipates that a majority of this receivable will be collected in FY 2014. Taxes receivable increased a combined \$230,038. While the County maintained a 97% current year (FY13) collection rate, prior year outstanding receivables increased when compared to last year. With the hiring of a new collection attorney, we anticipate improvements in this area going forward.

Current and other liabilities reflect a decrease of \$95,849. This is due to an increase in accounts payable and accrued liabilities and a decrease in accrued interest payable, unearned revenue and deposits held in escrow. The largest increase was in accounts payable (\$171,877) and the largest decreases were in unearned revenue (\$148,754) and accrued interest payable (\$76,319).

Capital assets for governmental activities declined a total of \$1,132,826. Of this amount new asset additions for the governmental funds totaled \$757,009 and depreciation totaled \$1,889,835. The \$1,302,164 overall decline in capital assets for business-type activities is due to a \$1,154,535 decrease in capital purchases, and a net increase in depreciation totaling \$147,629. For FY 2013, the County disposed of Public Utility assets with an original cost of \$1,939,195, accumulated depreciation totaling \$950,239 and a book value of \$988,956. These assets were related to an outdated treatment plant and other assets. As a result of these disposals and the resulting write-off of accumulated depreciation, FY 2013 depreciation expense related to these items increased \$939,029. The County Proprietary Fund also disposed of three other assets that resulted in a net loss on disposal totaling \$34,227 (Exhibit 8). The \$147,629 net increase in depreciation as reflected in Footnote 6 (and noted above) is the net result of the following:

• Depreciation – Public Utility	\$ 778,886
• Depreciation – Bottoms Bridge Service District	318,982
• Disposals – Accumulated Depreciation	<u>(950,239)</u>
Total	\$ 147,629

Current and other liabilities of the primary government decreased \$95,849. Of this amount governmental liabilities decreased \$109,180 and business-type liabilities increased \$13,331. Long-term liabilities for the primary government reflect an overall decrease of \$1,915,368. Governmental activities long-term indebtedness declined \$2,951,744, while business-type long-term indebtedness increased \$1,036,376. Governmental debt declined in accordance with existing amortization schedules and no new debt was issued during the fiscal year. The \$1,036,376 increase in business-type activities liabilities is primarily the result of two FY 2013 refundings relative to the Series 2004B bonds. At June 30, 2012, the Series 2004B bonds totaled \$15,755,000. On August 2, 2012 the County issued Series 2012B refinancing bonds in the amount of \$8,995,000 to refinance Series 2004 bonds in the amount of \$9,545,000. The Series 2012B bonds were issued at a premium totaling \$1,673,286, and resulted in an economic loss totaling \$990,221. On December 6, 2012, the County issued Series 2012C refinancing bonds in the amount of \$5,180,000 to refinance Series 2004B bonds totaling \$4,905,000. These bonds were issued at a \$235,672 premium and resulted in an economic loss totaling \$420,005. Since premium is reflected as an addition to outstanding debt, the overall change in long-term liabilities from FY 2012 was an increase of \$1,036,376. This total also includes a \$6,474 increase in compensated absences. The two refundings are expected to result in present value savings totaling \$1,530,385. Series 2004B bonds totaling \$1,305,000 were not refinanced. Enterprise Fund principal payments totaled \$485,000 and premium amortization totaled \$119,056 for FY 2013.

The net position of the primary government, when compared to the restated net position for FY 2012, increased by \$354,528, or 0.30%. Total asset and deferred outflows of resources and liabilities and deferred inflows of resources declined \$1,564,551 and \$1,919,079, respectively. The \$354,528 also reflects the amount by which revenues exceed expenses on the Statement of Activities. Of the \$120,057,554 net position total on the Statement of Net Position, \$88,901,277 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 \$36,885 for restricted assets and \$31,119,392 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 \$20,983,160, which represents an increase of \$896,244 over FY 2012. Most of this increase is related to capital assets of the School Board (net of accumulated depreciation) which reflect an increase of \$998,037 over FY 2012. EDA cash and investments declined \$62,672 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, 2013, the fund reflected a net position of \$286,724, which included assets of \$621,915 and liabilities of \$335,191. The School Board also assumed 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 between the counties of Charles City, King William, King and Queen, Middlesex and New Kent. This is 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, 2013, is that School-financed assets (net of accumulated depreciation) in the amount of \$50,961,015 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, 2013 and 2012:

Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenues:								
Program revenues:								
Charges for services	\$ 1,207,948	\$ 1,257,283	\$ 4,059,777	\$ 3,829,640	\$ 5,267,725	\$ 5,086,923	\$ 638,715	\$ 595,551
Operating grants and contributions	3,680,325	3,850,528	-	-	3,680,325	3,850,528	13,623,825	13,800,125
Capital grants and contributions	397,482	-	-	305,348	397,482	305,348	-	-
General revenues:								
Property taxes	23,669,284	23,080,188	120,765	127,667	23,790,049	23,207,855	-	-
Other taxes *1	3,620,732	3,428,191	-	-	3,620,732	3,428,191	-	-
Unrestricted revenues from use of money and property	582,919	632,029	72,426	82,190	655,345	714,219	13,335	16,770
Miscellaneous	816,074	865,267	-	-	816,074	865,267	210,304	157,068
Grant and contributions not restricted to specific programs	2,952,844	2,968,229	-	-	2,952,844	2,968,229	-	-
Payment from New Kent County	-	-	-	-	-	-	13,816,928	13,881,218
Transfers	-	-	-	-	-	-	-	-
Total Revenue	\$ 36,927,608	\$ 36,081,715	\$ 4,252,968	\$ 4,344,845	\$ 41,180,576	\$ 40,426,560	\$ 28,303,107	\$ 28,450,732
*1 - For FY 2012, the APA required that Communications Sales Tax (CST) be classified as State revenue; whereas, it was classified as local in prior years. For comparsion, FY 2011 CST totaling \$621,081 has been reclassified from "Other taxes" to "Grant and contributions not restricted to specific programs".								
Expenses:								
General government administration	\$ 3,108,766	\$ 3,249,773	\$ -	\$ -	\$ 3,108,766	\$ 3,249,773	\$ -	\$ -
Judicial administration	1,724,039	1,689,574	-	-	1,724,039	1,689,574	-	-
Public safety	7,591,790	8,096,297	-	-	7,591,790	8,096,297	-	-
Public works	1,874,687	1,917,625	-	-	1,874,687	1,917,625	-	-
Health and welfare	2,425,394	2,443,203	-	-	2,425,394	2,443,203	-	-
Education	14,343,635	14,503,170	-	-	14,343,635	14,503,170	-	-
Parks, recreation, and cultural	943,381	711,281	-	-	943,381	711,281	-	-
Community development	824,551	894,520	-	-	824,551	894,520	-	-
Interest on long-term debt	2,642,703	3,438,144	-	-	2,642,703	3,438,144	-	-
Business type activities:								
Water & Sewer	-	-	4,328,428	3,380,899	4,328,428	3,380,899	-	-
Bottoms Bridge	-	-	1,018,674	1,026,936	1,018,674	1,026,936	-	-
Component Units:								
School Board	-	-	-	-	-	-	27,318,320	27,385,042
Economic Development Authority	-	-	-	-	-	-	88,543	53,440
Total Expenses	\$ 35,478,946	\$ 36,943,587	\$ 5,347,102	\$ 4,407,835	\$ 40,826,048	\$ 41,351,422	\$ 27,406,863	\$ 27,438,482
Change in net position	\$ 1,448,662	\$ (861,872)	\$ (1,094,134)	\$ (62,990)	\$ 354,528	\$ (924,862)	\$ 896,244	\$ 1,012,250
Transfers	-	-	-	-	-	-	-	-
Change in net position	1,448,662	(861,872)	(1,094,134)	(62,990)	354,528	(924,862)	896,244	1,012,250
Net position - beginning - as restated	45,321,904	46,183,776	74,381,122	74,444,112	119,703,026	120,627,888	20,086,916	19,074,666
Net position - ended	\$ 46,770,566	\$ 45,321,904	\$ 73,286,988	\$ 74,381,122	\$ 120,057,554	\$ 119,703,026	\$ 20,983,160	\$ 20,086,916

Governmental Activities: For the fiscal year ended June 30, 2013, revenues for governmental activities totaled \$36,927,608, an increase of \$845,893, or 2.3% when compared to FY 2012. This increase is primarily related to the following factors:

- The \$49,335 decrease in charges for services is due in part to a reduction in charges for sanitation and waste removal. There is a \$19,809 reduction in this area due to a drop in metal tonage and price which reflects the drop in metal revenue for this past year. There was also an \$11,474 decrease in excess clerk fees due to a one-time collection in FY 2012 related to back payments from the Commonwealth.
- The \$397,482 capital grant is related to a federal obstruction and removal grant at the Airport.
- Operating grants and contributions decreased a combined \$170,203. Most of this decrease is related to public safety grants which reflect a net decline of \$175,355. 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 2009 to FY 2013.

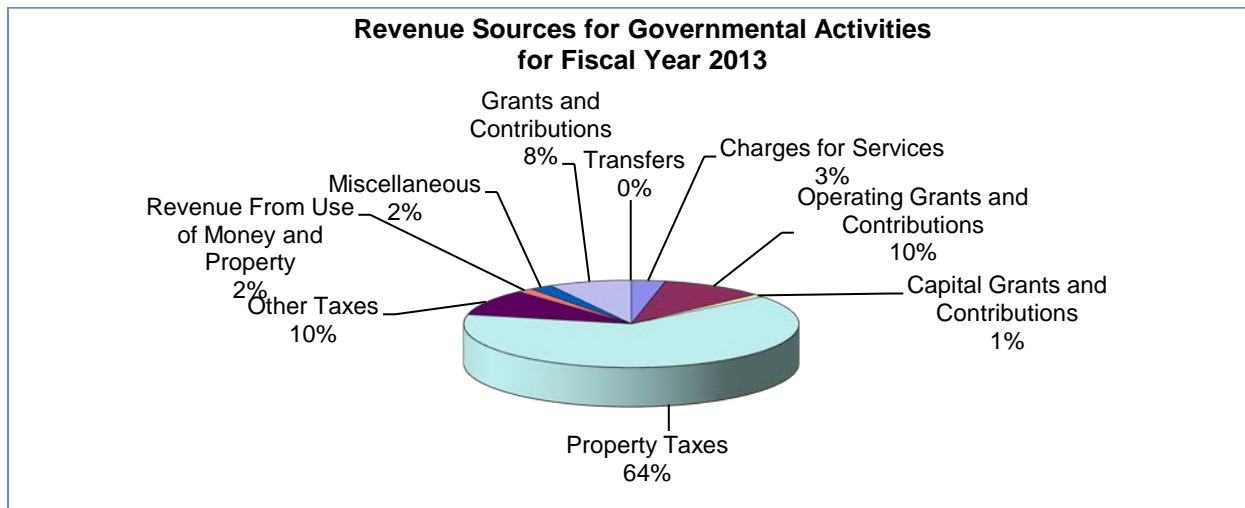
Program	FY09	FY10	FY11	FY12	FY13
General Government	\$255,281	\$234,767	\$204,604	\$221,097	\$210,095
Judicial Administration	488,137	479,166	485,392	482,562	480,000
Public Safety	1,302,747	1,379,975	1,242,527	1,986,423	1,811,068
Public Works	77,581	-	-	-	16,994
Health & Welfare	1,399,233	1,428,809	1,280,484	1,136,878	1,153,627
Parks, Recreation & Cultural	5,000	4,500	4,500	4,500	8,541
Community Development	6,337	13,803	143,537	19,068	-
Totals	\$3,534,316	\$3,541,020	\$3,361,044	\$3,850,528	\$3,680,325

- Property tax collections increased \$589,096 due to a \$241,131 increase in personal property, a \$144,016 increase in real estate and a \$194,016 increase in public service corporations. The increase in personal property tax collections is primarily due to population growth in the County and a robust vehicle market. The increase in real estate tax collections is directly related to new housing starts and construction of several retail business establishments. While there was no increase in the personal property tax rate, the calendar year real estate tax rate was equalized at \$0.81 (from \$0.70) due to a 17.82% reduction in real estate assessments. 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 property taxes such as machinery & tools, mobile homes and related penalty and interest increased a combined \$9,933.
- Other taxes include revenue from local sales and use taxes, recordation tax, consumers 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 \$192,541 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. There was also a \$97,270 increase in recordation tax receipts that is primarily driven by increased housing and business activity in the County. (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 2013 Communication Sales Tax totaled \$610,073.
- The \$49,110 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. Of the \$8,650,554 invested at June 30, 2013, the average return on investments totaled 1.19%, annualized.

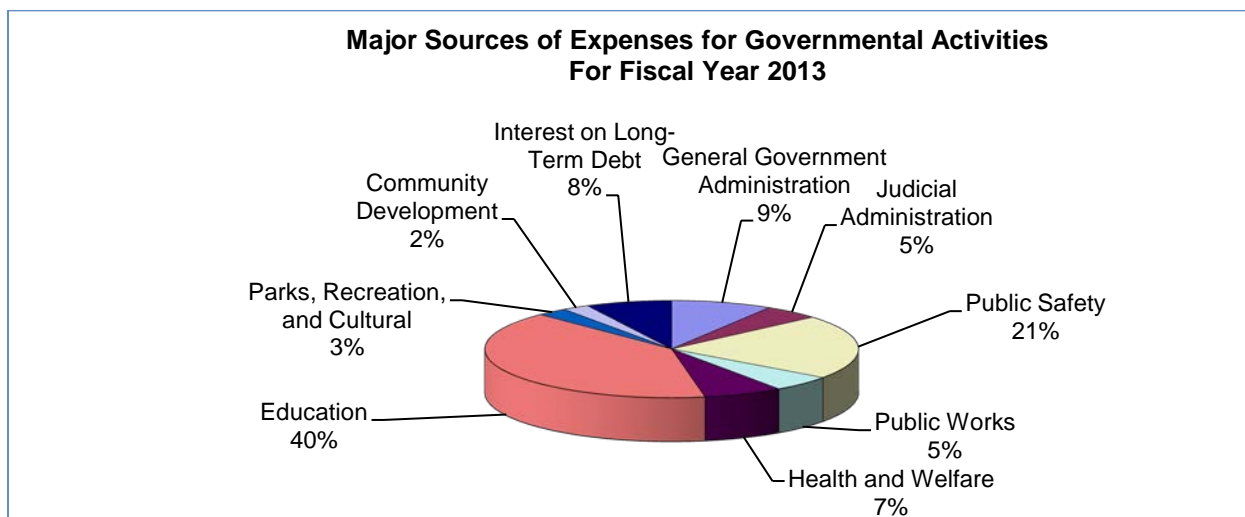
Fiscal year 2013 expenses, which totaled \$35,478,946, decreased from FY 2012 expenses (as restated) by \$1,464,641 primarily due to the following:

- General government administration reflects a \$141,007 decline which is primarily the result of vacant positions in the County Attorney, Information Technology and Financial Services departments.
- The \$504,507 decline in Public Safety is directly related to the \$897,184 that was expended for Hurricane Irene clean-up in FY 2012.
- The \$159,535 decrease in education funding reflects County related reductions in debt service and capital procurements.
- The FY 2012 “interest on long-term debt” increased \$724,995 as a result of expensing bond issuance costs in accordance with GASB Statement 65.

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



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

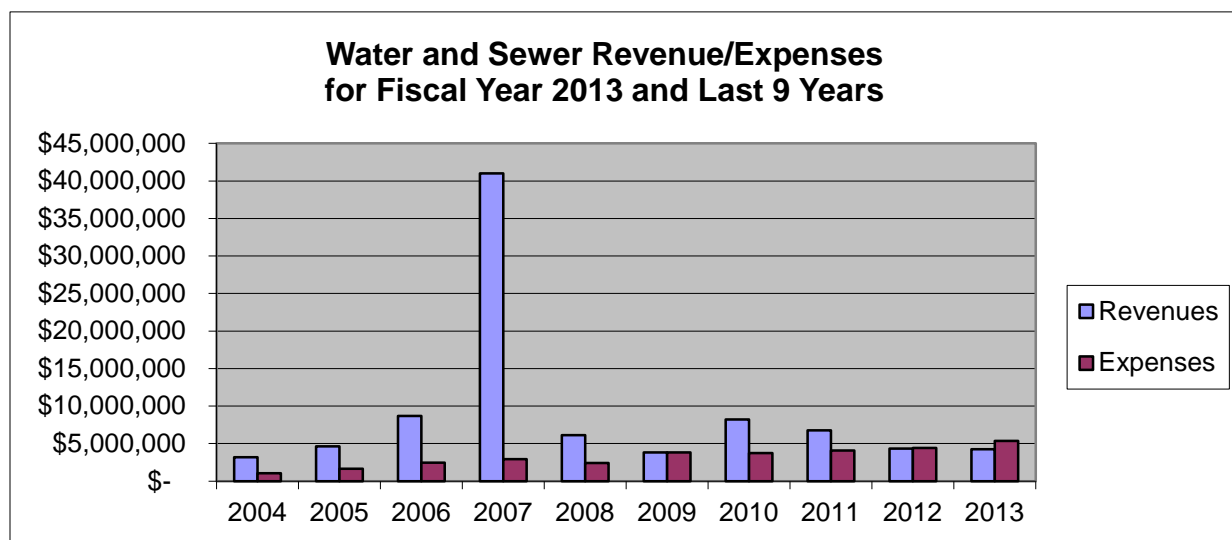


As indicated in the revenue chart on the prior page, property taxes (64%) and other taxes (10%) comprise 74% of County's revenue base. While the Board of Supervisors has statutory authority to increase property tax rates, there is very little opportunity for additional revenues relative to other taxes as rates and fees are restricted by the Code of Virginia in many cases. One penny on the real estate tax rate for FY 2013 equates to approximately \$232,121. Combined, grants and contributions make up 19% of County revenues; however, future receipts are uncertain due to fiscal stress at the federal and state levels.

For FY 2013, program expenses for governmental activities totaled \$35,478,946 which includes payments for education to the New Kent County School Board (transfers). Of this amount, \$1,207,948 was financed with charges for services and \$4,077,807 from operating and capital grants and contributions. The \$30,193,191 remainder was primarily funded with tax revenues totaling \$27,290,016, which demonstrates the County's reliance on this revenue source.

As a result of the GASB Statement No. 34 financial reporting requirements, depreciation expense is allocated to governmental activities. The County's largest funded programs are local support for education, public safety and capital projects. Education continues to be one of the County's highest priorities and commitments, and for FY 2013 support for education totaled \$14,343,635. 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 \$1,094,134 for FY 2013. 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 change in net position can be attributed entirely to the Water and Sewer Fund. The change in net position for the Water and Sewer Fund is partially the result of the FY 2013 disposal of Public Utility assets with an original cost of \$1,939,195, accumulated depreciation totaling \$950,239 and a book value of \$988,956. As discussed earlier, these assets were related to an outdated treatment plant and other assets. It is also due to insurance costs of \$217,259 related to the 2013 refinancing of the 2004B bonds. The following chart reflects a summary of water and sewer income and expenses for the current and last nine fiscal years.



For FY 2013, revenues for business-type activities totaled \$4,252,968, a decrease of \$91,877 when compared to FY 2012. Charges for water and sewer services increased \$230,137, while capital grants reflect a decline of \$305,348. Total revenue from property taxes is \$120,765 or 2.8% 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. The water and sewer revenue increase reflects a 4% increase in utility rates for FY 2013. The capital grant of \$305,348 is related to a Department of Environmental Quality grant. FY 2013 Business-type expenses increased \$939,267 when compared to FY 2012. This increase is directly related to the following:

- FY 2013 loss on the disposal of assets totaling \$34,227.
- Bond insurance costs of \$217,259 related to the 2013 refinancing of the 2004B bonds.
- A \$939,029 increase in depreciation expense related to the disposal of obsolete assets.
- A decrease of \$267,548 related to a FY 2012 one-time reimbursement of connection fees.

Expenses totaled \$5,347,102, which reflects a \$939,267 increase over the prior year. This increase is directly related to a \$939,029 increase in depreciation expense resulting from the disposal of obsolete assets.

Component Unit – School Board: For FY 2013, revenues for the School Board totaled \$28,291,287. The annual transfer from the County is the largest component of revenues totaling \$13,816,928, or 48.8% of the total revenues. Operating Grants and Contributions is the second largest component of revenues for the School Board totaling \$13,623,825 or 48.2% of the total revenues. The School Board received \$12,098,898 from the Commonwealth, a decrease of \$18,643 from FY 2012. The state's SOQ support for Special Education was reduced from \$950,000 in FY 2012 to \$716,000 in FY 2013, a \$234,000 reduction. This decrease is off-set by an increase in Sales Tax of \$92,000 and an \$84,000 increase in benefit reimbursements related to the Virginia Retirement System's (VRS). Most of the decrease can be attributed to not achieving projected growth in student population. Federal revenues totaled \$1,524,927, a decrease of \$157,657 from the prior year. We anticipate that federal revenues will continue to decline in the short-term which will place additional stress on state and local budgets.

