

**COUNTY OF NEW KENT, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2006**

**Prepared by the Department of Financial Services at New Kent County**

## **INTRODUCTORY SECTION**

COUNTY OF NEW KENT, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

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**BOARD OF SUPERVISORS**

D. M. "Marty" Sparks, Chairman	District 2
Stran L. Trout, Vice Chairman	District 4
Mark E. Hill	District 1
James H. Burrell	District 3
W. R. "Ray" Davis, Jr.	District 5

**CONSTITUTIONAL OFFICERS**

Karen A. Butler	Clerk of Circuit Court
Grosjean G. Crump, III	Commissioner of the Revenue
C. Linwood Gregory	Commonwealth's Attorney
Farrar W. "Wakie" Howard, Jr.	Sheriff
Herbert C. Jones, Jr.	Treasurer

**COUNTY ADMINISTRATIVE OFFICERS**

John A. Budesky	County Administrator
Jeffrey Summers	County Attorney
Mary F. Altemus	Director, Financial Services
George Homewood	Director, Planning and Community Development
Spencer Cheatham	Interim Director, Fire and Emergency Management
L. Alan Harrison	Director, Public Utilities
James Tacosa	Director, General Services
Jonathan R. Stanger	Director, Information Systems
Michelle Lauter	Director, Social Services

**COUNTY OF NEW KENT, VIRGINIA**

**DIRECTORY OF PRINCIPAL OFFICIALS**

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**SCHOOL BOARD**

Dr. Gail B. Hardinge, Chairman	District 4
Joseph S. Yates, Vice Chairman	District 2
Van N. McPherson	District 1
Cynthia Gaines	District 3
Theresa D. Lindsay	District 5

**SCHOOL BOARD ADMINISTRATIVE OFFICERS**

J. Roy Geiger, II	Superintendent
Leigh R. Quick	Administrator of Instruction
Edward R. Smith	Administrator of Budget/Finance
Laurie Dever	Human Resource Director
Gwendolyn M. Keeton	Administrator of Pupil/Personnel Services
Lynn Sodat	Division Director of Testing, Federal Programs, and the New Kent Educational Foundation

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