Component Unit – Economic Development Authority: The net position of the EDA decreased \$76,723 from the prior year. The revenues for the EDA, \$11,820, are made up almost entirely of revenues from investments held by the EDA. Expenses are made up of activities to attract new businesses, encourage existing businesses to expand, and to promote tourism opportunities in the County. The EDA manages several business incentive programs that include assistance with signage and façade improvements, grants to new businesses locating to the County, and grants to assist existing businesses with expansion projects.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds: The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. The expenditure of resources is driven by the annual budget process. Such information is useful in assessing the County's financing requirements and compliance with budgetary restraints. At the end of FY 2013, the County's *governmental funds* reported a combined ending fund balance of \$24,143,682, a decrease of \$670,514 from the prior fiscal year total of \$24,814,196.

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 clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional 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 County's June 30, 2013 fund balance totaled \$24,143,682 and is comprised of the following components:

- **Nonspendable - \$178,886:** This amount is not available for expenditure and includes prepaid items.
- **Restricted - \$36,885:** These are grant funds that have been restricted for E-911 wireless, clean county committee/litter control, and asset forfeiture.
- **Committed - \$1,033,898:** Funds reported as committed are constrained for the computer fund (\$133,399), airport operations (\$92,212), and debt service (\$808,287).
- **Assigned - \$15,290,274:** These funds have been assigned (designated) for the procurement of Capital projects; \$14,622,841 for County projects and \$667,433 for future school construction.
- **Unassigned Fund Balance - \$7,603,739:** These funds are generally available for future appropriation by the governing body. As discussed below, the County of New Kent maintains a fund balance equal to 15% of total budgeted General Fund revenues.

Although unassigned fund balance is viewed as the amount available for governing body appropriation, portions of the committed and assigned balances could be redirected with Board of Supervisor approval. Approximately \$6.3 million of the \$15.290 million assigned fund balance is un-encumbered and available for future appropriation or transfer to other funds.

The General Fund is the chief operating fund of the County. At the end of FY 2013, the fund balance for this fund totaled \$7,818,017; an increase of \$346 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 2013, the County transferred \$2,700,271 in excess funds to the Capital Fund which will be used to fund future capital procurements on a cash basis. For FY 2013, the Capital Fund reflects an assigned fund balance of \$14,622,841; a decrease of \$148,786. The majority of this decrease is due to the annual transfer of excess funds from the General Fund. Because the budgeted revenues continue to be conservative and expenditures are monitored tightly, there have been funds transferred to the capital projects fund for each of the past twelve years.

The Airport Fund is used to account for and reports 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 2013, the fund balance for this fund totaled \$112,064, a decrease of \$213,083 from FY 2012. One contributing factor to the decrease in fund balance was the increase in expenditures for capital projects in the amount of \$494,066. This was off-set by an increase in Federal funds to reimburse the Airport Fund for capital projects in the amount of \$397,482. There was also a transfer-in decrease in the amount of \$321,914 from FY 2012 to FY 2013. In FY 2012 a cash transfer was made to the Airport Fund for a capital project that was to be funded by the County. The project was completed in FY 2013 for an amount much less than originally budgeted. The County decided to wait until the end of FY 2014 to transfer excess cash back to the County Capital Fund.

The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with amortization tables. For FY 2013, the fund balance for this fund decreased \$308,991. This decrease can be attributed to the use of approximately \$300,000 of the fund balance to pay debt service. The use of the \$300,000 resulted in a corresponding reduction in Cash and cash equivalents and a reduction in committed fund balance from FY 2012. The decrease in prepaid items is directly related to the County remitting its debt service payments for FY 2013 via wire transfers. This provided an opportunity to maximize interest earnings and negated the need to prepay debt service. Committed debt service funds increased by \$799,915 due to the absence of prepaid items on the face of the balance sheet for FY 2013. Prepaid items that were classified as nonspendable for FY 2012 are classified as committed for FY 2013.

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 for FY 2013. 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 W&S (Water & Sewer) Fund at the end of the fiscal year totaled \$7,224,382, a decrease of \$95,753 when compared to FY 2013. Total net position for the proprietary fund decreased \$1,094,134. Most of this decrease is related to the write-off of obsolete assets as noted in the earlier discussion of the government-wide financial statements. Water and sewer operating revenues for FY 2013 totaled

\$2,724,065 compared to \$2,881,831 for FY 2012. The decrease is attributable to a very wet spring, which resulted in an overall reduction in water consumption.

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, 2013.

Governmental Funds Summary of Revenues June 30, 2013 and 2012					
	2013 Amount	Percent of total	2012 Amount	Increase (Decrease) from 2012	Percent Increase (Decrease)
Revenues					
General property taxes	\$ 23,426,941	63.1%	\$ 22,901,566	\$ 525,375	2.3%
Other local taxes *1	3,620,732	9.7%	3,428,191	192,541	5.6%
Permits, privilege fees and regulatory licenses	385,976	1.0%	377,288	8,688	2.3%
Fines and forfeitures	243,811	0.7%	242,185	1,626	0.7%
Revenue from the use of money and property	582,919	1.6%	632,029	(49,110)	-7.8%
Charges for services	578,161	1.6%	637,810	(59,649)	-9.4%
Miscellaneous	816,074	2.2%	865,267	(49,193)	-5.7%
Recovered costs	454,320	1.2%	495,986	(41,666)	-8.4%
Commonwealth *1	5,435,150	14.6%	5,244,698	190,452	3.6%
Federal	1,595,501	4.3%	1,574,059	21,442	1.4%
Total Revenues	<u>\$ 37,139,585</u>	100.0%	<u>\$ 36,399,079</u>	<u>\$ 740,506</u>	<u>2.0%</u>

*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 2012, Governmental Funds revenues increased by a total of \$740,506, due to the following:

- For FY 2013 general property taxes increased \$525,375. Of this amount, real estate revenues increased \$80,295, public service corporation tax collections increased \$194,016 and personal property tax revenues increased \$241,131. Mobile home, machinery and tools, and related penalty and interest increased a combined \$9,933. The real estate tax revenue increase was the result of new construction relative to homes and retail businesses; while the personal property increase was the result of population growth and robust automobile sales. Assessments for public service corporation properties continue to reflect year-over-year increases.
- Other local taxes increased \$192,541 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 \$8,688 increase in permits, fees and licenses is due to an overall increase in construction activity.

- Revenue from use of money and property was down \$49,110 due to declines in investment rates and the expenditure of cash reserves related to major capital projects. Many of these major capital projects were funded with the issuance of debt.
- The \$190,452 increase in State revenues is due to additional revenues for services provided to at-risk youth relative to the Comprehensive Services Act (CSA). This increase is partially explained by the fact that the fiscal year 2012 CSA revenue total of \$220,924 reflected a \$110,031 reduction for "State Reductions in Aid to Localities"; whereas, the FY 2013 total of \$408,822 does not. The FY 2012 CSA revenue from the Commonwealth would have totaled \$330,955 if not for the \$110,031 reduction, which would have resulted in a \$77,867 increase for FY 2013.

The following schedule presents the General Fund budgetary highlights for FY 2013. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Government funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Budgetary integration is employed as a management control device during the year, and budgets are monitored and reported to the Board of Supervisors on a monthly basis. With the exception of payroll, the County Administrator is authorized to transfer line-item amounts within departmental budgets. All other budget transfers must be approved by the Board of Supervisors. The component unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. 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 2013:

General Fund Budgetary Highlights					
Fiscal Year 2013					
	Original Budget	Amended Budget	Actual	Original vs. Actual	Amended vs. Actual
Revenues					
Taxes	\$ 26,311,116	\$ 26,311,116	\$ 27,047,673	\$ 736,557	\$ 736,557
Intergovernmental	5,727,760	6,686,892	6,207,353	479,593	(479,539)
Other	2,471,791	2,620,746	2,650,471	178,680	29,725
Total	\$ 34,510,667	\$ 35,618,754	\$ 35,905,497	\$ 1,394,830	\$ 286,743
Expenditures and Other Financing Sources (Uses)					
Expenditures	\$ 28,197,144	\$ 29,853,058	\$ 27,508,490	\$ 688,654	\$ 2,344,568
Transfers In/Out	5,938,483	6,012,664	8,396,661	(2,458,178)	(2,383,997)
Total	\$ 34,135,627	\$ 35,865,722	\$ 35,905,151	\$ (1,769,524)	\$ (39,429)

Actual General Fund revenues exceeded amended budgeted revenues by \$286,743 for FY 2013. The bullets below provide explanations for the major variances:

- The \$736,557 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, real estate, 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. With population growth, personal property tax collections reflect strong gains due to the number of vehicles registered in the County. Although the County does monitor revenue collections on a monthly basis, we do not amend tax related budgets based on this information.

- Actual intergovernmental revenues were \$479,539 below amended budget. A majority of this variance is due to grant funded projects that were delayed to FY 2014. Examples include the SAFER Retention Program (\$106,675) and the Airport Obstruction & Removal grant (\$313,016). Due to the County's cost cutting efforts, the Comprehensive Services Act State revenue budget was \$433,710 under budget.
- Combined, actual expenditure budgets were under the amended budget by \$2,344,568. Transfers to other funds were \$993,997 under budget due to funds that were not required for Social Services and CSA At-Risk Youth. Reserved for Contingency reflected a June 30th balance of \$342,535, refuse was under budget by \$102,433 due to a new Central Virginia Waste Management contract and various departments were under budget by \$330,652 due to vacant positions. Although the Fire and Parks departments were under budget a combined \$176,445, some of these funds were either donated or are restricted for grant programs and therefore will be carried forward to FY 2014.
- Actual transfers in/out to other funds were over the amended budget by \$2,383,997, 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 fund balance exceeds 15% of the annual budget is transferred to the Capital Improvement Fund. This transfer is not budgeted.

Also, during FY 2013, 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, 2012.
- To re-appropriate grant revenues authorized in fiscal year 2012 or earlier, but not expended or encumbered as of June 30, 2012.
- To appropriate grants or donations accepted or adjusted in FY 2013.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original FY 2013 budget.

Proprietary Funds: The County's proprietary fund is comprised of the Utility 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 public utility services at a reasonable cost while meeting and/or exceeding all federal, state, and local regulations with regard to water quality. At the end of June 2013, the department provided water service to approximately 2,400 water customers, 1,142 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 intersections to the Chickahominy Wastewater Treatment Plant. In the budgetary

management of the Enterprise Fund, the County has chosen not to budget for depreciation. Connection Fees have been used to balance the budget.

CAPITAL ASSETS

Capital assets: At the end of FY 2013, the County's investment in capital assets for its governmental, business-type and component unit activities totaled \$183,423,460 (net of accumulated depreciation). When compared to the prior fiscal year, net investment in capital assets for all funds declined \$1,436,953. Although governmental activities assets increased \$757,009, net assets declined \$1,132,826 due to depreciation. Business-type assets declined \$1,154,535 due to the write-off of obsolete assets. Net of depreciation, business-type assets declined \$1,302,164. Capital assets, net of accumulated depreciation, for the fiscal years ended June 30, 2013 and 2012, are illustrated in the following table:

Capital Assets
(Net of accumulated depreciation)
June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2013	2012	2013	2012	2013	2012	2013	2012
Non-Depreciable Assets								
Land	\$ 3,256,989	\$ 3,578,529	\$ 2,695,355	\$ 2,711,055	\$ 5,952,344	\$ 6,289,584	\$ 2,022,600	\$ 2,022,600
Construction in progress	2,189,311	3,817,771	28,176,557	27,878,785	30,365,868	31,696,556	96,682	-
Other Capital Assets								
Buildings	23,960,029	20,435,821	-	-	23,960,029	20,435,821	374,659	355,950
Machinery and equipment	12,496,296	11,871,446	-	-	12,496,296	11,871,446	6,075,310	5,692,293
Capital improvements	2,243,376	2,243,376	-	-	2,243,376	2,243,376	-	-
Jointly owned assets	60,674,777	62,116,826	-	-	60,674,777	62,116,826	19,252,923	17,810,874
Water production and distribution facilities	-	-	5,634,970	5,588,981	5,634,970	5,588,981	-	-
Machinery and Equipment	-	-	3,871,279	5,438,822	3,871,279	5,438,822	-	-
Infrastructure	-	-	48,440,372	48,355,425	48,440,372	48,355,425	-	-
	\$ 104,820,778	\$ 104,063,769	\$ 88,818,533	\$ 89,973,068	\$ 193,639,311	\$ 194,036,837	\$ 27,822,174	\$ 25,881,717
Less Accumulated Depreciation	(22,883,376)	(20,993,541)	(7,304,710)	(7,157,081)	(30,188,086)	(28,150,622)	(7,849,939)	(6,907,519)
Capital Assets Net of Depreciation	\$ 81,937,402	\$ 83,070,228	\$ 81,513,823	\$ 82,815,987	\$ 163,451,225	\$ 165,886,215	\$ 19,972,235	\$ 18,974,198

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 \$77,543,374. Of this amount, \$12,253,753 comprises debt backed by the full faith and credit of the government and \$60,354,722 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 (\$1,182,741), bond premium (\$3,275,158) and Other Post Employment Benefits (OPEB) liability (\$477,000). Details are summarized in the following table:

**Long-Term Obligations
June 30, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2013	2012	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 77,670	\$ 92,730	\$ -	\$ -	\$ 77,670	\$ 92,730	\$ 12,176,083	\$ 13,069,573
Bond premium	111,650	123,997	1,789,902	-	1,901,552	123,997	1,373,606	1,538,291
Accrued vacation/sick	699,534	686,635	92,412	85,938	791,946	772,573	390,795	317,608
Lease Revenue Bonds	6,574,790	6,869,507	14,995,000	15,755,000	21,569,790	22,624,507	38,784,932	40,369,276
OPEB Liability	-	-	-	-	-	-	477,000	383,000
	<u>\$ 7,463,644</u>	<u>\$ 7,772,869</u>	<u>\$ 16,877,314</u>	<u>\$ 15,840,938</u>	<u>\$ 24,340,958</u>	<u>\$ 23,613,807</u>	<u>\$ 53,202,416</u>	<u>\$ 55,677,748</u>

New Kent County's total long-term obligations for the Primary government and the Component Units, including OPEB Liability, decreased \$1,748,181 or 2.2%. Long-term obligations of Governmental Activities and Component Units decreased by a combined \$2,784,557, and Enterprise Fund long-term obligations increased \$1,036,376.

Long-term obligations for Governmental Activities reflect a decrease of \$309,225 or 3.98%, while the long-term obligations of the Component Unit, School Board, decreased by \$2,475,332 or 4.45%. No new debt was issued for FY 2013 for governmental or component unit activities; and therefore, all principal reductions are in accordance with existing amortization tables. Compensated absences increased \$92,560 for the Primary Government and Component Unit.

As discussed earlier, in FY 2013 the County finalized two refundings relative to the Series 2004B bonds, which at the time reflected an outstanding balance of \$15,755,000. On August 2, 2012 the County issued Series 2012B refinancing bonds in the amount of \$8,995,000 to refinance Series 2004 bonds in the amount of \$9,545,000. The Series 2012B bonds were issued at a premium totaling \$1,673,286, and resulted in an economic loss totaling \$990,221. On December 6, 2012, the County issued Series 2012C refinancing bonds in the amount of \$5,180,000 to refinance Series 2004B bonds totaling \$4,905,000. These bonds were issued at a \$235,672 premium and resulted in an economic loss totaling \$420,005. The two refundings are expected to result in present value savings totaling \$1,530,385. Series 2004B bonds totaling \$1,305,000 were not refinanced.

Additional information on the County's long-term obligations can be found in Note 8 on pages 58-63 of this report.

OTHER INFORMATION

When discussing the challenges faced in preparing the FY 2014 budget, it is helpful to include background information on the FY 2013 budget. As has been the case for the last few years, the FY 2014 budget proved challenging as the County attempts to recover from a near perfect storm of revenue reductions and expenditure increases in recent years. Last year, for FY 2013, the County dealt with a 17.82 percent reduction in real estate property values resulting from the January 1, 2012 reassessment, which equated to a \$3.2 million reduction in real estate tax revenues. We were also notified last year that the School Board budget reflected a \$2.7 million deficit due to a decrease in state funding, reductions to federal grants, increased enrollment costs and unfunded mandates. It was clear early on that a balanced approach was needed to address the combined \$5.6 million deficit; that revenue increases alone would place an undue burden on our Citizens, many of whom are struggling to make ends meet in an environment of high unemployment and rising gas prices. In order to balance the FY 2013 budget, the County cut approximately \$820,040 from departmental budgets, and recommended that the Board of Supervisors adopt a revenue neutral approach to the reduction in property values. Under the revenue neutral approach, the County adopted a real estate rate that approximates revenues

billed for the December 5, 2011 due date, thereby leaving individual real estate bills basically unchanged. While not perfect, this approach provided the best opportunity for the County to partially address a deficit of historic proportions while minimizing the overall impact on our Citizens. In order to provide some tax relief to Citizens while maintaining critical County functions, the Board of Supervisors approved an \$0.81 real estate rate, which was \$0.01 below the revenue neutral rate of \$0.82. Although the County increased School funding by \$1 million, the School Board was left to eliminate a FY 2013 operating deficit totaling approximately \$1.7 million. This deficit was partially addressed with the institution of four furlough days for each employee in the School system, which equated to an approximate 2% reduction in salary.

For FY 2014 there were not sufficient new revenues to offset continued reductions in State and Federal funds and rising costs relative to operations. Original expenditure requests exceeded available revenues by \$1,718,053, which included a preliminary School Board deficit of \$1,492,660 as they continue to recover from a prior year deficit of \$1.7 million, projected increased enrollment, continued revenue reductions and higher operating costs. However, the \$1,718,053 deficit did not include new County personnel requests totaling \$1,300,280, and did not provide a plan to address the immediate needs for additional elementary school classrooms. Most of the personnel requests were related to public safety positions in the areas of fire and law enforcement and were due to population growth and unfunded State and Federal mandates. While many communities experienced some contraction during the recent economic downturn, New Kent County has continued to grow which equates to the need for additional schools, law enforcement, inmate housing, 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 have to be financed with the County's largest revenue source, real estate taxes. But when you consider that a penny on the real estate tax rate equates to \$232,121 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 \$0.15 increase in the real estate tax rate. The real estate tax rate would have to increase approximately \$0.03 to fund the 9 new firefighter positions that are currently requested. To take some of the pressure off the real estate rate relative to the funding of services, 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. Therefore, as was the case last fiscal year, the County had to take a balanced approach in dealing with these major issues which include expenditure reductions and new sources of revenues.

The FY 2014 Adopted Budget was developed with the Board of Supervisors' goal of maintaining service levels while working within existing resources. As the Budget Management Team worked through the budget process, the following principles served as the foundation for its decision making process:

- Employ a balanced approach in addressing historic revenue reductions and expenditure increases
- Maintain County fees at FY 2013 levels, where possible
- Utilize existing cash reserves for capital projects
- Work with our School System to maintain educational excellence in an environment of increasing costs and of diminishing state and federal aid

- Maintain public safety and social services during a period of increasing demand for services
- Promote and maintain a business friendly environment within the County

COUNTY REVENUE BUDGET

The FY 2014 revenue budget (excluding interfund transfers) totals \$60,336,964, which reflects a \$7,157,823 (0.13%) increase when compared to the adopted FY 2013 budget of \$53,179,141. In total, General Fund revenues are projected to increase \$1,816,686. Collectively, real estate, personal property, and machinery and tools revenues are projected to increase \$1,616,573, compared to a \$431,374 estimated increase for FY 2013. Most of the \$1,616,573 total is related to a \$1,010,381 increase for real estate taxes, \$250,299 public service corporation properties, and a \$355,536 increase relative to personal property. Real estate revenues are projected to increase \$1,010,381 which is reflective of a 2.78% growth factor and the adoption of a four cents increase in the real estate rate to \$0.85. The real estate estimate reflects land book values as of January 1, 2013. The real estate collection rate of 97% reflects historical trends, while the collection rate of 94% for personal property reflects the uncertainty that remains in the economy. One penny of the real estate rate, net of the 3% uncollectible allowance, now equates to \$232,121. Other local tax revenues are projected to increase a total of \$236,250 due to strong performance in the sales (\$105,818) and meals (\$72,822) tax categories. Revenues from rental and investment activity are estimated to decline \$50,362. This is primarily due to declining interest rates. There was also a \$1,307,040 increase in General Fund transfers, which is primarily related to additional school funding totaling \$1,265,085. Fund totals, including the use of estimated fund balance, are denoted in the schedule that follows:

Adopted Budget – Revenues FY 2013 and FY 2014

Fund	FY 2013 Adopted Budget	FY 2014 Adopted Budget	Increase (Decrease)
General Fund	\$33,484,243	\$35,300,929	\$1,816,686
Schools	14,294,514	14,929,649	635,135
Capital Projects	2,404,439	7,730,091	5,325,652
Airport Operations	826,989	240,045	(586,944)
Social Services	825,902	873,064	47,162
E-911 Wireless Fund	200,522	52,111	(148,411)
Human Services (CSA)	842,532	911,075	68,543
Debt Service	300,000	300,000	--
Total	\$53,179,141	\$60,336,964	\$7,157,823

COUNTY EXPENDITURE BUDGET

The FY 2014 budget (excluding interfund transfers) totals \$60,336,964, which reflects a \$7,157,823 (13.45%) increase when compared to the FY 2013 adopted budget of \$53,179,141. The adopted FY 2014 General Fund expenditure budget reflects an increase of \$509,646 when compared to the current year budget. FY 2014 County funding for education increased \$800,000; which resulted in a total annual transfer to the School System of \$12,534,595. Departmental cuts were selectively administered to minimize impacts on operational budgets and services to our Citizens. Funding for the procurement of capital equipment and projects increased \$5,256,632 over the FY 2013 budget of \$2,177,263. The \$5,256,632 increase is primarily related to \$5 million for Historic School renovation and classrooms and \$250,000 for the procurement of two ambulances. The FY 2014 CSA budget increased \$124,465, following a downward trend in program expenditures over the last three years. As a result, the FY 2014 transfer from the General Fund of \$826,026 is \$55,922 more than the FY 2013 transfer of \$770,104. Fund totals are denoted in the schedule that follows:

Adopted Budget – Expenditures FY 2013 and FY 2014

Fund	FY 2013 Adopted Budget	FY 2014 Adopted Budget	Increase (Decrease)
General Fund	\$15,175,942	\$15,685,588	\$509,646
Schools	26,029,109	27,464,244	1,435,135
Capital Projects	2,177,263	7,433,895	5,256,632
Airport Operations	866,274	304,767	(561,507)
Social Services	1,261,025	1,346,234	85,209
VA E-911 Wireless Fund	200,522	129,642	(70,880)
Human Services (CSA)	1,612,636	1,737,101	124,465
Debt Service	5,656,270	6,070,393	414,123
Computer Replacement	200,100	165,100	(35,000)
Minus COLA Allocation		--	
Total	\$53,179,141	\$60,336,964	\$7,157,823

ENTERPRISE FUND FY 2014 BUDGET

The Public Utilities budget represents the financial plan for operating and capital costs relative to water and sewer services, which are provided in certain areas of the County. The FY 2014 budget includes an 8% rate increase for water and sewer usage, but reflects no increase for connection and availability fees. The rate increase is required to finance the operating, treatment and initial capital investment associated with a system that has not realized the economies of scale of a mature public utility. Increases in fuel and commodity prices are driving the additional costs of operations. As the system matures and the County's customer base expands, future increases in operations will have a smaller impact on the bottom line, as costs will be spread over a larger customer base.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 MFAItemus@newkent-va.us. Additional financial information can be found on our web-site www.co.new-kent.va.us.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 23,666,739	\$ 7,231,538	\$ 30,898,277	\$ 2,538,641	\$ 276,835
Investments	-	-	-	-	273,772
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,632,623	18,370	1,650,993	-	-
Accounts receivable	329,690	605,259	934,949	622,270	-
Notes receivable	-	-	-	-	9,133
Internal balances	19,571	(19,571)	-	-	-
Due from other governmental units	1,670,736	-	1,670,736	742,881	-
Inventories	-	-	-	-	721,508
Prepaid items	178,886	875	179,761	-	-
Capital assets (net of accumulated depreciation):					
Land	3,256,989	2,695,355	5,952,344	2,022,600	-
Buildings and system	72,306,225	4,007,937	76,314,162	16,519,587	-
Machinery and equipment	4,184,877	2,238,603	6,423,480	1,333,366	-
Infrastructure	-	44,395,371	44,395,371	-	-
Construction in progress	2,189,311	28,176,557	30,365,868	96,682	-
Total assets	\$ 109,435,647	\$ 89,350,294	\$ 198,785,941	\$ 23,876,027	\$ 1,281,248
DEFERRED OUTFLOW OF RESOURCES					
Deferred charges on refunding	\$ -	\$ 1,333,685	\$ 1,333,685	\$ -	\$ -
Total deferred outflow of resources	\$ -	\$ 1,333,685	\$ 1,333,685	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 615,283	\$ 248,935	\$ 864,218	\$ 1,505,371	\$ -
Accrued liabilities	127,725	-	127,725	1,800,949	-
Accrued interest payable	1,080,014	156,999	1,237,013	-	-
Unearned revenue	666,742	-	666,742	-	-
Deposits held in escrow	284,914	113,743	398,657	-	-
Long-term liabilities:					
Due within one year	3,711,898	708,148	4,420,046	219,605	-
Due in more than one year	56,086,367	16,169,166	72,255,533	648,190	-
Total liabilities	\$ 62,572,943	\$ 17,396,991	\$ 79,969,934	\$ 4,174,115	\$ -
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	\$ 92,138	\$ -	\$ 92,138	\$ -	\$ -
Total deferred inflows of resources	\$ 92,138	\$ -	\$ 92,138	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 22,838,671	\$ 66,062,606	\$ 88,901,277	\$ 19,972,235	\$ -
Restricted					
E-911	9,370	-	9,370	-	-
Asset forfeiture	26,161	-	26,161	-	-
Litter control	1,354	-	1,354	-	-
Unrestricted	23,895,010	7,224,382	31,119,392	(270,323)	1,281,248
Total net position	\$ 46,770,566	\$ 73,286,988	\$ 120,057,554	\$ 19,701,912	\$ 1,281,248

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, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,108,766	\$ -	\$ 210,095	\$ -
Judicial administration	1,724,039	399,170	480,000	-
Public safety	7,591,790	390,953	1,811,068	-
Public works	1,874,687	145,479	16,994	397,482
Health and welfare	2,425,394	-	1,153,627	-
Education	14,343,635	-	-	-
Parks, recreation, and cultural	943,381	271,041	-	-
Community development	824,551	1,305	8,541	-
Interest on long-term debt	2,642,703	-	-	-
Total governmental activities	<u>\$ 35,478,946</u>	<u>\$ 1,207,948</u>	<u>\$ 3,680,325</u>	<u>\$ 397,482</u>
Business-type activities:				
Water and sewer	\$ 4,328,428	\$ 3,470,827	\$ -	\$ -
Bottom's Bridge	1,018,674	588,950	-	-
Total business-type activities	<u>\$ 5,347,102</u>	<u>\$ 4,059,777</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 40,826,048</u>	<u>\$ 5,267,725</u>	<u>\$ 3,680,325</u>	<u>\$ 397,482</u>
COMPONENT UNITS:				
School Board	\$ 27,318,320	\$ 638,715	\$ 13,623,825	\$ -
Economic Development Authority	88,543	-	-	-
Total component units	<u>\$ 27,406,863</u>	<u>\$ 638,715</u>	<u>\$ 13,623,825</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use tax				
Taxes on recordation and wills				
Business license tax				
Vehicle registration fees				
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 - as restated				
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	
\$ (2,898,671)	\$ -	\$ (2,898,671)	\$ -	\$ -	
(844,869)	-	(844,869)	-	-	
(5,389,769)	-	(5,389,769)	-	-	
(1,314,732)	-	(1,314,732)	-	-	
(1,271,767)	-	(1,271,767)	-	-	
(14,343,635)	-	(14,343,635)	-	-	
(672,340)	-	(672,340)	-	-	
(814,705)	-	(814,705)	-	-	
(2,642,703)	-	(2,642,703)	-	-	
<u>\$ (30,193,191)</u>	<u>\$ -</u>	<u>\$ (30,193,191)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (857,601)	\$ (857,601)	\$ -	\$ -	
-	(429,724)	(429,724)	-	-	
<u>\$ -</u>	<u>\$ (1,287,325)</u>	<u>\$ (1,287,325)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (30,193,191)</u>	<u>\$ (1,287,325)</u>	<u>\$ (31,480,516)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (13,055,780)	\$ -	
-	-	-	-	(88,543)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,055,780)</u>	<u>\$ (88,543)</u>	
\$ 23,669,284	\$ 120,765	\$ 23,790,049	\$ -	\$ -	
1,145,782	-	1,145,782	-	-	
373,930	-	373,930	-	-	
665,838	-	665,838	-	-	
508,516	-	508,516	-	-	
613,938	-	613,938	-	-	
312,728	-	312,728	-	-	
582,919	72,426	655,345	1,534	11,801	
816,074	-	816,074	210,285	19	
2,952,844	-	2,952,844	-	-	
-	-	-	13,816,928	-	
<u>\$ 31,641,853</u>	<u>\$ 193,191</u>	<u>\$ 31,835,044</u>	<u>\$ 14,028,747</u>	<u>\$ 11,820</u>	
\$ 1,448,662	\$ (1,094,134)	\$ 354,528	\$ 972,967	\$ (76,723)	
45,321,904	74,381,122	119,703,026	18,728,945	1,357,971	
<u>\$ 46,770,566</u>	<u>\$ 73,286,988</u>	<u>\$ 120,057,554</u>	<u>\$ 19,701,912</u>	<u>\$ 1,281,248</u>	

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FUND FINANCIAL STATEMENTS

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Balance Sheet
Governmental Funds
June 30, 2013

	General	Airport	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 7,097,626	\$ 34,131	\$ 808,287	\$ 15,004,675	\$ 667,433	\$ 54,587	\$ 23,666,739
Receivables (net of allowance for uncollectibles):							
Taxes receivable	1,632,623	-	-	-	-	-	1,632,623
Accounts receivable	300,606	11,125	-	17,959	-	-	329,690
Due from other funds	19,571	-	-	-	-	-	19,571
Due from other governmental units	1,430,000	161,336	-	-	-	79,400	1,670,736
Prepaid items	43,994	19,852	115,040	-	-	-	178,886
Total assets	<u>\$ 10,524,420</u>	<u>\$ 226,444</u>	<u>\$ 923,327</u>	<u>\$ 15,022,634</u>	<u>\$ 667,433</u>	<u>\$ 133,987</u>	<u>\$ 27,498,245</u>
LIABILITIES							
Accounts payable	\$ 252,852	\$ 112,365	\$ -	\$ 116,079	\$ -	\$ 133,987	\$ 615,283
Accrued liabilities	126,910	815	-	-	-	-	127,725
Unearned revenue	666,742	-	-	-	-	-	666,742
Deposits held in escrow	-	1,200	-	283,714	-	-	284,914
Total liabilities	<u>\$ 1,046,504</u>	<u>\$ 114,380</u>	<u>\$ -</u>	<u>\$ 399,793</u>	<u>\$ -</u>	<u>\$ 133,987</u>	<u>\$ 1,694,664</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	\$ 1,659,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,659,899
Total deferred inflows of resources	<u>\$ 1,659,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,659,899</u>
FUND BALANCES							
Nonspendable	\$ 43,994	\$ 19,852	\$ 115,040	\$ -	\$ -	\$ -	\$ 178,886
Restricted	36,885	-	-	-	-	-	36,885
Committed	133,399	92,212	808,287	-	-	-	1,033,898
Assigned	-	-	-	14,622,841	667,433	-	15,290,274
Unassigned	7,603,739	-	-	-	-	-	7,603,739
Total fund balances	<u>\$ 7,818,017</u>	<u>\$ 112,064</u>	<u>\$ 923,327</u>	<u>\$ 14,622,841</u>	<u>\$ 667,433</u>	<u>\$ -</u>	<u>\$ 24,143,682</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,524,420</u>	<u>\$ 226,444</u>	<u>\$ 923,327</u>	<u>\$ 15,022,634</u>	<u>\$ 667,433</u>	<u>\$ 133,987</u>	<u>\$ 27,498,245</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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	24,143,682
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$	104,820,778	
Less: accumulated depreciation		<u>(22,883,376)</u>	81,937,402

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	1,567,761
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Long-term liabilities and related assets, including unamortized bond issue costs and bonds payable. Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$	(57,613,475)	
Bond issuance premium		(1,485,256)	
Accrued interest payable		(1,080,014)	
Compensated absences		<u>(699,534)</u>	<u>(60,878,279)</u>

Net position of governmental activities	\$	<u><u>46,770,566</u></u>
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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, 2013

	General	Airport	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
REVENUES							
General property taxes	\$ 23,426,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,426,941
Other local taxes	3,620,732	-	-	-	-	-	3,620,732
Permits, privilege fees, and regulatory licenses	385,976	-	-	-	-	-	385,976
Fines and forfeitures	243,811	-	-	-	-	-	243,811
Revenue from the use of money and property	514,058	68,861	-	-	-	-	582,919
Charges for services	475,556	102,605	-	-	-	-	578,161
Miscellaneous	576,750	-	-	232,593	-	6,731	816,074
Recovered costs	454,320	-	-	-	-	-	454,320
Intergovernmental revenues:							
Commonwealth	5,009,334	16,994	-	-	-	408,822	5,435,150
Federal	1,198,019	397,482	-	-	-	-	1,595,501
Total revenues	\$ 35,905,497	\$ 585,942	\$ -	\$ 232,593	\$ -	\$ 415,553	\$ 37,139,585
EXPENDITURES							
Current:							
General government administration	\$ 3,018,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,018,483
Judicial administration	1,379,237	-	-	-	-	-	1,379,237
Public safety	7,561,349	-	-	-	-	-	7,561,349
Public works	1,421,517	218,904	-	-	-	-	1,640,421
Health and welfare	1,434,359	-	-	-	-	915,268	2,349,627
Education	11,343,488	-	-	-	-	-	11,343,488
Parks, recreation, and cultural	635,788	-	-	-	-	-	635,788
Community development	714,269	-	-	-	-	-	714,269
Capital projects	-	560,655	-	3,012,769	-	-	3,573,424
Debt service:							
Principal retirement	-	-	2,787,611	-	-	-	2,787,611
Interest and other fiscal charges	-	-	2,877,650	-	-	-	2,877,650
Total expenditures	\$ 27,508,490	\$ 779,559	\$ 5,665,261	\$ 3,012,769	\$ -	\$ 915,268	\$ 37,881,347
Excess (deficiency) of revenues over (under) expenditures	\$ 8,397,007	\$ (193,617)	\$ (5,665,261)	\$ (2,780,176)	\$ -	\$ (499,715)	\$ (741,762)
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 200,100	\$ -	\$ 5,356,270	\$ 2,760,242	\$ -	\$ 499,715	\$ 8,816,327
Transfers out	(8,596,761)	(19,466)	-	(200,100)	-	-	(8,816,327)
Sale of capital assets	-	-	-	71,248	-	-	71,248
Total other financing sources (uses)	\$ (8,396,661)	\$ (19,466)	\$ 5,356,270	\$ 2,631,390	\$ -	\$ 499,715	\$ 71,248
Net change in fund balances	\$ 346	\$ (213,083)	\$ (308,991)	\$ (148,786)	\$ -	\$ -	\$ (670,514)
Fund balances - beginning	7,817,671	325,147	1,232,318	14,771,627	667,433	-	24,814,196
Fund balances - ending	\$ 7,818,017	\$ 112,064	\$ 923,327	\$ 14,622,841	\$ 667,433	\$ -	\$ 24,143,682

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, 2013

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

Net change in fund balances - total governmental funds	\$	(670,514)
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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	\$	3,393,219	
Depreciation expense		(1,449,542)	
Jointly owned asset allocation of assets		(1,442,049)	
Jointly owned asset depreciation		<u>(1,035,785)</u>	(534,157)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(598,670)
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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	<u>\$</u>	<u>242,343</u>	242,343
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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	\$	2,787,611	
Premium amortization		<u>177,032</u>	2,964,643

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	\$	(12,898)	
(Increase) decrease in accrued interest payable		<u>57,915</u>	<u>45,017</u>

Change in net position of governmental activities	\$	<u><u>1,448,662</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 June 30, 2013

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,056,537	\$ 175,001	\$ 7,231,538
Receivables (net of allowance for uncollectibles):			
Taxes receivable	-	18,370	18,370
Accounts receivable	605,259	-	605,259
Prepaid items	875	-	875
Total current assets	\$ 7,662,671	\$ 193,371	\$ 7,856,042
Noncurrent assets:			
Capital assets:			
Infrastructure	\$ 27,706,524	\$ 20,733,848	\$ 48,440,372
Land	1,442,314	1,253,041	2,695,355
Water production and distribution facilities	5,634,970	-	5,634,970
Machinery and equipment	3,871,279	-	3,871,279
Construction in progress	28,176,557	-	28,176,557
Accumulated depreciation	(5,709,799)	(1,594,911)	(7,304,710)
Total capital assets	\$ 61,121,845	\$ 20,391,978	\$ 81,513,823
Total noncurrent assets	\$ 61,121,845	\$ 20,391,978	\$ 81,513,823
Total assets	\$ 68,784,516	\$ 20,585,349	\$ 89,369,865
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on refunding	\$ -	\$ 1,333,685	\$ 1,333,685
Total deferred outflow of resources	\$ -	\$ 1,333,685	\$ 1,333,685
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 248,935	\$ -	\$ 248,935
Accrued interest payable	-	156,999	156,999
Due to other funds	19,571	-	19,571
Compensated absences - current portion	83,171	-	83,171
Deposits held in escrow	113,743	-	113,743
Bonds payable - current portion	-	624,977	624,977
Total current liabilities	\$ 465,420	\$ 781,976	\$ 1,247,396
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ -	\$ 16,159,925	\$ 16,159,925
Compensated absences - net of current portion	9,241	-	9,241
Total noncurrent liabilities	\$ 9,241	\$ 16,159,925	\$ 16,169,166
Total liabilities	\$ 474,661	\$ 16,941,901	\$ 17,416,562
NET POSITION			
Net investment in capital assets	\$ 61,121,845	\$ 4,940,761	\$ 66,062,606
Unrestricted	7,188,010	36,372	7,224,382
Total net position	\$ 68,309,855	\$ 4,977,133	\$ 73,286,988

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Fund
 For the Year Ended June 30, 2013

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 2,724,066	\$ -	\$ 2,724,066
Other revenues	59,205	-	59,205
Total operating revenues	<u>\$ 2,783,271</u>	<u>\$ -</u>	<u>\$ 2,783,271</u>
OPERATING EXPENSES			
Personal services	\$ 910,547	\$ -	\$ 910,547
Fringe benefits	313,531	-	313,531
Contractual services	621,216	-	621,216
Other charges	729,835	-	729,835
Depreciation	1,717,915	318,982	2,036,897
Total operating expenses	<u>\$ 4,293,044</u>	<u>\$ 318,982</u>	<u>\$ 4,612,026</u>
Operating income (loss)	<u>\$ (1,509,773)</u>	<u>\$ (318,982)</u>	<u>\$ (1,828,755)</u>
NONOPERATING REVENUES (EXPENSES)			
Connection and reconnection fees	\$ 578,256	\$ 588,950	\$ 1,167,206
Investment earnings	72,426	-	72,426
Availability fees	109,300	-	109,300
Loss on disposal of assets	(34,227)	-	(34,227)
Tax revenue	-	120,765	120,765
Bond issuance costs	-	(217,258)	(217,258)
Interest expense	(1,157)	(482,434)	(483,591)
Total nonoperating revenues (expenses)	<u>\$ 724,598</u>	<u>\$ 10,023</u>	<u>\$ 734,621</u>
Income before contributions and transfers	<u>\$ (785,175)</u>	<u>\$ (308,959)</u>	<u>\$ (1,094,134)</u>
Transfers in	\$ -	\$ 308,959	\$ 308,959
Transfers out	(308,959)	-	(308,959)
Change in net position	<u>\$ (1,094,134)</u>	<u>\$ -</u>	<u>\$ (1,094,134)</u>
Total net position - beginning	69,403,989	4,977,133	74,381,122
Total net position - ending	<u><u>\$ 68,309,855</u></u>	<u><u>\$ 4,977,133</u></u>	<u><u>\$ 73,286,988</u></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, 2013

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,868,959	\$ -	\$ 2,868,959
Receipts for miscellaneous items	59,205	-	59,205
Payments to suppliers	(1,254,363)	-	(1,254,363)
Payments to employees	(1,217,604)	-	(1,217,604)
Net cash provided by (used for) operating activities	\$ 456,197	\$ -	\$ 456,197
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (308,959)	\$ -	\$ (308,959)
Transfers from other funds	-	308,959	308,959
Tax revenue	-	117,515	117,515
Net cash provided by (used for) noncapital financing activities	\$ (308,959)	\$ 426,474	\$ 117,515
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (803,187)	\$ -	\$ (803,187)
Principal payment on loan from general fund	(19,002)	-	(19,002)
Principal payments on bonds	-	(485,000)	(485,000)
Cash received from bond refunding	-	6,475	6,475
Loss on disposal of assets	34,227	-	34,227
Connection and availability fees	687,556	588,950	1,276,506
Interest payments	(1,157)	(543,354)	(544,511)
Net cash provided by (used for) capital and related financing activities	\$ (101,563)	\$ (432,929)	\$ (534,492)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 72,426	\$ -	\$ 72,426
Net cash provided by (used for) investing activities	\$ 72,426	\$ -	\$ 72,426
Net increase (decrease) in cash and cash equivalents	\$ 118,101	\$ (6,455)	\$ 111,646
Cash and cash equivalents - beginning	6,938,436	181,456	7,119,892
Cash and cash equivalents - ending	\$ 7,056,537	\$ 175,001	\$ 7,231,538
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,509,773)	\$ (318,982)	\$ (1,828,755)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 1,717,915	\$ 318,982	\$ 2,036,897
(Increase) decrease in accounts receivable	209,868	-	209,868
(Increase) decrease in prepaid items	(22)	-	(22)
Increase (decrease) in deposits held in escrow	(64,975)	-	(64,975)
Increase (decrease) in accounts payable	96,710	-	96,710
Increase (decrease) in compensated absences	6,474	-	6,474
Total adjustments	\$ 1,965,970	\$ 318,982	\$ 2,284,952
Net cash provided by (used for) operating activities	\$ 456,197	\$ -	\$ 456,197

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 10,466
Total assets	\$ <u>10,466</u>
LIABILITIES	
Amounts held for social services clients	\$ 10,466
Total liabilities	\$ <u>10,466</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, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

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

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net 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, 2013 (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, 2013.

Discretely Presented Component Units.

The School Board members are elected by the citizens of New Kent County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2013.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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, 2013. 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, 2013 was \$339,699. 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, 2013 (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, 2013 (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, 2013 (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 and school system'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 Improvement Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County also reports the School Construction Fund as a major Capital Projects Fund.

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, 2013 (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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The County's Enterprise Funds consist of the Water and Sewer Fund and Bottom's Bridge Fund, which account for the operations of sewage pumping stations and collection systems, and the water distribution system, as well as, construction.

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 \$313,522 at June 30, 2013 and is comprised of property taxes of \$302,832 and water and sewer receivables of \$10,690.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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, 2013.

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
Infrastructure	65
Vehicles	5-8
Water production and distribution facilities	50

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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. 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.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

N. Prepaid Items

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

O. Restricted Assets

The County reports restricted fund balance on the balance sheet in the amount of \$36,885, which represents E-911 wireless, Litter Control and asset forfeiture funds.

P. 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.
- **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 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.
- **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.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

P. Fund Equity (Continued)

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

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of 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.

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

	General Fund	Major Special Revenue Fund Airport Fund	Major Debt Service Fund	Major Capital Projects Fund		Total
				County Capital Improvements	School Construction	
Fund Balances:						
Nonspendable:						
Prepaid items	\$ 43,994	\$ 19,852	\$ 115,040	\$ -	\$ -	\$ 178,886
Total Nonspendable Fund Balance	<u>\$ 43,994</u>	<u>\$ 19,852</u>	<u>\$ 115,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,886</u>
Restricted:						
E-911 Wireless	\$ 9,370	\$ -	\$ -	\$ -	\$ -	\$ 9,370
Litter Control	1,354	-	-	-	-	1,354
Asset Forfeiture - Sheriff	8,233	-	-	-	-	8,233
Asset Forfeiture - Comm. Atty	17,928	-	-	-	-	17,928
Total Restricted Fund Balance	<u>\$ 36,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,885</u>
Committed:						
Computer Fund	\$ 133,399	\$ -	\$ -	\$ -	\$ -	\$ 133,399
Airport Operations	-	92,212	-	-	-	92,212
Debt Service	-	-	808,287	-	-	808,287
Total Committed Fund Balance	<u>\$ 133,399</u>	<u>\$ 92,212</u>	<u>\$ 808,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,033,898</u>
Assigned:						
Capital Improvements	\$ -	\$ -	\$ -	14,622,841	\$ -	14,622,841
Future school construction	-	-	-	-	667,433	667,433
Total Assigned Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,622,841</u>	<u>\$ 667,433</u>	<u>\$ 15,290,274</u>
Unassigned Fund Balance	<u>\$ 7,603,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,603,739</u>
Total Fund Balances	<u>\$ 7,818,017</u>	<u>\$ 112,064</u>	<u>\$ 923,327</u>	<u>\$ 14,622,841</u>	<u>\$ 667,433</u>	<u>\$ 24,143,682</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

Q. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County has implemented the financial reporting provisions of the above Statement 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 statement 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.

R. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows or 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, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

S. Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

The County early implemented the financial reporting provisions of the above Statement 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 and liabilities.

T. 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 policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

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

1. On or before December 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. The proposed operating and capital budget are presented to the County's Board of Supervisors for review. The Board holds informational budget sessions, budget work sessions, and a public hearing to obtain detailed information on budgetary issues and citizen input. A final budget is legally adopted through passage of a Budget Appropriation motion no later than June 30 for a fiscal year commencing on July 1. The Budget Appropriation motion establishes budgetary appropriation amounts at the fund level. The operating and capital budget includes proposed expenditures and the means to financing them.
2. The Board reviews its Bylaws at its January meeting and amends, as necessary, and readopts Bylaws at the February meeting. Included in the Bylaws are procedures for financial control. The Bylaws effectively establish a *legal level of budgetary* control, the lowest level at which the County Administrator may not reallocate resources without Board approval, at the department level. He is authorized to transfer appropriations by line item within departments, except for payroll and employee benefits line items. The County Administrator does not have authority to transfer appropriations between departments within the primary government's governmental funds. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.
3. Budgets are monitored and reported to the Board of Supervisors on a monthly basis.
4. Appropriations lapse on June 30, for all County departments. Encumbrances and reserved fund balances outstanding at June 30 are reappropriated in the succeeding year on a case-by-case basis.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2013.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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, 2013 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, 2013 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		
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	
Local Government Investment Pool	\$	3,887
Money Market Funds		2,127
Total	\$	<u>6,014</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (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.

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

External Investment Pools

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

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COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (CONTINUED)**

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2013, the County has amounts due from other governments as follows:

		Component Unit
	Primary Government	School Board
Commonwealth of Virginia:		
State sales tax	\$ -	\$ 492,128
Motor vehicle carrier tax	57,560	-
Victim witness grant	34,066	-
Mobile home titling tax	35	-
Rental vehicle tax	110	-
E-911 wireless funds	62,565	-
Recordation tax	22,678	-
Fire programs grant	8,223	-
VA domestic violence victim grant	20,314	-
Welfare	25,632	-
Comprehensive services	79,400	-
Communication sales tax	96,455	-
Constitutional officer reimbursements	121,642	-
Local sales tax	209,129	-
 Federal Government:		
School fund grants	-	250,753
FEMA grants	672,259	-
DMV	26,604	-
Welfare	45,038	-
Airport improvement	161,336	-
Other federal grants	27,690	-
 Total due from other governments	<u>\$ 1,670,736</u>	<u>\$ 742,881</u>

COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (CONTINUED)****NOTE 5—INTERFUND OBLIGATIONS:**

Details of the Primary Government's interfund receivables and payables as of June 30, 2013, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 19,571	\$ -
Water and Sewer Fund	-	19,571
Total Governmental Funds	<u>\$ 19,571</u>	<u>\$ 19,571</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, 2013:

Primary Government:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 3,578,529	\$ 231,260	\$ 552,800	\$ 3,256,989
Construction in progress	3,817,771	1,847,706	3,476,166	2,189,311
Total capital assets not subject to depreciation	<u>\$ 7,396,300</u>	<u>\$ 2,078,966</u>	<u>\$ 4,028,966</u>	<u>\$ 5,446,300</u>
Capital assets subject to depreciation:				
Buildings	\$ 20,435,821	\$ 3,561,323	\$ 37,115	\$ 23,960,029
Machinery and equipment	11,871,446	1,229,096	604,246	12,496,296
Capital improvements	2,243,376	-	-	2,243,376
Jointly owned assets - buildings	62,116,826	-	1,442,049	60,674,777
Total capital assets being depreciated	<u>\$ 96,667,469</u>	<u>\$ 4,790,419</u>	<u>\$ 2,083,410</u>	<u>\$ 99,374,478</u>
Accumulated depreciation:				
Buildings	\$ 3,699,845	\$ 433,933	\$ 5,216	\$ 4,128,562
Machinery and equipment	7,977,063	924,632	590,276	8,311,419
Capital improvements	638,656	90,977	-	729,633
Jointly owned assets - buildings	8,677,977	1,266,651	230,866	9,713,762
Total accumulated depreciation	<u>\$ 20,993,541</u>	<u>\$ 2,716,193</u>	<u>\$ 826,358</u>	<u>\$ 22,883,376</u>
Total capital assets being depreciated, net	<u>\$ 75,673,928</u>	<u>\$ 2,074,226</u>	<u>\$ 1,257,052</u>	<u>\$ 76,491,102</u>
Governmental capital assets, net	<u>\$ 83,070,228</u>	<u>\$ 4,153,192</u>	<u>\$ 5,286,018</u>	<u>\$ 81,937,402</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

Component Unit—School Board:

Discretely Presented Component Unit:

- School Board:

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital assets not subject to depreciation:				
Land	\$ 2,022,600	\$ -	\$ -	\$ 2,022,600
Construction in progress	<u>-</u>	<u>96,682</u>	<u>-</u>	<u>96,682</u>
Total capital assets not subject to depreciation	\$ <u>2,022,600</u>	\$ <u>96,682</u>	\$ <u>-</u>	\$ <u>2,119,282</u>
Capital assets subject to depreciation:				
Buildings	\$ 355,950	\$ 18,709	\$ -	\$ 374,659
Jointly owned assets - buildings	17,810,874	-	(1,442,049)	19,252,923
Machinery and equipment	<u>5,692,293</u>	<u>383,017</u>	<u>-</u>	<u>6,075,310</u>
Total capital assets being depreciated	\$ <u>23,859,117</u>	\$ <u>401,726</u>	\$ <u>(1,442,049)</u>	\$ <u>25,702,892</u>
Accumulated depreciation:				
Buildings	\$ -	\$ 25,687	\$ -	\$ 25,687
Jointly owned assets - buildings	2,488,253	363,189	(230,866)	3,082,308
Machinery and equipment	<u>4,419,266</u>	<u>322,678</u>	<u>-</u>	<u>4,741,944</u>
Total accumulated depreciation	\$ <u>6,907,519</u>	\$ <u>711,554</u>	\$ <u>(230,866)</u>	\$ <u>7,849,939</u>
Total capital assets being depreciated, net	\$ <u>16,951,598</u>	\$ <u>(309,828)</u>	\$ <u>(1,211,183)</u>	\$ <u>17,852,953</u>
Component unit capital assets, net	\$ <u>18,974,198</u>	\$ <u>(213,146)</u>	\$ <u>(1,211,183)</u>	\$ <u>19,972,235</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 190,582
Judicial administration	355,538
Public safety	403,602
Public works	194,709
Health and welfare	72,294
Education	1,266,651
Parks, recreation and cultural	56,809
Community development	\$ <u>176,008</u>
Total Governmental activities	\$ <u>2,716,193</u>
Component Unit School Board	\$ <u>711,554</u>
Business-Type Activities	\$ <u>2,036,897</u>

COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (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, 2013, is that school financed assets in the amount of \$50,961,015 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2013 follows:

Enterprise Fund:	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 2,711,055	\$ -	\$ 15,700	\$ 2,695,355
Construction in progress	<u>27,878,785</u>	<u>701,140</u>	<u>403,368</u>	<u>28,176,557</u>
Total capital assets not subject to depreciation	<u>\$ 30,589,840</u>	<u>\$ 701,140</u>	<u>\$ 419,068</u>	<u>\$ 30,871,912</u>
Capital assets subject to depreciation:				
Water production and distribution facilities	\$ 5,588,981	\$ 263,907	\$ 217,918	\$ 5,634,970
Machinery and equipment	5,438,822	-	1,567,543	3,871,279
Infrastructure	<u>48,355,425</u>	<u>193,181</u>	<u>108,234</u>	<u>48,440,372</u>
Total capital assets being depreciated	<u>\$ 59,383,228</u>	<u>\$ 457,088</u>	<u>\$ 1,893,695</u>	<u>\$ 57,946,621</u>
Accumulated depreciation:				
Water production and distribution facilities	\$ 1,568,968	\$ 275,983	\$ 217,918	\$ 1,627,033
Machinery and equipment	2,234,544	961,248	1,563,116	1,632,676
Infrastructure	<u>3,353,569</u>	<u>799,666</u>	<u>108,234</u>	<u>4,045,001</u>
Total accumulated depreciation	<u>\$ 7,157,081</u>	<u>\$ 2,036,897</u>	<u>\$ 1,889,268</u>	<u>\$ 7,304,710</u>
Total capital assets being depreciated, net	<u>\$ 52,226,147</u>	<u>\$ (1,579,809)</u>	<u>\$ 4,427</u>	<u>\$ 50,641,911</u>
Business-type capital assets, net	<u>\$ 82,815,987</u>	<u>\$ (878,669)</u>	<u>\$ 423,495</u>	<u>\$ 81,513,823</u>

COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (CONTINUED)**

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General	\$ 200,100	\$ 8,596,761
Other Governmental	499,715	-
Capital Improvements	2,760,242	200,100
Debt Service	5,356,270	-
Airport	-	19,466
Total Governmental Funds	<u>\$ 8,816,327</u>	<u>\$ 8,816,327</u>
Enterprise Funds:		
Water and Sewer	\$ -	\$ 308,959
Bottom's Bridge	<u>308,959</u>	<u>-</u>
Total Enterprise Funds	<u>\$ 308,959</u>	<u>\$ 308,959</u>
Total-All Funds	<u><u>\$ 9,125,286</u></u>	<u><u>\$ 9,125,286</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, 2013 (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, 2013:

	Balance at July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences (payable from the General Fund)	\$ 686,635	\$ 677,411	\$ 664,512	\$ 699,534	\$ 662,652
Lease revenue bonds	6,869,507	-	294,717	6,574,790	314,874
General obligation bond	92,730	-	15,060	77,670	15,814
Bond premium	123,997	-	12,347	111,650	11,942
Total incurred by County	<u>\$ 7,772,869</u>	<u>\$ 677,411</u>	<u>\$ 986,636</u>	<u>\$ 7,463,644</u>	<u>\$ 1,005,282</u>
Incurred by School Board:					
General obligation bonds	\$ 13,069,573	\$ -	\$ 893,490	\$ 12,176,083	\$ 901,824
Lease revenue bonds	40,369,276	-	1,584,344	38,784,932	1,647,358
Bond premium	1,538,291	-	164,685	1,373,606	157,434
Total incurred by School Board	<u>\$ 54,977,140</u>	<u>\$ -</u>	<u>\$ 2,642,519</u>	<u>\$ 52,334,621</u>	<u>\$ 2,706,616</u>
Total Governmental Activities	<u>\$ 62,750,009</u>	<u>\$ 677,411</u>	<u>\$ 3,629,155</u>	<u>\$ 59,798,265</u>	<u>\$ 3,711,898</u>
Enterprise Activities:					
Compensated absences (payable from the Enterprise Fund)	\$ 85,938	\$ 96,648	\$ 90,174	\$ 92,412	\$ 83,171
Lease revenue bonds	15,755,000	14,175,000	14,935,000	14,995,000	460,000
Bond premium	-	1,908,958	119,056	1,789,902	164,977
Total Enterprise Activities	<u>\$ 15,840,938</u>	<u>\$ 16,180,606</u>	<u>\$ 15,144,230</u>	<u>\$ 16,877,314</u>	<u>\$ 708,148</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (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			
	General Obligation Bond		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 15,814	\$ 3,651	\$ 314,874	\$ 277,507
2015	16,607	2,859	327,955	264,276
2016	17,439	2,027	342,162	250,469
2017	18,312	1,152	356,500	236,031
2018	9,498	235	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	-	-	373,267	16,579
Total	\$ <u>77,670</u>	\$ <u>9,924</u>	\$ <u>6,574,790</u>	\$ <u>2,498,980</u>

COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (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			
	General Obligation Bond		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 15,814	\$ 3,651	\$ 314,874	\$ 277,507
2015	16,607	2,859	327,955	264,276
2016	17,439	2,027	342,162	250,469
2017	18,312	1,152	356,500	236,031
2018	9,498	235	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	-	-	373,267	16,579
Total	\$ <u>77,670</u>	\$ <u>9,924</u>	\$ <u>6,574,790</u>	\$ <u>2,498,980</u>

COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (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
2014	\$ 460,000	\$ 619,802
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>14,995,000</u>	\$ <u>7,564,605</u>

COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (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 Obligations:			
Incurred by County:			
Lease revenue Bonds			
2006 lease revenue bonds	2007	4.00%-5.00%	\$ 4,300,068
2007 lease revenue bonds	2008	3.98%	2,274,722
General obligation bond			
VRA loan	2008	4.85%	77,670
Unamortized premium			111,650
Compensated absences (payable from the General Fund)			<u>699,534</u>
Total incurred by County			\$ <u>7,463,644</u>
Incurred by School Board:			
General obligation bonds			
2007 School bonds	2008	5.10%	\$ 5,279,955
2006 School bonds	2007	4.225%-5.10%	5,091,130
2005 School bonds - primary school	2006	4.60%-5.10%	1,604,131
1995 School bonds	1995	6.10%-6.60%	200,867
Lease revenue bond			
2006 lease revenue bond	2007	4.00%-5.00%	38,784,932
Unamortized premium			<u>1,373,606</u>
Total incurred by School Board			\$ <u>52,334,621</u>
Total Governmental Obligations			\$ <u><u>59,798,265</u></u>
Enterprise Obligations:			
Lease revenue bonds			
2004 lease revenue bond	2004	2.30-4.60%	\$ 885,000
2012B lease revenue bond	2012	2.279-5.125%	8,930,000
2012C lease revenue bond	2012	2.172-4.839%	5,180,000
Unamortized premium			1,789,902
Compensated absences (payable from the Enterprise Fund)			<u>92,412</u>
Total Enterprise Obligations			\$ <u><u>16,877,314</u></u>

COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (CONTINUED)**

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**Component Unit—School Board:**

The following is a summary of long-term obligations transactions of the Component Unit—School Board for the year ended June 30, 2013:

	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Compensated absences (payable from the School Fund)	\$ 317,608	\$ 251,664	\$ 178,477	\$ 390,795	\$ 219,605
Net OPEB Obligation	<u>383,000</u>	<u>143,000</u>	<u>49,000</u>	<u>477,000</u>	<u>-</u>
Total Component Unit School Board	<u>\$ 700,608</u>	<u>\$ 394,664</u>	<u>\$ 227,477</u>	<u>\$ 867,795</u>	<u>\$ 219,605</u>

NOTE 9—UNEARNED AND UNAVAILABLE REVENUE:

Unearned and 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 unavailable revenue totaling \$2,326,641 is comprised of the following:

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,567,761 at June 30, 2013.

Unavailable Prepaid Property Taxes: Property taxes due subsequent to June 30, 2013, but paid in advance by the tax payers totaled \$92,138 at June 30, 2013.

Other Unearned Revenue: Other miscellaneous unearned revenue items totaled \$666,742 at June 30, 2013, of which \$652,729 is FEMA funds related to Hurricane Irene.

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (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, 2013:

<u>Fund</u>	<u>Project</u>	<u>Contractor</u>	<u>Amount Of Contract</u>	<u>Contract Outstanding At June 30, 2013</u>
Component Unit- School Board	NKMS Art Lab Renovations	Haley Builders	\$ 334,000	\$ 282,035
Airport Fund	Airport Phase I Obstruction Removal	J Sanders Construction	730,658	295,654
Capital Projects Fund	South Building School	Marengo Management	1,857,483	1,313,496
Water and Sewer Fund	Kentland Trail #8 Sewage Pump Station	Shaw Construction	445,464	143,783

NOTE 11—LITIGATION:

At June 30, 2013, 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, 2013 (CONTINUED)

NOTE 13—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

NOTE 13—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at: <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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 2013. 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 nonprofessional's contribution rate for the fiscal year ended 2013 was 11.78% and 8.40% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,610,013, \$855,051, and \$512,778 to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012, and 2011 respectively and these contributions represented 11.66%, 6.33%, and 3.93%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of \$821,128 was equal to the County's required and actual contributions.

For the fiscal year 2013, the County School Board's annual pension cost of \$110,937 for the Board's non-professional employees was equal to the Board's required and actual contributions.

COUNTY OF NEW KENT, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (CONTINUED)****NOTE 13—DEFINED BENEFIT PENSION PLAN: (CONTINUED)****C. Annual Pension Cost (Continued)**

Three-Year Trend Information				
Fiscal Year Ending		Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:				
June 30, 2011	\$	628,538	100%	\$ -
June 30, 2012		654,999	100%	-
June 30, 2013		821,128	100%	-
School Board:				
Non-Professional:				
June 30, 2011	\$	80,904	100%	\$ -
June 30, 2012		87,173	100%	-
June 30, 2013		110,937	100%	-

(1) Employer portion only

The fiscal year 2013 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, 2012, the most recent actuarial valuation date, the plan was 77.22% funded. The actuarial accrued liability for benefits was \$19,375,566, and the actuarial value of assets was \$14,961,977, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,413,589. The covered payroll (annual payroll of active employees covered by the plan) was \$7,095,880, and ratio of the UAAL to the covered payroll was 62.20%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's Non-Professional plan was 84.54% funded. The actuarial accrued liability for benefits was \$4,067,424, and the actuarial value of assets was \$3,438,608, resulting in an unfunded actuarial accrued liability (UAAL) of \$628,816. The covered payroll (annual payroll of active employees covered by the plan) was \$1,255,605, and the ratio of the UAAL to the covered payroll was 50.08%.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (CONTINUED)

NOTE 13—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress (Continued)

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

NOTE 14—DEFERRED COMPENSATION PLAN:

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

NOTE 15—CONDUIT DEBT:

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

Outstanding conduit debt obligations are as follows at June 30, 2013:

	<u>Original issue</u>	<u>Amount Outstanding</u>
Industrial Development Revenue Bond Series 2001	\$ 10,000,000	\$ 7,532,166
Economic Development Revenue Bond Series 2003	8,500,000	4,988,077

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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
 Thrift Insurance Corp. - Surety	
All Social Services Employees - Blanket Bond	100,000
 VaRISK2 - Virginia Group Liability Self Insurance Plan - Surety	1,000,000
All Social Services Employees - Blanket Bond	

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

NOTE 17—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

Background

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.

Plan Description and Funding Policy

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

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

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.

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, 2013 (CONTINUED)****NOTE 17—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)****Annual OPEB Cost and Net OPEB Obligation (Continued)**

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

		<u>SCHOOLS</u>
Annual required contribution	\$	144,000
Interest on net OPEB obligation		13,000
Adjustment to annual required contribution		(14,000)
Annual OPEB cost (expense)	\$	<u>143,000</u>
Contributions made		<u>(49,000)</u>
Increase in net OPEB obligation		94,000
Net OPEB obligation-beginning of year		<u>383,000</u>
Net OPEB obligation-end of year	\$	<u><u>477,000</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 2013 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB</u>		<u>Percentage of Annual OPEB Cost Contributed</u>		<u>Net OPEB Obligation</u>
Schools:						
6/30/2013	\$	143,000		34.27%	\$	477,000
6/30/2012		222,000		47.30%		383,000
6/30/2011		207,000		45.41%		266,000

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (CONTINUED)

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

Funded Status and Funding Progress

At July 1, 2012 the School Board's actuarial accrued liability for benefits was \$1,118,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$15,128,675, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.39 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, 2012 actuarial valuation, the projected unit credit method, with linear pro-rata 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, 2013 (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, 2012 was twenty-six years.

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

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

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.

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, 2013, 2012, and 2011 were \$153,269, \$81,047, and \$78,287, respectively and equaled the required contributions for each year.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 (CONTINUED)

NOTE 19—RESTATEMENT OF BEGINNING NET POSITION:

The following adjustments were made to beginning net position at June 30, 2013:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 46,046,899
To expense bond issuance costs in accordance with GASB Statement 65	<u>(724,995)</u>
Net position as restated	<u>\$ 45,321,904</u>

NOTE 20—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, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 22,982,516	\$ 22,982,516	\$ 23,426,941	\$ 444,425
Other local taxes	3,328,600	3,328,600	3,620,732	292,132
Permits, privilege fees, and regulatory licenses	293,598	293,598	385,976	92,378
Fines and forfeitures	226,500	226,500	243,811	17,311
Revenue from the use of money and property	596,157	596,157	514,058	(82,099)
Charges for services	473,074	478,782	475,556	(3,226)
Miscellaneous	494,800	549,781	576,750	26,969
Recovered costs	387,662	475,928	454,320	(21,608)
Intergovernmental revenues:				
Commonwealth	5,011,653	5,214,078	5,009,334	(204,744)
Federal	716,107	1,472,814	1,198,019	(274,795)
Total revenues	\$ 34,510,667	\$ 35,618,754	\$ 35,905,497	\$ 286,743
EXPENDITURES				
Current:				
General government administration	\$ 3,314,410	\$ 3,510,960	\$ 3,018,483	\$ 492,477
Judicial administration	1,376,930	1,420,515	1,379,237	41,278
Public safety	7,083,871	8,224,344	7,561,349	662,995
Public works	1,581,120	1,581,120	1,421,517	159,603
Health and welfare	1,635,747	1,846,552	1,434,359	412,193
Education	11,738,989	11,738,989	11,343,488	395,501
Parks, recreation, and cultural	700,918	723,120	635,788	87,332
Community development	765,159	807,458	714,269	93,189
Total expenditures	\$ 28,197,144	\$ 29,853,058	\$ 27,508,490	\$ 2,344,568
Excess (deficiency) of revenues over (under) expenditures	\$ 6,313,523	\$ 5,765,696	\$ 8,397,007	\$ 2,631,311
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 200,100	\$ 200,100	\$ 200,100	\$ -
Transfers out	(6,138,583)	(6,212,764)	(8,596,761)	(2,383,997)
Total other financing sources (uses)	\$ (5,938,483)	\$ (6,012,664)	\$ (8,396,661)	\$ (2,383,997)
Net change in fund balances	\$ 375,040	\$ (246,968)	\$ 346	\$ 247,314
Fund balances - beginning	-	589,503	7,817,671	7,228,168
Fund balances - ending	\$ 375,040	\$ 342,535	\$ 7,818,017	\$ 7,475,482

Airport Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 105,372	\$ 105,372	\$ 68,861	\$ (36,511)
Charges for services	151,875	151,875	102,605	(49,270)
Intergovernmental revenues:				
Commonwealth	43,615	79,365	16,994	(62,371)
Federal	526,127	710,498	397,482	(313,016)
Total revenues	<u>\$ 826,989</u>	<u>\$ 1,047,110</u>	<u>\$ 585,942</u>	<u>\$ (461,168)</u>
EXPENDITURES				
Current:				
Public works	\$ 269,956	\$ 269,956	\$ 218,904	\$ 51,052
Capital projects	596,318	1,059,498	560,655	498,843
Total expenditures	<u>\$ 866,274</u>	<u>\$ 1,329,454</u>	<u>\$ 779,559</u>	<u>\$ 549,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (39,285)</u>	<u>\$ (282,344)</u>	<u>\$ (193,617)</u>	<u>\$ 88,727</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 58,751	\$ 58,751	\$ -	\$ (58,751)
Transfers out	(19,466)	(19,466)	(19,466)	-
Total other financing sources (uses)	<u>\$ 39,285</u>	<u>\$ 39,285</u>	<u>\$ (19,466)</u>	<u>\$ (58,751)</u>
Net change in fund balances	\$ -	\$ (243,059)	\$ (213,083)	\$ 29,976
Fund balances - beginning	-	243,059	325,147	82,088
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,064</u>	<u>\$ 112,064</u>

Schedule of Pension Funding Progress
For the Year Ended June 30, 2013

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)
6/30/2012	\$ 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%
6/30/2004	7,769,908	7,647,288	(122,620)	101.60%	3,768,750	-3.25%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3-2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 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%
6/30/2004	2,438,021	2,352,626	(85,395)	103.63%	1,079,581	-7.91%

Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2013

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll *	UAAL as % of Payroll ((b-a)/c)
School Board:						
7/1/2008 \$	- \$	1,153,000 \$	1,153,000	0.00%	15,650,081	7.37%
7/1/2010	-	1,635,000	1,635,000	0.00%	14,220,301	11.50%
7/1/2012	-	1,118,000	1,118,000	0.00%	15,128,675	7.39%

* 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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 2,788,277	\$ 2,788,277	\$ 2,787,611	\$ 666
Interest and other fiscal charges	2,867,993	2,890,043	2,877,650	12,393
Total expenditures	<u>\$ 5,656,270</u>	<u>\$ 5,678,320</u>	<u>\$ 5,665,261</u>	<u>\$ 13,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,656,270)</u>	<u>\$ (5,678,320)</u>	<u>\$ (5,665,261)</u>	<u>\$ 13,059</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 5,356,270</u>	<u>5,356,270</u>	<u>5,356,270</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ 5,356,270</u>	<u>\$ 5,356,270</u>	<u>\$ 5,356,270</u>	<u>\$ -</u>
Net change in fund balances	\$ (300,000)	\$ (322,050)	\$ (308,991)	\$ 13,059
Fund balances - beginning	300,000	322,050	1,232,318	910,268
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 923,327</u></u>	<u><u>\$ 923,327</u></u>

County Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Miscellaneous	\$ -	\$ 21,740	\$ 232,593	\$ 210,853
Total revenues	\$ -	\$ 21,740	\$ 232,593	\$ 210,853
EXPENDITURES				
Capital projects	\$ 2,177,263	\$ 7,956,151	\$ 3,012,769	\$ 4,943,382
Total expenditures	\$ 2,177,263	\$ 7,956,151	\$ 3,012,769	\$ 4,943,382
Excess (deficiency) of revenues over (under) expenditures	\$ (2,177,263)	\$ (7,934,411)	\$ (2,780,176)	\$ 5,154,235
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 59,971	\$ 2,760,242	\$ 2,700,271
Transfers out	(227,176)	(227,176)	(200,100)	27,076
Sale of capital assets	-	54,997	71,248	16,251
Total other financing sources (uses)	\$ (227,176)	\$ (112,208)	\$ 2,631,390	\$ 2,743,598
Net change in fund balances	\$ (2,404,439)	\$ (8,046,619)	\$ (148,786)	\$ 7,897,833
Fund balances - beginning	2,404,439	8,046,619	14,771,627	6,725,008
Fund balances - ending	\$ -	\$ -	\$ 14,622,841	\$ 14,622,841

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2013

	Human Services Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 6,731	\$ 6,731
Intergovernmental revenues:				
Commonwealth	842,532	842,532	408,822	(433,710)
Total revenues	\$ 842,532	\$ 842,532	\$ 415,553	\$ (426,979)
EXPENDITURES				
Current:				
Health and welfare	\$ 1,612,636	\$ 1,626,846	\$ 915,268	\$ 711,578
Total expenditures	\$ 1,612,636	\$ 1,626,846	\$ 915,268	\$ 711,578
Excess (deficiency) of revenues over (under) expenditures	\$ (770,104)	\$ (784,314)	\$ (499,715)	\$ 284,599
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 770,104	\$ 784,314	\$ 499,715	\$ (284,599)
Total other financing sources (uses)	\$ 770,104	\$ 784,314	\$ 499,715	\$ (284,599)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2013

Agency Funds

**Special
Welfare**

ASSETS

Cash and cash equivalents
Total assets

\$ 10,466
\$ 10,466

LIABILITIES

Amounts held for social services clients
Total liabilities

\$ 10,466
\$ 10,466

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended June 30, 2013

	<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	\$ 10,471	\$ 3,747	\$ 3,752	\$ 10,466
Total assets	<u>\$ 10,471</u>	<u>\$ 3,747</u>	<u>\$ 3,752</u>	<u>\$ 10,466</u>
Liabilities:				
Amounts held for social services clients	\$ 10,471	\$ 3,747	\$ 3,752	\$ 10,466
Total liabilities	<u>\$ 10,471</u>	<u>\$ 3,747</u>	<u>\$ 3,752</u>	<u>\$ 10,466</u>
SSI Dedicated Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 6,734	\$ 6,734	\$ -
Total assets	<u>\$ -</u>	<u>\$ 6,734</u>	<u>\$ 6,734</u>	<u>\$ -</u>
Liabilities:				
Amounts held for social services clients	\$ -	\$ 6,734	\$ 6,734	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 6,734</u>	<u>\$ 6,734</u>	<u>\$ -</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 10,471	\$ 10,481	\$ 10,486	\$ 10,466
Total assets	<u>\$ 10,471</u>	<u>\$ 10,481</u>	<u>\$ 10,486</u>	<u>\$ 10,466</u>
Liabilities:				
Amounts held for social services clients	\$ 10,471	\$ 10,481	\$ 10,486	\$ 10,466
Total liabilities	<u>\$ 10,471</u>	<u>\$ 10,481</u>	<u>\$ 10,486</u>	<u>\$ 10,466</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, 2013

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,162,102	\$ 376,539	\$ 2,538,641
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	355	355
Due from other governmental units	727,919	14,962	742,881
Total assets	<u>\$ 2,890,021</u>	<u>\$ 391,856</u>	<u>\$ 3,281,877</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,141,900	\$ 28,280	\$ 1,170,180
Accrued liabilities	1,755,760	45,189	1,800,949
Total liabilities	<u>\$ 2,897,660</u>	<u>\$ 73,469</u>	<u>\$ 2,971,129</u>
Fund balances:			
Committed			
Cafeteria fund	\$ -	\$ 213,934	\$ 213,934
Textbook fund	-	104,453	104,453
Assigned	<u>\$ (7,639)</u>	<u>\$ -</u>	<u>\$ (7,639)</u>
Total fund balances	<u>\$ (7,639)</u>	<u>\$ 318,387</u>	<u>\$ 310,748</u>
Total liabilities and fund balances	<u>\$ 2,890,021</u>	<u>\$ 391,856</u>	<u>\$ 3,281,877</u>

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

Total fund balances per above	\$ 310,748
-------------------------------	------------

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

Capital assets cost	\$ 27,822,174	
Less: accumulated depreciation	<u>(7,849,939)</u>	19,972,235

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.

286,724

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	\$ (390,795)	
Net OPEB obligation	<u>(477,000)</u>	(867,795)

Net position of governmental activities	\$	<u>19,701,912</u>
---	----	-------------------

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2013

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 200	\$ 1,334	\$ 1,534
Charges for services	70,269	568,446	638,715
Miscellaneous	204,935	5,350	210,285
Recovered costs	-	1,258	1,258
Intergovernmental revenues:			
Local government	11,339,094	-	11,339,094
Commonwealth	11,938,093	160,805	12,098,898
Federal	1,188,828	336,099	1,524,927
Total revenues	<u>\$ 24,741,419</u>	<u>\$ 1,073,292</u>	<u>\$ 25,814,711</u>
EXPENDITURES			
Current:			
Education	\$ 24,728,433	\$ 1,230,885	\$ 25,959,318
Total expenditures	<u>\$ 24,728,433</u>	<u>\$ 1,230,885</u>	<u>\$ 25,959,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 12,986</u>	<u>\$ (157,593)</u>	<u>\$ (144,607)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 20,000	\$ 20,000
Transfers out	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>\$ (20,000)</u>	<u>\$ 20,000</u>	<u>\$ -</u>
Net change in fund balances	\$ (7,014)	\$ (137,593)	\$ (144,607)
Fund balances - beginning	<u>(625)</u>	<u>455,980</u>	<u>455,355</u>
Fund balances - ending	<u><u>\$ (7,639)</u></u>	<u><u>\$ 318,387</u></u>	<u><u>\$ 310,748</u></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	\$ (144,607)
--	--------------

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	\$ 1,940,457	
Depreciation expense	<u>(942,420)</u>	998,037

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	\$ (73,187)	
(Increase) decrease in net OPEB obligation	<u>(94,000)</u>	(167,187)

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.

286,724

Change in net position of governmental activities	<u><u>\$ 972,967</u></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, 2013

	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	\$ 200	\$ (4,800)
Charges for services	32,000	114,000	70,269	(43,731)
Miscellaneous	115,500	171,644	204,935	33,291
Intergovernmental revenues:				
Local government	11,734,595	11,734,595	11,339,094	(395,501)
Commonwealth	11,900,931	12,038,367	11,938,093	(100,274)
Federal	1,193,533	1,429,164	1,188,828	(240,336)
Total revenues	<u>\$ 24,981,559</u>	<u>\$ 25,492,770</u>	<u>\$ 24,741,419</u>	<u>\$ (751,351)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 24,981,559</u>	<u>\$ 25,472,770</u>	<u>\$ 24,728,433</u>	<u>\$ 744,337</u>
Total expenditures	<u>\$ 24,981,559</u>	<u>\$ 25,472,770</u>	<u>\$ 24,728,433</u>	<u>\$ 744,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 12,986</u>	<u>\$ (7,014)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (7,014)	\$ (7,014)
Fund balances - beginning	-	-	(625)	(625)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,639)</u>	<u>\$ (7,639)</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, 2013

	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	\$ -	\$ -	1,334	\$ 1,334	\$ -	\$ -	\$ -	\$ -
Charges for services	736,214	735,880	568,446	(167,434)	-	-	-	-
Miscellaneous	-	-	4,975	4,975	-	-	375	375
Recovered costs	-	-	1,258	1,258	-	-	-	-
Intergovernmental revenues:								
Commonwealth	16,681	16,681	15,517	(1,164)	144,655	145,107	145,288	181
Federal	150,000	150,000	336,099	186,099	-	-	-	-
Total revenues	\$ 902,895	\$ 902,561	\$ 927,629	\$ 25,068	\$ 144,655	\$ 145,107	\$ 145,663	\$ 556
EXPENDITURES								
Current:								
Education	\$ 902,895	\$ 924,899	\$ 961,527	\$ (36,628)	\$ 144,655	\$ 373,255	\$ 269,358	\$ 103,897
Total expenditures	\$ 902,895	\$ 924,899	\$ 961,527	\$ (36,628)	\$ 144,655	\$ 373,255	\$ 269,358	\$ 103,897
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (22,338)	\$ (33,898)	\$ (11,560)	\$ -	\$ (228,148)	\$ (123,695)	\$ 104,453
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ -
Net change in fund balances	\$ -	\$ (22,338)	\$ (33,898)	\$ (11,560)	\$ -	\$ (208,148)	\$ (103,695)	\$ 104,453
Fund balances - beginning	-	22,338	247,832	225,494	-	208,148	208,148	-
Fund balances - ending	\$ -	\$ -	\$ 213,934	\$ 213,934	\$ -	\$ -	\$ 104,453	\$ 104,453

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2013

	<u>Bridging Communities</u>
ASSETS	
Cash and cash equivalents	\$ 114,736
Total assets	<u>\$ 114,736</u>
LIABILITIES	
Accounts payable	\$ 13,752
Accrued liabilities	<u>19,921</u>
Total liabilities	<u>\$ 33,673</u>
NET POSITION	
Held in trust for education	<u>\$ 81,063</u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2013

	<u>Bridging Communities</u>
ADDITIONS	
Contributions:	
Tuition	\$ 400,670
Other revenues	38,058
Total additions	<u>\$ 438,728</u>
DEDUCTIONS	
Instruction	\$ 311,165
Administration	103,100
Operation and maintenance	18,065
Technology	131,336
Total deductions	<u>\$ 563,666</u>
Change in net position	\$ (124,938)
Net position - beginning	<u>206,001</u>
Net position - ending	<u><u>\$ 81,063</u></u>

Statement of Net Position

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2013

	Self- Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 621,915
Total assets	<u>\$ 621,915</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 335,191
Total liabilities	<u>\$ 335,191</u>
NET POSITION	
Unrestricted	\$ 286,724
Total net position	<u><u>\$ 286,724</u></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, 2013

	Self- Insurance Fund
	<hr/>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 2,086,767
Total operating revenues	<u>\$ 2,086,767</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 1,800,043
Total operating expenses	<u>\$ 1,800,043</u>
Operating income (loss)	<u>\$ 286,724</u>
Total net position - beginning	\$ -
Total net position - ending	<u><u>\$ 286,724</u></u>

Statement of Cash Flows
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	Self- Insurance Fund
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 1,464,852
Payments for premiums	(1,464,852)
Net cash provided by (used for) operating activities	\$ <hr/> - <hr/>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning	\$ <hr/> - <hr/>
Cash and cash equivalents - ending	\$ <hr/> - <hr/>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ <hr/> 286,724 <hr/>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ (621,915)
Increase (decrease) in accounts payable	335,191
Total adjustments	\$ <hr/> (286,724) <hr/>
Net cash provided by (used for) operating activities	\$ <hr/> - <hr/>

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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, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$	276,835
Investments		273,772
Notes receivable		9,133
Land held for resale		721,508
Total current assets	\$	<u>1,281,248</u>
Total assets	\$	<u>1,281,248</u>

NET POSITION

Unrestricted	\$	<u>1,281,248</u>
Total net position	\$	<u><u>1,281,248</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, 2013

OPERATING REVENUES

Miscellaneous	\$	19
Total operating revenues	\$	<u>19</u>

OPERATING EXPENSES

Other charges	\$	88,543
Total operating expenses	\$	<u>88,543</u>

Operating income (loss)	\$	<u>(88,524)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$	11,801
Total nonoperating revenues (expenses)	\$	<u>11,801</u>

Change in net position	\$	(76,723)
------------------------	----	----------

Total net position - beginning		<u>1,357,971</u>
Total net position - ending	\$	<u><u>1,281,248</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts for customers	\$ 14,070
Payments for operating activities	<u>(88,543)</u>
Net cash provided by (used for) operating activities	<u>\$ (74,473)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ <u>11,801</u>
Net increase (decrease) in cash and cash equivalents	\$ (62,672)
Cash and cash equivalents - beginning	<u>613,279</u>
Cash and cash equivalents - ending	<u><u>\$ 550,607</u></u>

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

Operating income (loss)	\$ <u>(88,524)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in loans receivable	\$ <u>14,051</u>
Total adjustments	<u>\$ 14,051</u>
Net cash provided by (used for) operating activities	<u><u>\$ (74,473)</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, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 18,204,685	\$ 18,204,685	\$ 18,103,810	\$ (100,875)
Real and personal public service corporation taxes	685,549	685,549	879,507	193,958
Personal property taxes	3,796,881	3,796,881	4,107,774	310,893
Mobile home taxes	29,247	29,247	33,236	3,989
Machinery and tools taxes	6,154	6,154	6,555	401
Penalties	160,000	160,000	175,066	15,066
Interest	100,000	100,000	120,993	20,993
Total general property taxes	\$ 22,982,516	\$ 22,982,516	\$ 23,426,941	\$ 444,425
Other local taxes:				
Local sales and use taxes	\$ 1,080,000	\$ 1,080,000	\$ 1,145,782	\$ 65,782
Consumers' utility taxes	200,000	200,000	211,039	11,039
Electric consumption taxes	62,000	62,000	66,313	4,313
Business license taxes	625,000	625,000	665,838	40,838
Cable TV franchise tax	6,400	6,400	6,830	430
Vehicle registration fees	494,000	494,000	508,516	14,516
Bank stock taxes	23,000	23,000	8,853	(14,147)
Taxes on recordation and wills	255,000	255,000	373,930	118,930
Hotel and motel room taxes	12,300	12,300	15,537	3,237
Meals tax	567,000	567,000	613,938	46,938
Admissions tax	3,900	3,900	4,156	256
Total other local taxes	\$ 3,328,600	\$ 3,328,600	\$ 3,620,732	\$ 292,132
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 23,000	\$ 23,000	\$ 23,072	\$ 72
Transfer fees	600	600	770	170
Permits and other licenses	269,998	269,998	362,134	92,136
Total permits, privilege fees, and regulatory licenses	\$ 293,598	\$ 293,598	\$ 385,976	\$ 92,378
Fines and forfeitures:				
Court fines and forfeitures	\$ 226,500	\$ 226,500	\$ 243,811	\$ 17,311
Total fines and forfeitures	\$ 226,500	\$ 226,500	\$ 243,811	\$ 17,311
Revenue from use of money and property:				
Revenue from use of money	\$ 333,157	\$ 333,157	\$ 258,028	\$ (75,129)
Revenue from use of property	263,000	263,000	256,030	(6,970)
Total revenue from use of money and property	\$ 596,157	\$ 596,157	\$ 514,058	\$ (82,099)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2013 (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	\$ 13,000	\$ 13,000	\$ 16,039	\$ 3,039
Charges for law enforcement and traffic control	1,000	1,000	998	(2)
Charges for circuit court	61,069	61,069	64,168	3,099
Charges for courthouse security	77,000	77,000	73,554	(3,446)
Charges for Commonwealth's Attorney	930	930	1,598	668
Charges for other protection	7,300	7,300	3,979	(3,321)
Charges for sanitation and waste removal	43,775	43,775	42,874	(901)
Charges for parks and recreation	267,500	273,208	271,041	(2,167)
Charges for sale of publications	1,500	1,500	1,305	(195)
Total charges for services	\$ 473,074	\$ 478,782	\$ 475,556	\$ (3,226)
Miscellaneous revenue:				
Miscellaneous	\$ 19,100	\$ 74,081	\$ 167,418	\$ 93,337
Off-track betting proceeds	475,700	475,700	409,332	(66,368)
Total miscellaneous revenue	\$ 494,800	\$ 549,781	\$ 576,750	\$ 26,969
Recovered costs:				
Plum Point loan repay-program income	\$ -	\$ 12,088	\$ 12,088	\$ -
Extension program sponsorship	-	7,105	7,105	-
9th judicial court/localities	13,162	13,162	13,162	-
Colonial Downs - fire/rescue standby	95,000	95,000	36,125	(58,875)
Fire suppression	2,500	2,500	1,755	(745)
Other recovered costs	-	69,073	76,257	7,184
Ambulance and rescue service	277,000	277,000	307,828	30,828
Total recovered costs	\$ 387,662	\$ 475,928	\$ 454,320	\$ (21,608)
Total revenue from local sources	\$ 28,782,907	\$ 28,931,862	\$ 29,698,144	\$ 766,282
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 36,000	\$ 36,000	\$ 100,988	\$ 64,988
Mobile home titling tax	7,000	7,000	2,998	(4,002)
Motor vehicle rental tax	1,000	1,000	1,245	245
State recordation tax	124,000	124,000	107,063	(16,937)
Personal property tax relief funds	2,217,883	2,217,883	2,217,883	-
Communications sales tax	621,000	621,000	610,073	(10,927)
Reduction in state aid to local governments	-	-	(87,406)	(87,406)
Total noncategorical aid	\$ 3,006,883	\$ 3,006,883	\$ 2,952,844	\$ (54,039)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 214,877	\$ 214,877	\$ 214,838	\$ (39)
Sheriff	849,271	849,271	848,718	(553)
Commissioner of revenue	84,992	84,992	85,156	164
Treasurer	80,371	80,371	74,428	(5,943)
Registrar/electoral board	39,502	39,502	45,212	5,710
Clerk of the Circuit Court	186,653	225,658	219,989	(5,669)
Total shared expenses	<u>\$ 1,455,666</u>	<u>\$ 1,494,671</u>	<u>\$ 1,488,341</u>	<u>\$ (6,330)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 259,795	\$ 274,660	\$ 234,285	\$ (40,375)
Four for Life grant	-	20,748	20,748	-
Emergency services grants	-	36,000	36,000	-
Virginia commission for the arts	4,500	4,500	-	(4,500)
Other state grants	-	30,685	30,685	-
E-911 wireless	200,522	200,522	98,065	(102,457)
Forfeited assets	-	-	2,957	2,957
Va. Domestic Violence grant	40,000	40,000	40,000	-
Victim-witness grant	44,287	45,173	45,173	-
Fire programs	-	52,561	52,561	-
Litter control	-	7,216	7,216	-
DMV animal friendly plates	-	459	459	-
Total other categorical aid	<u>\$ 549,104</u>	<u>\$ 712,524</u>	<u>\$ 568,149</u>	<u>\$ (144,375)</u>
Total categorical aid	<u>\$ 2,004,770</u>	<u>\$ 2,207,195</u>	<u>\$ 2,056,490</u>	<u>\$ (150,705)</u>
Total revenue from the Commonwealth	<u>\$ 5,011,653</u>	<u>\$ 5,214,078</u>	<u>\$ 5,009,334</u>	<u>\$ (204,744)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 566,107	\$ 598,498	\$ 510,520	\$ (87,978)
DMV - alcohol open container requirements	-	43,440	35,893	(7,547)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Drive Smart VA	\$ -	\$ 33,542	\$ 33,542	\$ -
Emergency management and response	-	475,150	475,150	-
Justice assistance grants	-	3,620	2,905	(715)
Safer retention grant	-	106,675	-	(106,675)
Chesapeake bay implementation grant	-	1,325	1,325	-
FEMA - Derecho Str Line Winds	-	32,286	32,286	-
FEMA - Hurricane Irene	-	28,278	28,278	-
FEMA safer grant - fire/rescue	150,000	150,000	78,120	(71,880)
Total categorical aid	\$ 716,107	\$ 1,472,814	\$ 1,198,019	\$ (274,795)
Total revenue from the federal government	\$ 716,107	\$ 1,472,814	\$ 1,198,019	\$ (274,795)
Total General Fund	\$ 34,510,667	\$ 35,618,754	\$ 35,905,497	\$ 286,743
Special Revenue Funds:				
Airport Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 105,372	\$ 105,372	\$ 68,861	\$ (36,511)
Total revenue from use of money and property	\$ 105,372	\$ 105,372	\$ 68,861	\$ (36,511)
Charges for services:				
Fuel/oil sales	\$ 151,275	\$ 151,275	\$ 102,005	\$ (49,270)
Airport access fees	600	600	600	-
Total charges for services	\$ 151,875	\$ 151,875	\$ 102,605	\$ (49,270)
Total revenue from local sources	\$ 257,247	\$ 257,247	\$ 171,466	\$ (85,781)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Department of Aviation grants	\$ 43,615	\$ 79,365	\$ 16,994	\$ (62,371)
Total categorical aid	\$ 43,615	\$ 79,365	\$ 16,994	\$ (62,371)
Total revenue from the Commonwealth	\$ 43,615	\$ 79,365	\$ 16,994	\$ (62,371)
Revenue from the federal government:				
Categorical aid:				
Airport improvement program	\$ 526,127	\$ 710,498	\$ 397,482	\$ (313,016)
Total categorical aid	\$ 526,127	\$ 710,498	\$ 397,482	\$ (313,016)
Total revenue from the federal government	\$ 526,127	\$ 710,498	\$ 397,482	\$ (313,016)
Total Airport Fund	\$ 826,989	\$ 1,047,110	\$ 585,942	\$ (461,168)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2013 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Human Services Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 6,731	\$ 6,731
Total miscellaneous revenue	\$ -	\$ -	\$ 6,731	\$ 6,731
Total revenue from local sources	\$ -	\$ -	\$ 6,731	\$ 6,731
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 842,532	\$ 842,532	\$ 408,822	\$ (433,710)
Total categorical aid	\$ 842,532	\$ 842,532	\$ 408,822	\$ (433,710)
Total revenue from the Commonwealth	\$ 842,532	\$ 842,532	\$ 408,822	\$ (433,710)
Total Human Services Fund	\$ 842,532	\$ 842,532	\$ 415,553	\$ (426,979)
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Cash proffers	\$ -	\$ -	\$ 210,853	\$ 210,853
Other miscellaneous	-	21,740	21,740	-
Total miscellaneous revenue	\$ -	\$ 21,740	\$ 232,593	\$ 210,853
Total revenue from local sources	\$ -	\$ 21,740	\$ 232,593	\$ 210,853
Total County Capital Improvements Fund	\$ -	\$ 21,740	\$ 232,593	\$ 210,853
Total Primary Government	\$ 36,180,188	\$ 37,530,136	\$ 37,139,585	\$ (390,551)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2013 (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	\$ 200	\$ (4,800)
Total revenue from use of money and property	\$ 5,000	\$ 5,000	\$ 200	\$ (4,800)
Charges for services:				
Tuition and payments from other divisions	\$ 32,000	\$ 114,000	\$ 70,269	\$ (43,731)
Total charges for services	\$ 32,000	\$ 114,000	\$ 70,269	\$ (43,731)
Miscellaneous revenue:				
Other miscellaneous	\$ 115,500	\$ 171,644	\$ 204,935	\$ 33,291
Total miscellaneous revenue	\$ 115,500	\$ 171,644	\$ 204,935	\$ 33,291
Total revenue from local sources	\$ 152,500	\$ 290,644	\$ 275,404	\$ (15,240)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of New Kent, Virginia	\$ 11,734,595	\$ 11,734,595	\$ 11,339,094	\$ (395,501)
Total revenues from local governments	\$ 11,734,595	\$ 11,734,595	\$ 11,339,094	\$ (395,501)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,803,261	\$ 2,803,261	\$ 2,816,667	\$ 13,406
Basic school aid	6,717,147	6,854,583	6,857,812	3,229
ISAEP (GED program)	7,859	7,859	8,159	300
Regular foster care	20,245	20,245	12,241	(8,004)
Gifted and talented	74,389	74,389	74,482	93
Remedial education	95,412	95,412	95,531	119
English as a second language	6,328	6,328	7,994	1,666
Special education	714,779	714,779	731,302	16,523
Vocational education	33,960	33,960	34,003	43
Social security fringe benefits	392,967	392,967	393,458	491
Retirement fringe benefits	656,562	656,562	657,383	821
Group life insurance fringe benefits	24,257	24,257	24,288	31
State lottery payments	104,516	104,516	-	(104,516)
Early reading intervention	33,136	33,136	31,392	(1,744)
Homebound education	5,873	5,873	8,760	2,887
Vocational education equipment	3,211	3,211	3,878	667
At risk payments	48,989	48,989	49,017	28
Technology	154,000	154,000	-	(154,000)
Mentor teacher program	4,040	4,040	1,962	(2,078)
Additional asst retire inflation preschool	-	-	104,024	104,024
Other state funds	-	-	25,740	25,740
Total categorical aid	\$ 11,900,931	\$ 12,038,367	\$ 11,938,093	\$ (100,274)
Total revenue from the Commonwealth	\$ 11,900,931	\$ 12,038,367	\$ 11,938,093	\$ (100,274)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 246,351	\$ 246,351	\$ 211,827	\$ (34,524)
Title III, Part A, ESL	1,400	1,400	-	(1,400)
Title VI-B, special education flow-through	803,125	789,174	639,557	(149,617)
Vocational education	27,270	27,270	27,487	217
Title VI-B, special education preschool	48,601	48,601	15,242	(33,359)
Technology literacy challenge	4,055	4,055	1,113	(2,942)
Title II - teacher quality	62,731	62,731	52,905	(9,826)
Education jobs funds	-	249,582	240,697	(8,885)
Total categorical aid	<u>\$ 1,193,533</u>	<u>\$ 1,429,164</u>	<u>\$ 1,188,828</u>	<u>\$ (240,336)</u>
Total revenue from the federal government	<u>\$ 1,193,533</u>	<u>\$ 1,429,164</u>	<u>\$ 1,188,828</u>	<u>\$ (240,336)</u>
Total School Operating Fund	<u>\$ 24,981,559</u>	<u>\$ 25,492,770</u>	<u>\$ 24,741,419</u>	<u>\$ (751,351)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,334	\$ 1,334
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,334</u>	<u>\$ 1,334</u>
Charges for services:				
Cafeteria sales	\$ 736,214	\$ 735,880	\$ 568,446	\$ (167,434)
Total charges for services	<u>\$ 736,214</u>	<u>\$ 735,880</u>	<u>\$ 568,446</u>	<u>\$ (167,434)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 4,975	\$ 4,975
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,975</u>	<u>\$ 4,975</u>
Recovered costs:				
Headstart	\$ -	\$ -	\$ 1,258	\$ 1,258
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258</u>	<u>\$ 1,258</u>
Total revenue from local sources	<u>\$ 736,214</u>	<u>\$ 735,880</u>	<u>\$ 576,013</u>	<u>\$ (159,867)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 16,681	\$ 16,681	\$ 15,517	\$ (1,164)
Total categorical aid	<u>\$ 16,681</u>	<u>\$ 16,681</u>	<u>\$ 15,517</u>	<u>\$ (1,164)</u>
Total revenue from the Commonwealth	<u>\$ 16,681</u>	<u>\$ 16,681</u>	<u>\$ 15,517</u>	<u>\$ (1,164)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2013 (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 Cafeteria Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 150,000	\$ 150,000	\$ 288,926	\$ 138,926
Commodities	-	-	47,173	47,173
Total categorical aid	\$ 150,000	\$ 150,000	\$ 336,099	\$ 186,099
Total revenue from the federal government	\$ 150,000	\$ 150,000	\$ 336,099	\$ 186,099
 Total School Cafeteria Fund	 \$ 902,895	 \$ 902,561	 \$ 927,629	 \$ 25,068
Textbook Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 375	\$ 375
Total miscellaneous revenue	\$ -	\$ -	\$ 375	\$ 375
 Total revenue from local sources	 \$ -	 \$ -	 \$ 375	 \$ 375
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 144,655	\$ 145,107	\$ 145,288	\$ 181
Total revenue from the Commonwealth	\$ 144,655	\$ 145,107	\$ 145,288	\$ 181
Total Textbook Fund	\$ 144,655	\$ 145,107	\$ 145,663	\$ 556
 Total Discretely Presented Component Unit - School Board	 \$ 26,029,109	 \$ 26,540,438	 \$ 25,814,711	 \$ (725,727)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

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	\$ 96,840	\$ 121,137	\$ 113,883	\$ 7,254
General and financial administration:				
County administrator	\$ 438,849	\$ 439,549	\$ 388,001	\$ 51,548
Legal services	264,997	264,997	174,339	90,658
Central switchboard	25,679	60,679	51,377	9,302
Commissioner of revenue	475,385	484,785	484,499	286
Treasurer	346,237	366,237	361,201	5,036
Financial services	532,600	529,300	459,923	69,377
Department of information technology	609,233	660,318	484,965	175,353
Human Resources	153,959	170,648	124,272	46,376
Purchasing	209,948	213,248	176,395	36,853
Other general and financial administration	75	75	-	75
Total general and financial administration	\$ 3,056,962	\$ 3,189,836	\$ 2,704,972	\$ 484,864
Board of elections:				
Electoral board and officials	\$ 160,608	\$ 199,987	\$ 199,628	\$ 359
Total board of elections	\$ 160,608	\$ 199,987	\$ 199,628	\$ 359
Total general government administration	\$ 3,314,410	\$ 3,510,960	\$ 3,018,483	\$ 492,477
Judicial administration:				
Courts:				
Circuit court	\$ 84,272	\$ 84,272	\$ 79,681	\$ 4,591
General district court	16,155	21,570	18,818	2,752
Sheriff	529,993	553,363	536,195	17,168
Magistrate	1,146	1,146	291	855
Juvenile and domestic relations district court	6,325	7,325	5,504	1,821
Clerk of the circuit court	332,573	344,373	333,997	10,376
Victim and witness assistance	47,433	47,558	46,899	659
Total courts	\$ 1,017,897	\$ 1,059,607	\$ 1,021,385	\$ 38,222
Commonwealth's attorney:				
Commonwealth's attorney	\$ 359,033	\$ 360,908	\$ 357,852	\$ 3,056
Total commonwealth's attorney	\$ 359,033	\$ 360,908	\$ 357,852	\$ 3,056
Total judicial administration	\$ 1,376,930	\$ 1,420,515	\$ 1,379,237	\$ 41,278
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,205,513	\$ 2,281,211	\$ 2,253,631	\$ 27,580
Grants programs	-	184,472	74,207	110,265
Total law enforcement and traffic control	\$ 2,205,513	\$ 2,465,683	\$ 2,327,838	\$ 137,845

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (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	\$ 2,600	\$ 34,525	\$ 8,433	\$ 26,092
Disaster relief - Irene	-	68,892	31,139	37,753
State forestry service	7,179	7,179	7,179	-
Fire and emergency management	2,309,902	2,699,437	2,519,732	179,705
Total fire and rescue services	<u>\$ 2,319,681</u>	<u>\$ 2,810,033</u>	<u>\$ 2,566,483</u>	<u>\$ 243,550</u>
Correction and detention:				
Confinement and care of prisoners	\$ 747,500	\$ 972,350	\$ 948,639	\$ 23,711
Probation & pretrial	170,639	170,639	129,089	41,550
Total correction and detention	<u>\$ 918,139</u>	<u>\$ 1,142,989</u>	<u>\$ 1,077,728</u>	<u>\$ 65,261</u>
Inspections:				
Building	\$ 349,330	\$ 348,179	\$ 327,226	\$ 20,953
Total inspections	<u>\$ 349,330</u>	<u>\$ 348,179</u>	<u>\$ 327,226</u>	<u>\$ 20,953</u>
Other protection:				
Animal control	\$ 244,427	\$ 268,083	\$ 232,585	\$ 35,498
E-911	1,046,781	1,189,377	1,029,489	159,888
Total other protection	<u>\$ 1,291,208</u>	<u>\$ 1,457,460</u>	<u>\$ 1,262,074</u>	<u>\$ 195,386</u>
Total public safety	<u>\$ 7,083,871</u>	<u>\$ 8,224,344</u>	<u>\$ 7,561,349</u>	<u>\$ 662,995</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 830,605	\$ 830,605	\$ 728,172	\$ 102,433
Total sanitation and waste removal	<u>\$ 830,605</u>	<u>\$ 830,605</u>	<u>\$ 728,172</u>	<u>\$ 102,433</u>
Maintenance of general buildings and grounds:				
General properties	\$ 750,515	\$ 750,515	\$ 693,345	\$ 57,170
Total maintenance of general buildings and grounds	<u>\$ 750,515</u>	<u>\$ 750,515</u>	<u>\$ 693,345</u>	<u>\$ 57,170</u>
Total public works	<u>\$ 1,581,120</u>	<u>\$ 1,581,120</u>	<u>\$ 1,421,517</u>	<u>\$ 159,603</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 180,712	\$ 190,362	\$ 188,744	\$ 1,618
Total health	<u>\$ 180,712</u>	<u>\$ 190,362</u>	<u>\$ 188,744</u>	<u>\$ 1,618</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 97,645	\$ 97,645	\$ 97,645	\$ -
Total mental health and mental retardation	\$ 97,645	\$ 97,645	\$ 97,645	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,261,025	\$ 1,462,180	\$ 1,051,605	\$ 410,575
Area agency on aging	4,083	4,083	4,083	-
Meals on wheels	3,500	3,500	3,500	-
Transportation for the elderly	52,582	52,582	52,582	-
Social service agency donations	36,200	36,200	36,200	-
Total welfare	\$ 1,357,390	\$ 1,558,545	\$ 1,147,970	\$ 410,575
Total health and welfare	\$ 1,635,747	\$ 1,846,552	\$ 1,434,359	\$ 412,193
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 4,394	\$ 4,394	\$ 4,394	\$ -
Contribution to County School Board	11,734,595	11,734,595	11,339,094	395,501
Total education	\$ 11,738,989	\$ 11,738,989	\$ 11,343,488	\$ 395,501
Parks, recreation, and cultural:				
Parks and recreation:				
Administration and programs	\$ 502,452	\$ 519,654	\$ 432,322	\$ 87,332
Total parks and recreation	\$ 502,452	\$ 519,654	\$ 432,322	\$ 87,332
Cultural enrichment:				
Fine arts center	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
County fair association	-	5,000	5,000	-
Total cultural enrichment	\$ 9,000	\$ 14,000	\$ 14,000	\$ -
Library:				
Contribution to regional library	\$ 189,466	\$ 189,466	\$ 189,466	\$ -
Total library	\$ 189,466	\$ 189,466	\$ 189,466	\$ -
Total parks, recreation, and cultural	\$ 700,918	\$ 723,120	\$ 635,788	\$ 87,332
Community development:				
Planning and community development:				
Community development	\$ 57,087	\$ 57,087	\$ 47,301	\$ 9,786
Zoning board	2,200	2,200	552	1,648
Planning commission	35,157	35,435	30,325	5,110
Plum Point housing rehab	-	12,088	-	12,088
Planning and zoning	239,096	239,096	212,093	27,003
Economic development	154,152	163,152	157,747	5,405
Historic commission	675	1,402	795	607
Total planning and community development	\$ 488,367	\$ 510,460	\$ 448,813	\$ 61,647

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Contribution to soil and water conservation district	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Environmental management	202,403	205,053	191,628	13,425
Wetlands board	3,840	3,840	2,440	1,400
Litter control	-	7,218	5,864	1,354
Total environmental management	<u>\$ 221,243</u>	<u>\$ 231,111</u>	<u>\$ 214,932</u>	<u>\$ 16,179</u>
Cooperative extension program:				
Extension office	\$ 55,549	\$ 65,887	\$ 50,524	\$ 15,363
Total cooperative extension program	<u>\$ 55,549</u>	<u>\$ 65,887</u>	<u>\$ 50,524</u>	<u>\$ 15,363</u>
Total community development	<u>\$ 765,159</u>	<u>\$ 807,458</u>	<u>\$ 714,269</u>	<u>\$ 93,189</u>
Total General Fund	<u>\$ 28,197,144</u>	<u>\$ 29,853,058</u>	<u>\$ 27,508,490</u>	<u>\$ 2,344,568</u>
Special Revenue Funds:				
Airport Fund:				
Current:				
Public Works:				
Salaries and fringes	\$ 101,922	\$ 103,373	\$ 103,035	\$ 338
Contractual services	11,500	10,211	7,634	2,577
Electricity	7,000	7,000	7,088	(88)
Miscellaneous	149,534	149,372	101,147	48,225
Total public works	<u>\$ 269,956</u>	<u>\$ 269,956</u>	<u>\$ 218,904</u>	<u>\$ 51,052</u>
Capital projects expenditures:				
Airport improvement	\$ 596,318	\$ 1,059,498	\$ 560,655	\$ 498,843
Total capital projects	<u>\$ 596,318</u>	<u>\$ 1,059,498</u>	<u>\$ 560,655</u>	<u>\$ 498,843</u>
Total Airport Fund	<u>\$ 866,274</u>	<u>\$ 1,329,454</u>	<u>\$ 779,559</u>	<u>\$ 549,895</u>
Human Services Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,592,136	\$ 1,606,346	\$ 894,768	\$ 711,578
Virginia juvenile crime control act	20,500	20,500	20,500	-
Total welfare and social services	<u>\$ 1,612,636</u>	<u>\$ 1,626,846</u>	<u>\$ 915,268</u>	<u>\$ 711,578</u>
Total health and welfare	<u>\$ 1,612,636</u>	<u>\$ 1,626,846</u>	<u>\$ 915,268</u>	<u>\$ 711,578</u>
Total Human Services Fund	<u>\$ 1,612,636</u>	<u>\$ 1,626,846</u>	<u>\$ 915,268</u>	<u>\$ 711,578</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,788,277	\$ 2,788,277	\$ 2,787,611	\$ 666
Interest and other fiscal charges	2,867,993	2,890,043	2,877,650	12,393
Total Debt Service Fund	<u>\$ 5,656,270</u>	<u>\$ 5,678,320</u>	<u>\$ 5,665,261</u>	<u>\$ 13,059</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital projects	\$ 1,746,355	\$ 7,070,394	\$ 2,490,456	\$ 4,579,938
School projects	430,908	885,757	522,313	363,444
Total capital projects	<u>\$ 2,177,263</u>	<u>\$ 7,956,151</u>	<u>\$ 3,012,769</u>	<u>\$ 4,943,382</u>
Total County Capital Improvements Fund	<u>\$ 2,177,263</u>	<u>\$ 7,956,151</u>	<u>\$ 3,012,769</u>	<u>\$ 4,943,382</u>
Total Primary Government	<u>\$ 38,509,587</u>	<u>\$ 46,443,829</u>	<u>\$ 37,881,347</u>	<u>\$ 8,562,482</u>
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 31,635	\$ 31,635	\$ 31,006	\$ 629
Executive administration services	1,024,384	1,024,384	1,056,545	(32,161)
Total administration of schools	<u>\$ 1,056,019</u>	<u>\$ 1,056,019</u>	<u>\$ 1,087,551</u>	<u>\$ (31,532)</u>
Instruction costs:				
Elementary and secondary schools	\$ 18,789,727	\$ 18,708,076	\$ 17,969,188	\$ 738,888
Total instruction costs	<u>\$ 18,789,727</u>	<u>\$ 18,708,076</u>	<u>\$ 17,969,188</u>	<u>\$ 738,888</u>
Operating costs:				
Attendance and health services	\$ 1,004,571	\$ 1,004,571	\$ 902,978	\$ 101,593
Pupil transportation	2,339,882	2,339,882	2,452,940	(113,058)
Operation and maintenance of school plant	1,791,360	2,364,222	2,315,776	48,446
Total operating costs	<u>\$ 5,135,813</u>	<u>\$ 5,708,675</u>	<u>\$ 5,671,694</u>	<u>\$ 36,981</u>
Total education	<u>\$ 24,981,559</u>	<u>\$ 25,472,770</u>	<u>\$ 24,728,433</u>	<u>\$ 744,337</u>
Total School Operating Fund	<u>\$ 24,981,559</u>	<u>\$ 25,472,770</u>	<u>\$ 24,728,433</u>	<u>\$ 744,337</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board (Continued)				
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 902,895	\$ 924,899	\$ 914,354	\$ 10,545
Commodities	-	-	47,173	(47,173)
Total school food services	\$ 902,895	\$ 924,899	\$ 961,527	\$ (36,628)
Total Cafeteria Fund	\$ 902,895	\$ 924,899	\$ 961,527	\$ (36,628)
Textbook:				
Education:				
Instruction	\$ 144,655	\$ 373,255	\$ 269,358	\$ 103,897
Total Textbook	\$ 144,655	\$ 373,255	\$ 269,358	\$ 103,897
Total Discretely Presented Component Unit - School Board	\$ 26,029,109	\$ 26,770,924	\$ 25,959,318	\$ 811,606

STATISTICAL SECTION

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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.	5-8
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.	9-11
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 (1)
(accrual basis of accounting)

Table 1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 9,820,196	\$ 12,228,885	\$ 15,038,906	\$ 9,438,366	\$ 16,407,609	\$ 15,885,375	\$ 24,889,762	\$ 20,138,682	\$ 21,006,854	\$ 22,838,671
Restricted	286,512	529,641	823,127	-	-	5,017,970	-	-	33,738	36,885
Unrestricted	12,205,461	12,306,601	16,968,552	17,196,160	17,921,278	22,836,534	21,701,270	26,045,094	25,006,307	23,895,010
Total governmental activities net position	\$ 22,312,169	\$ 25,065,127	\$ 32,830,585	\$ 26,634,526	\$ 34,328,887	\$ 43,739,879	\$ 46,591,032	\$ 46,183,776	\$ 46,046,899	\$ 46,770,566
Business-type activities										
Net investment in capital assets	\$ 11,615,019	\$ 13,004,622	\$ 12,838,155	\$ 19,983,157	\$ 35,637,527	\$ 38,497,889	\$ 52,595,933	\$ 66,749,297	\$ 67,060,987	\$ 66,062,606
Unrestricted	3,411,101	5,204,171	11,624,152	43,534,175	31,615,532	28,769,945	19,181,071	7,694,815	7,320,135	7,224,382
Total business-type activities net position	\$ 15,026,120	\$ 18,208,793	\$ 24,462,307	\$ 63,517,332	\$ 67,253,059	\$ 67,267,834	\$ 71,777,004	\$ 74,444,112	\$ 74,381,122	\$ 73,286,988
Primary Government										
Net investment in capital assets	\$ 21,435,215	\$ 25,233,507	\$ 27,877,061	\$ 29,421,523	\$ 52,045,136	\$ 54,383,264	\$ 77,485,695	\$ 86,887,979	\$ 88,067,841	\$ 88,901,277
Restricted	286,512	529,641	823,127	-	-	5,017,970	-	-	33,738	36,885
Unrestricted	15,616,562	17,510,772	28,592,704	60,730,335	49,536,810	51,606,479	40,882,341	33,739,909	32,326,442	31,119,392
Total Primary government net position	\$ 37,338,289	\$ 43,273,920	\$ 57,292,892	\$ 90,151,858	\$ 101,581,946	\$ 111,007,713	\$ 118,368,036	\$ 120,627,888	\$ 120,428,021	\$ 120,057,554

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

Table 2
Page 1 of 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
General government administration	\$ 1,266,621	\$ 1,447,448	\$ 2,135,653	\$ 2,467,397	\$ 1,897,867	\$ 3,112,985	\$ 3,178,178	\$ 3,127,903	\$ 3,249,773	\$ 3,108,766
Judicial administration	557,455	573,244	1,148,168	1,414,736	1,369,100	1,340,241	1,281,668	1,626,082	1,689,574	1,724,039
Public safety	4,960,805	5,939,781	4,797,876	5,669,671	5,941,239	6,448,840	6,974,536	6,873,657	8,096,297	7,591,790
Public works	1,389,480	2,079,328	634,629	1,562,298	1,821,422	2,029,548	2,111,602	2,135,389	1,917,625	1,874,687
Health and welfare	1,967,934	2,035,533	2,001,494	2,730,201	2,789,425	2,549,020	2,470,269	2,632,900	2,443,203	2,425,394
Education	8,398,078	9,216,426	8,606,853	23,299,435	7,691,487	5,617,649	15,413,852	13,735,944	14,503,170	14,343,635
Parks, recreation and cultural	146,726	404,051	375,468	138,908	680,412	764,787	707,331	710,686	711,281	943,381
Community development	1,060,039	58,215	820,618	998,293	1,728,272	1,389,121	1,017,515	1,194,287	894,520	824,551
Interest and other financial charges	123,893	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
Total governmental activities	\$ 19,871,031	\$ 21,892,433	\$ 20,812,916	\$ 40,913,385	\$ 27,085,294	\$ 26,463,265	\$ 36,296,401	\$ 34,933,620	\$ 36,218,592	\$ 35,478,946
Business-type activities										
Water and Sewer	\$ 1,050,475	\$ 1,512,621	\$ 1,847,797	\$ 2,373,385	\$ 2,396,236	\$ 2,892,413	\$ 2,665,738	\$ 3,043,612	\$ 3,380,899	\$ 4,328,428
Bottoms Bridge	-	143,985	598,797	538,689	-	932,255	1,053,599	1,040,173	1,026,936	1,018,674
Total business-type activities	\$ 1,050,475	\$ 1,656,606	\$ 2,446,594	\$ 2,912,074	\$ 2,396,236	\$ 3,824,668	\$ 3,719,337	\$ 4,083,785	\$ 4,407,835	\$ 5,347,102
Total primary government expenses	\$ 20,921,506	\$ 23,549,039	\$ 23,259,510	\$ 43,825,459	\$ 29,481,530	\$ 30,287,933	\$ 40,015,738	\$ 39,017,405	\$ 40,626,427	\$ 40,826,048
Program Revenues										
Governmental activities										
Charges for services:										
General government	\$ 515,998	\$ 854,141	\$ 976,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	100,828	100,630	108,277	401,236	386,857	393,169	351,749	363,772	329,291	399,170
Public safety	14,978	14,638	118,371	694,944	670,915	467,676	437,179	319,879	461,092	390,953
Public works	150,040	131,431	160,223	112,478	69,744	110,879	45,231	50,901	126,347	145,479
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
Community development	-	-	-	328	6,462	2,440	87,478	106,075	63,701	1,305
Operating grants and contributions	4,858,074	5,290,164	3,121,241	3,760,077	3,940,686	3,534,316	3,541,020	3,361,044	3,850,528	3,680,325
Capital Grants and contributions	239,954	952,147	421,375	311,342	700,673	428,223	26,451	14,818	-	397,482
Total governmental activities	\$ 5,879,872	\$ 7,463,373	\$ 5,188,681	\$ 5,405,760	\$ 6,022,794	\$ 5,205,158	\$ 4,783,998	\$ 4,479,578	\$ 5,107,811	\$ 5,285,755
Business-type activities										
Charges for services:										
Water and Sewer	\$ 2,511,216	\$ 2,629,494	\$ 7,427,792	\$ 37,719,032	\$ 2,993,759	\$ 3,094,791	\$ 4,155,390	\$ 3,191,329	\$ 3,456,940	\$ 3,470,827
Bottoms Bridge	-	27,918	382,589	492,327	599,004	271,412	98,928	292,400	372,700	588,950
Operating grants and contributions	670,748	1,769,979	141,200	1,021,455	947,934	-	3,798,166	2,942,658	305,348	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities	\$ 3,181,964	\$ 4,427,391	\$ 7,951,581	\$ 39,277,103	\$ 4,540,697	\$ 3,366,203	\$ 8,052,484	\$ 6,426,387	\$ 4,134,988	\$ 4,059,777
Total primary government revenues	\$ 9,061,836	\$ 11,890,764	\$ 13,140,262	\$ 44,682,863	\$ 10,563,491	\$ 8,571,361	\$ 12,836,482	\$ 10,905,965	\$ 9,242,799	\$ 9,345,532

COUNTY OF NEW KENT, VIRGINIA

Net Position by Component

Last Ten Fiscal Years (1)

(accrual basis of accounting)

Table 2
Page 2 of 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	\$ (13,991,159)	\$ (14,429,060)	\$ (15,624,235)	\$ (35,504,705)	\$ (21,230,463)	\$ (21,258,107)	\$ (31,512,403)	\$ (30,454,042)	\$ (31,110,781)	\$ (30,193,191)
Business-type activities	2,131,489	2,770,785	5,504,987	36,365,029	2,144,461	(458,465)	4,333,147	2,342,602	(272,847)	(1,287,325)
Total primary government net expense	\$ (11,859,670)	\$ (11,658,275)	\$ (10,119,248)	\$ 860,324	\$ (19,086,002)	\$ (21,716,572)	\$ (27,179,256)	\$ (28,111,440)	\$ (31,383,628)	\$ (31,480,516)

General Revenues and Other Changes in Net Position

Governmental Activities:										
Taxes										
Property taxes	\$ 11,501,765	\$ 12,870,154	\$ 13,891,200	\$ 17,808,606	\$ 18,678,094	\$ 22,352,347	\$ 22,330,764	\$ 22,263,513	\$ 23,080,188	\$ 23,669,284
Other local taxes	2,746,469	2,861,365	3,972,970	4,095,757	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732
Proffer revenues	128,789	243,902	-	-	-	-	-	-	-	-
Investment earnings	189,284	322,551	390,396	2,717,504	2,427,528	1,631,096	872,932	797,493	632,029	582,919
Miscellaneous	1,061,389	885,652	1,422,398	1,523,291	1,144,452	305,112	858,794	781,793	865,267	816,074
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
Loss on disposal of net assets	-	-	-	-	(5,719)	-	-	-	-	-
Transfers	-	(1,606)	(18,773)	12,001	-	-	560	(3,660)	-	-
Total governmental activities	\$ 15,627,696	\$ 17,182,018	\$ 22,062,972	\$ 28,672,746	\$ 28,924,824	\$ 30,669,099	\$ 34,363,556	\$ 30,046,786	\$ 30,973,904	\$ 31,641,853

Business-type activities

Taxes	\$ -	\$ -	\$ -	\$ 30,542	\$ 52,012	\$ 94,877	\$ 112,973	\$ 117,658	\$ 127,667	\$ 120,765
Investment earnings	2,340	195,955	729,754	1,681,641	1,539,254	378,363	63,610	203,188	82,190	72,426
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	-	1,606	18,733	(12,001)	-	-	(560)	3,660	-	-
Total business-type activities	\$ 2,340	\$ 197,561	\$ 748,487	\$ 1,700,182	\$ 1,591,266	\$ 473,240	\$ 176,023	\$ 324,506	\$ 209,857	\$ 193,191
Total primary government	\$ 15,630,036	\$ 17,379,579	\$ 22,811,459	\$ 30,372,928	\$ 30,516,090	\$ 31,142,339	\$ 34,539,579	\$ 30,371,292	\$ 31,183,761	\$ 31,835,044

Changes in Net Position

Governmental activities	\$ 1,636,537	\$ 2,752,958	\$ 6,438,737	\$ (6,831,959)	\$ 7,694,361	\$ 9,410,992	\$ 2,851,153	\$ (407,256)	\$ (136,877)	\$ 1,448,662
Business-type activities	2,133,829	2,968,346	6,253,474	38,065,211	3,735,727	14,775	4,509,170	2,667,108	(62,990)	(1,094,134)
Total primary government	\$ 3,770,366	\$ 5,721,304	\$ 12,692,211	\$ 31,233,252	\$ 11,430,088	\$ 9,425,767	\$ 7,360,323	\$ 2,259,852	\$ (199,867)	\$ 354,528

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ -	\$ -	\$ -	\$ 38,111	\$ 42,394	\$ 324,244	\$ 296,700	\$ -	\$ -	\$ -
Unreserved	4,494,567	4,649,809	5,561,288	7,489,255	8,365,163	8,828,235	8,409,015	-	-	-
Nondisposable	-	-	-	-	-	-	-	3,934	9,319	43,994
Restricted	-	-	-	-	-	-	-	46,118	33,738	36,885
Committed	-	-	-	-	-	-	-	82,456	55,837	133,399
Unassigned	-	-	-	-	-	-	-	7,688,117	7,718,777	7,603,739
Total general fund	\$ 4,494,567	\$ 4,649,809	\$ 5,561,288	\$ 7,527,366	\$ 8,407,557	\$ 9,152,479	\$ 8,705,715	\$ 7,820,625	\$ 7,817,671	\$ 7,818,017
All other governmental funds										
Reserved for:	\$ -	\$ -	\$ -	\$ -	\$ 11,635,215	\$ 5,017,970	\$ 4,405,293	\$ -	\$ -	\$ -
Construction	-	-	-	34,577,687	-	1,629,190	31,734	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	9,600	9,600	1,817,891	420,906	514,657	275,033	450,208	-	-	-
Capital projects funds	7,811,791	7,512,308	14,001,281	14,227,604	13,488,892	10,802,647	10,674,722	-	-	-
Debt service funds	-	-	-	3,255,757	2,784,806	1,093,216	1,821,150	-	-	-
Nondisposable	-	-	-	-	-	-	-	1,255,909	1,251,693	134,892
Restricted	-	-	-	-	-	-	-	4,137,075	-	-
Committed	-	-	-	-	-	-	-	673,763	305,772	900,499
Assigned	-	-	-	-	-	-	-	12,187,794	15,439,060	15,290,274
Total all other governmental funds	\$ 7,821,391	\$ 7,521,908	\$ 15,819,172	\$ 52,481,954	\$ 28,423,570	\$ 18,818,056	\$ 17,383,107	\$ 18,254,541	\$ 16,996,525	\$ 16,325,665

Note:

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

COUNTY OF NEW KENT, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (1)

(modified accrual basis of accounting)

Table 4

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	\$ 11,552,349	\$ 12,705,548	\$ 14,146,386	\$ 17,523,220	\$ 18,678,094	\$ 22,029,662	\$ 22,222,442	\$ 22,297,958	\$ 22,901,566	\$ 23,426,941
Other local taxes	2,746,469	2,861,365	3,972,970	4,095,757	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732
Permits, privilege fees and licenses	504,554	671,713	689,055	669,615	660,112	459,232	430,902	310,578	377,288	385,976
Fines and Forfeitures	154,322	180,150	239,856	221,938	212,547	219,372	191,841	215,521	242,185	243,811
Revenue from use of money & property	217,099	360,183	688,101	2,624,902	2,259,565	1,631,096	872,932	797,493	632,029	582,919
Charges for services	277,290	312,774	716,023	445,708	508,776	564,015	593,784	577,617	637,810	578,161
Miscellaneous	1,003,548	1,131,483	992,979	1,523,291	1,144,452	1,011,475	858,794	781,793	865,267	816,074
Recovered costs	4,493	16,864	147,995	509,553	533,865	736,896	594,960	485,748	495,986	454,320
Commonwealth of Virginia	4,141,660	4,526,958	4,748,765	5,535,817	5,685,369	5,384,875	4,869,299	4,823,858	5,244,698	5,435,150
Federal Government	956,368	1,715,353	896,803	984,524	1,331,260	864,586	990,768	875,463	1,574,059	1,595,501
Total revenues	\$ 21,558,152	\$ 24,482,391	\$ 27,238,933	\$ 34,134,325	\$ 35,319,239	\$ 36,994,831	\$ 35,290,932	\$ 35,050,217	\$ 36,399,079	\$ 37,139,585
Expenditures										
General government administration	\$ 1,742,309	\$ 1,931,326	\$ 1,992,187	\$ 2,298,557	\$ 2,838,389	\$ 2,966,220	\$ 2,892,335	\$ 2,859,703	\$ 3,111,352	\$ 3,018,483
Judicial administration	517,043	594,240	1,096,622	1,333,063	1,334,679	1,271,699	1,271,058	1,293,438	1,355,640	1,379,237
Public Safety	3,988,242	4,828,250	4,678,449	5,349,980	5,875,647	5,803,309	6,223,255	6,757,429	8,028,355	7,561,349
Public works	1,537,519	2,334,661	1,682,663	1,623,329	1,693,001	1,797,806	1,825,072	1,832,237	1,782,409	1,640,421
Health and welfare	1,983,080	2,066,373	1,983,586	2,718,814	2,804,957	2,536,125	2,487,966	2,529,648	2,354,831	2,349,627
Education	7,327,368	8,389,668	8,168,710	8,356,402	9,674,192	10,199,591	9,292,122	10,689,229	11,314,721	11,343,488
Parks, recreation and cultural	100,140	387,751	362,439	475,968	615,715	656,906	668,412	652,519	617,971	635,788
Community development	1,007,176	752,097	834,077	1,090,833	1,410,997	1,290,168	964,421	1,118,510	763,602	714,269
Capital projects	1,530,016	2,057,914	7,604,394	20,382,379	39,636,653	12,079,368	3,473,438	1,649,068	2,639,793	3,573,424
Debt service										
Principal	750,069	774,354	762,357	903,226	2,124,007	3,697,636	4,705,781	2,626,864	2,704,858	2,787,611
Interest and other fiscal charges	123,893	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
Bond issuance costs	-	-	-	1,035,707	98,920	-	-	-	-	-
Total Expenditures	\$ 20,606,855	\$ 24,255,041	\$ 29,457,641	\$ 47,065,745	\$ 71,216,259	\$ 45,855,423	\$ 37,173,205	\$ 35,111,281	\$ 37,660,049	\$ 37,881,347
Revenues over (under) expenditures	\$ 951,297	\$ 227,350	\$ (2,218,708)	\$ (12,931,420)	\$ (35,897,020)	\$ (8,860,592)	\$ (1,882,273)	\$ (61,064)	\$ (1,260,970)	\$ (741,762)
Other financing sources (uses)										
Transfers in	\$ 2,388,343	\$ 2,170,296	\$ 5,337,482	\$ 6,996,327	\$ 6,872,077	\$ 11,739,565	\$ 13,193,093	\$ 9,455,572	\$ 11,595,115	\$ 8,816,327
Transfers out	(3,078,911)	(2,171,902)	(5,356,255)	(6,984,326)	(6,872,077)	(11,739,565)	(13,192,533)	(9,459,232)	(11,595,115)	(8,816,327)
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)	\$ (690,568)	\$ (1,606)	\$ 9,730,745	\$ 51,560,279	\$ 12,718,827	\$ -	\$ 560	\$ 47,408	\$ -	\$ 71,248
Net change in fund balances	\$ 260,729	\$ 225,744	\$ 7,512,037	\$ 38,628,859	\$ (23,178,193)	\$ (8,860,592)	\$ (1,881,713)	\$ (13,656)	\$ (1,260,970)	\$ (670,514)
Debt service as a percentage of noncapital expenditures	5.10%	4.60%	4.83%	13.07%	17.54%	25.33%	22.63%	16.72%	16.01%	16.43%

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

Table 5

	2013			2004		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
Taxpayer						
New Kent Farms LLC	1	\$ 34,900,600	1.54%			
Colonial Downs Holdings Inc	2	26,595,500	1.17%	2	\$ 25,435,300	2.38%
City of Newport News	3	25,129,300	1.11%	1	28,013,913	2.62%
Kinney Jonathan C. Trustee	4	23,235,000	1.02%	8	5,361,200	0.50%
NKP LB5 LLC	5	12,524,000	0.55%			
SPF Investments, LLC	6	10,784,700	0.47%			
Kentland Investments LLC	7	9,869,800	0.43%	9	5,327,900	0.50%
NKP LB4 LLC	8	9,227,700	0.41%			
Patriot's Landing Mgmt Corp.	9	8,098,700	0.36%			
AHS Cumberland Hospital, LLC	10	6,597,300	0.29%			
Bluegreen Properties of Virginia				7	5,483,900	0.51%
Tradition Golf Club Royal New Kent				3	14,735,800	1.38%
The Stitzer - INGO Co. Etal				4	8,318,500	0.78%
Goodall, Marjorie R				5	7,623,400	0.71%
Tideland Title Agency, Inc.				6	6,509,100	0.61%
Total		\$ 166,962,600	7.35%	10	\$ 4,969,300	0.46%
					\$ 111,778,313	10.46%
Total Assessed Valuation of RE		\$ 2,270,908,057	100.00%		\$ 1,068,700,613	100.00%

Notes:

(1) Based on January 1, 2012 Real Estate Assessments Less Land Use

(2) Based on January 1, 2003 Real Estate Assessments Less Land Use

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

Table 6

Fiscal Year	Taxes Levied for the Fiscal Year (2)	Collected within the Fiscal Year of the Levy		Adjustments to Levy in Subsequent Years		Total Adjusted Levy	Collections in Subsequent Years	Total Collections to Date	
		Amount (1)	Percentage of Levy	Subsequent Years	Years			Amount (1)	Percentage of Levy
2013	\$ 18,281,426	\$ 17,694,331	96.79%	\$ -	-	\$ 18,281,426	\$ -	\$ 17,694,331	96.79%
2012	18,212,680	17,636,241	96.83%	1,474	212,348	18,214,154	212,348	17,848,589	97.99%
2011	18,024,674	17,412,481	96.60%	(1,162)	395,731	18,023,512	395,731	17,808,212	98.81%
2010	18,150,753	17,481,715	96.31%	(130,242)	447,380	18,020,512	447,380	17,929,095	99.49%
2009	17,544,380	16,928,858	96.49%	(20,740)	537,248	17,523,640	537,248	17,466,105	99.67%
2008	14,683,271	14,228,315	96.90%	(228)	428,276	14,683,043	428,276	14,656,591	99.82%
2007	13,684,954	13,233,449	96.70%	(2,665)	443,526	13,682,289	443,526	13,676,975	99.96%
2006	10,873,944	10,579,423	97.29%	41,551	333,428	10,915,495	333,428	10,912,851	99.98%
2005	9,769,591	9,543,630	97.69%	18,429	242,637	9,788,020	242,637	9,786,267	99.98%
2004	8,790,161	8,531,094	97.05%	10,593	268,113	8,800,754	268,113	8,799,207	99.98%

Notes:

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

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

Table 7

Fiscal Year	Residential/ Agricultural Property (4)(5)	Commercial Property (4)	Total Assessed Value	Less: Land-Use Property (4)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Est. Actual Value	
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%	(2)
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%	
2004	994,033,200	111,266,313	1,105,299,513	36,598,900	1,068,700,613	0.81	1,383,353,583	77.25%	

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 2013 Estimated Ratio provided by the Department of Taxation for an assessment to sales price median ratio.

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

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

(5) Includes Land Use Exemptions.

COUNTY OF NEW KENT, VIRGINIA
Assessed Value of Taxable Property Other than Real Property
Last Ten Fiscal Years

Table 8

Fiscal Year	Personal Property (1)	Machinery & Tools (1)	Aircraft (1)	Public Service (2,3)	Total
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.

(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			
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
2004	0.81	3.75	3.00	0.50	0.81

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

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 2004 through 2011 was obtained from the Bureau of Economic Analysis, U. S. Department of Commerce - BEARFACTS.

N/A - This information was not available

COUNTY OF NEW KENT, VIRGINIA
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

Fiscal Year	General		State		Total		General		Percent of	
	Obligation	Bonds	Literary Fund	Loans	General	Bonded Debt	Bonded Debt	Per Capita	General Bonded	Debt to Assessed
										Real Property Value
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%
2004		3,268,850		500,000		3,768,850		246		0.34%

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)
2013	(5)	19,554	N/A	N/A	5.6	3,001
2012		19,169	N/A	N/A	5.7	2,940
2011		18,784	690,856	36,705	6.3	2,938
2010		18,563	647,830	34,891	7.2	2,888
2009		18,057	627,567	34,755	7.2	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
2004		15,317	481,367	31,427	3.6	2,626

(1) Bureau of Economic Analysis - Bearfacts

(2) U.S. Department of Labor Statistics - Unemployment Rate by County, Not Seasonally Adjusted at June of each year

(3) Virginia Department of Education Fall Membership Reports (division totals by grade)

Fall Membership is the number of students enrolled in public school on September 30th of each year.

(4) 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 2013

N/A - This information was not available.

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

Table 13

Employer	2013			2004		
	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	4	
AHS Cumberland Hospital	100 to 249	3		250 to 499	2	
Food Lion	100 to 249	4		100 to 249	5	
Curtis Contracting Incorporated	100 to 249	5				
County of Henrico	100 to 249	6				
Bruce Howard Contracting Inc	100 to 249	7				
McDonald's	50 to 99	8		20 to 49	10	
Comfort Keepers 160	50 to 99	9				
Colonial Downs	50 to 99	10		100 to 249	3	
Commercial Carrier Corp				50 to 99	6	
Impact Management Service				50 to 99	7	
Allied Pallet Company				50 to 99	8	
Winn Dixie				20 to 49	9	

Source: Virginia Employment Commission

*Quarterly Census of Employment and Wages (QCEW)

Data for 2013: 1st Quarter 2013

Data for 2004: 1st Quarter 2004

**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

	Full-time Equivalent Employees as of June 30									
	2013 (2)	2012 (1)	2011	2010	2009	2008	2007	2006	2005	2004
General government:										
Clerk of the Board	5	5	4.5	4.5	4.5	4	3.5	3	2	2
Commissioner of the Revenue	7.1	7	6	6	6	6	4	4	4	4
Treasurer	5	5	4	4	4	4	4	4	4	4
Finance	4.5	5.5	4	4	4	6	6.5	5	4	4
Human Resources	2	2	2	2	2	1	1	0	0	0
Information Technologies	3	3	3	3	3	3	2	2	2	1
Registrar	1.4	2.5	2	2	2	2	1	1	1	1
County Attorney	2	2	2	2	2.5	2	2	2	0	0
Total General Government	30	32	27.5	27.5	28	28	24	21	17	16
Judicial Administration:										
Clerk of the Circuit Court	4.5	5.5	4	4	4	4	4	4	4	4
General District Court								1	1	1
Victim Witness	1	1	1	1	1	1	1	1	1	1
Commonwealth Attorney	4.1	3.5	3.5	3.5	3.5	3.5	3.5	2	2	2
Total Judicial Administration	9.6	10	8.5	8.5	8.5	8.5	8.5	8	8	8
Public Safety:										
Sheriff and Animal Control	55.6	50.5	41	39	39	37	45	36	35	35
Fire and Emergency Mgmt.	27.6	22.5	16	16	13	10	10	8	8	8
Total Public Safety	83.2	73	57	55	52	47	55	44	43	43
Public Works:										
Airport	1.8	1.5	1	1	1	1	1	1	1	1
Refuse	9.6	9	10	10	10	10	9	1	1	1
Other Public Works	8	9	8	8	8	8	5	6	6	6
Total Public Works	19.4	19.5	19	19	19	19	15	8	8	8
Health and Welfare:										
Social Services	18.7	16.5	15.5	12.5	12.5	13.5	13.5	10	10	10
Human Services	1	1						1	1	1
Total Health and Welfare	19.7	17.5	15.5	12.5	12.5	13.5	13.5	11	11	11
Community Development										
Planning/Environmental/Permitting	7	7	9	9	9	11	8	8	5	5
Building Inspections	6	5	5	5	5	7	7	8	6	5
Extension	0.5	0.5								
Economic Development	2.05	1	2	2	2	1	1	1	1	0
Total Community Development	15.55	13.5	16	16	16	19	16	17	12	10
Parks, Recreation and Cultural										
Parks and Recreation	5.4	3.5	3.5	4	4	4	4	1	2	2
Total Parks, Recreation and Cultural	5.4	3.5	3.5	4	4	4	4	1	2	2
Total Governmental	182.85	169	147	142.5	140	139	136	110	101	98
Public Utilities										
Water/Sewer	20	18	17	16	16	13	13	11	9	6
Total Public Utilities	20	18	17	16	16	13	13		9	6
Total Other	20	18	17	16	16	13	13	11	9	6
Total County	202.85	187	164	158.5	156	152	149	121	110	104

Source: Human Resources Department, Human Resources Specialist

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

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

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

Table 15

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety (1)										
Fire and rescue companies	1	1	1	1	1	1	1	1	1	1
Number of Stations	4	4	4	4	3	3	3	3	3	3
Public Utilities (2)										
Active Vehicles	18	18	18	17	17	9	9	9	5	6
Refuse Collection (3)										
Refuse collected (tons per year)	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)	201	222	260	277	284	311	350	350	332	*
ONP (tons)	77	91	92	91	128	158	177	177	186	*
OCC (tons)	93	89	93	79	99	85	46	45	42	*
Propane Tanks (units)	51	58	105	73	126	104	97	161	157	*
Batteries (units)	158	178	127	309	280	329	360	161	-	*
Used Oil (gallons)	12,095	10,368	12,381	12,320	12,210	13,845	12,470	11,345	12,145	*
Antifreeze (gallons)	353	560	475	515	480	595	270	415	430	*
Oil Filters (gallons)	1,045	880	935	935	1,210	1,210	1,055	960	900	*
Category 1 (gallons)	1,155	1,375	1,485	1,265	1,320	1,320	1,100	1,045	880	*
Parks, Recreation & Cultural (4)										
Land acres	330	275	275	275	275	275	259	159	158	158
Trails (miles)	6	6	6	5	5	5	5	3	3	3
Number of visitors	26,725	26,725	26,725	24,750	24,750	22,620	4,325	*	*	*
Library (5)										
Material circulated	48,922	52,592	50,637	43,230	41,589	47,850	60,435	55,958	48,860	43,013
Library patrons	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	1	1	1	1
Primary Schools										
Buildings	0	0	0	0	0	0	1	1	1	1
Middle Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	750	750	750	750	750	522	522	522	522	522
High Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	1200	1200	1200	1200	1200	800	800	800	800	800
Number of school buses	60	60	60	60	60	63	60	60	57	54

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Sheriff's Department (1)										
Stations	1	1	1	1	1	1	1	1	1	2
Patrol units	19	19	19	19	19	19	17	14	14	14
Total Calls Dispatched	34,651	34,964	34,884	31,094	34,087	38,302	31,604	25,712	19,667	18,052
Calls dispatched for traffic	8,702	6,810	6,628	4,043	3,503	3,298	3,368	2,863	2,850	3,132
Calls dispatched for rescue	1,524	2,994	2,765	1,707	1,620	1,353	1,106	1,701	2,776	2,060
Number of criminal warrants served	1,419	1,359	1,318	1,161	1,129	1,146	1,335	1,243	1,212	1,088
Number of civil warrants and traffic notices	6,108	6,829	7,171	7,165	8,424	8,576	9,215	7,639	6,989	5,192
Volunteer Fire and Rescue (2)										
Companies	1	1	1	1	1	1	1	1	1	1
Stations	4	4	4	4	3	3	3	3	3	3
Emergency responses	3,255	3,010	2,765	2,891	1,418	1453**	2,480	1,132	1,021	2,300
Fires extinguished	132	112	168	224	289	213**	886	557	732	945
Inspections	357	784	810	688	594	312	101	103	112	104
Parks and recreation (3)										
Number of parks maintained	8	7	7	7	7	6	6	N/A	N/A	N/A
Park acreage owned by the County	330	275	275	275	275	275	252	N/A	N/A	N/A
Park acreage leased	0	0	0	0	0	0	0	N/A	N/A	N/A
Library (4)										
Number of libraries	1	1	1	1	1	1*	1	1	1	1
Number of bookmobiles (non-operational)	0	0	0	0	1	1	1	1	1	1
Public Utilities (5)										
Water										
Daily average consumption (gallons)	502,263	667,000	828,208	572,212	697,149	811,600	694,000	648,000	344,568	380,000
Number of connections	2,400	2,133	2,101	1,990	1,918	1,887	1,732	1,576	1,384	1,200
Sewer										
Average daily sewage treatment (thousands of gallons)	244,000	255,000	234,000	320,000	340,000	328,000	256,000	188,000	135,000	200,000
Number of connections	1142	951	916	809	733	725	579	422	268	125
Reclaimed										
Daily average consumption (gallons)	240,000	198,000								
Number of connections	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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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2013, and the related notes to the financial statements, which collectively comprise the County of New Kent, Virginia's basic financial statements, and have issued our report thereon dated November 4, 2013.

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
November 4, 2013

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, 2013. 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, 2013.

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
November 4, 2013

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number	FY2013 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	\$ 164,344
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	17901-40591	61,525
National School Lunch Program	10.555	17901-40623	\$227,401
Department of Agriculture:			
Food Distribution - School Nutrition Program	10.555	17901-45707	47,173
Total Department of Agriculture			\$ 500,443
Department of Homeland Security:			
Direct Payments:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	78,120
Pass Through Payments:			
Department of Emergency Services:			
Nonprofit Security Program	97.008	77501-52889	448,540
Emergency Management Performance Grants	97.042	77501-52601	26,610
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602-155/158	60,564
Total Department of Homeland Security			\$ 613,834
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-81100	2,905
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Child Care and Development Cluster:			
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	0760109/0760110	11,809
Temporary Assistance for Needy Families	93.558	0400109/0400110	97,945
Refugee and Entrant Assistance - State Administered Program	93.566	0500109/0500110	449
Low Income Home Energy Assistance	93.568	0600409/0600410	6,760
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	374
Foster Care - Title IV-E	93.658	1100109/1100110	36,908
Adoption Assistance	93.659	1120109/1120110	32,119
Social Services Block Grant	93.667	1000109/1000110	57,998
Chafee Foster Care Independence Program	93.674	9150109/9150110	377
Children's Health Insurance Program	93.767	0540109/0540110	3,447
Medical Assistance Program	93.778	1200109/1200110	97,990
Total Department of Health and Human Services			\$ 346,176
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	211,827
Career and Technical Education - Basic Grants to States	84.048	17901-61095	27,487
Improving Teacher Quality State Grants	84.367	17901-61840	52,905
Education Jobs Funds	84.410	17901	240,697
Special Education Cluster:			
Special Education - Preschool Grants	84.173	17901-62521	15,242
Special Education Grants - Grants to States	84.027	17901-43071	639,557

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number	FY2013 Federal Expenditures
Department of Education: (Continued)			
Pass Through Payments: (Continued)			
Department of Education: (Continued)			
Education Technology Cluster:			
Education Technology - State Grants	84.318	17901-61600	\$ 1,113
Total Department of Education			<u>\$ 1,188,828</u>
Environmental Protection Agency:			
Pass Through Payments:			
Virginia Water Facilities Fund:			
Chesapeake Bay Program	66.466	51503	1,325
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	397,482
Pass Through Payments:			
Department of Motor Vehicles:			
National Motor Carrier Safety	20.218	0091-12-01-00	33,542
Alcohol Open Container Requirements	20.607	60507-52051	35,893
Total Department of Transportation			<u>\$ 466,917</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,120,428</u></u>

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, 2013

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, 2013. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of New Kent, Virginia, it is not intended to and does not present the financial position, changes in net 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 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D - 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	\$ 1,198,019
Special Revenue Funds:	
Airport Fund	397,482
Total primary government	<u>\$ 1,595,501</u>

Component Unit Public Schools:

School Operating Fund	\$ 1,188,828
School Cafeteria Fund	336,099
Total component unit public schools	<u>\$ 1,524,927</u>

Total federal expenditures per basic financial statements	<u>\$ 3,120,428</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 3,120,428</u>
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COUNTY OF NEW KENT, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

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>
20.106	Airport Improvement Grant
97.008	Non-Profit Security Program
84.410	Education Jobs Funds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

COUNTY OF NEW KENT, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2013

There were no prior year findings and questioned costs.

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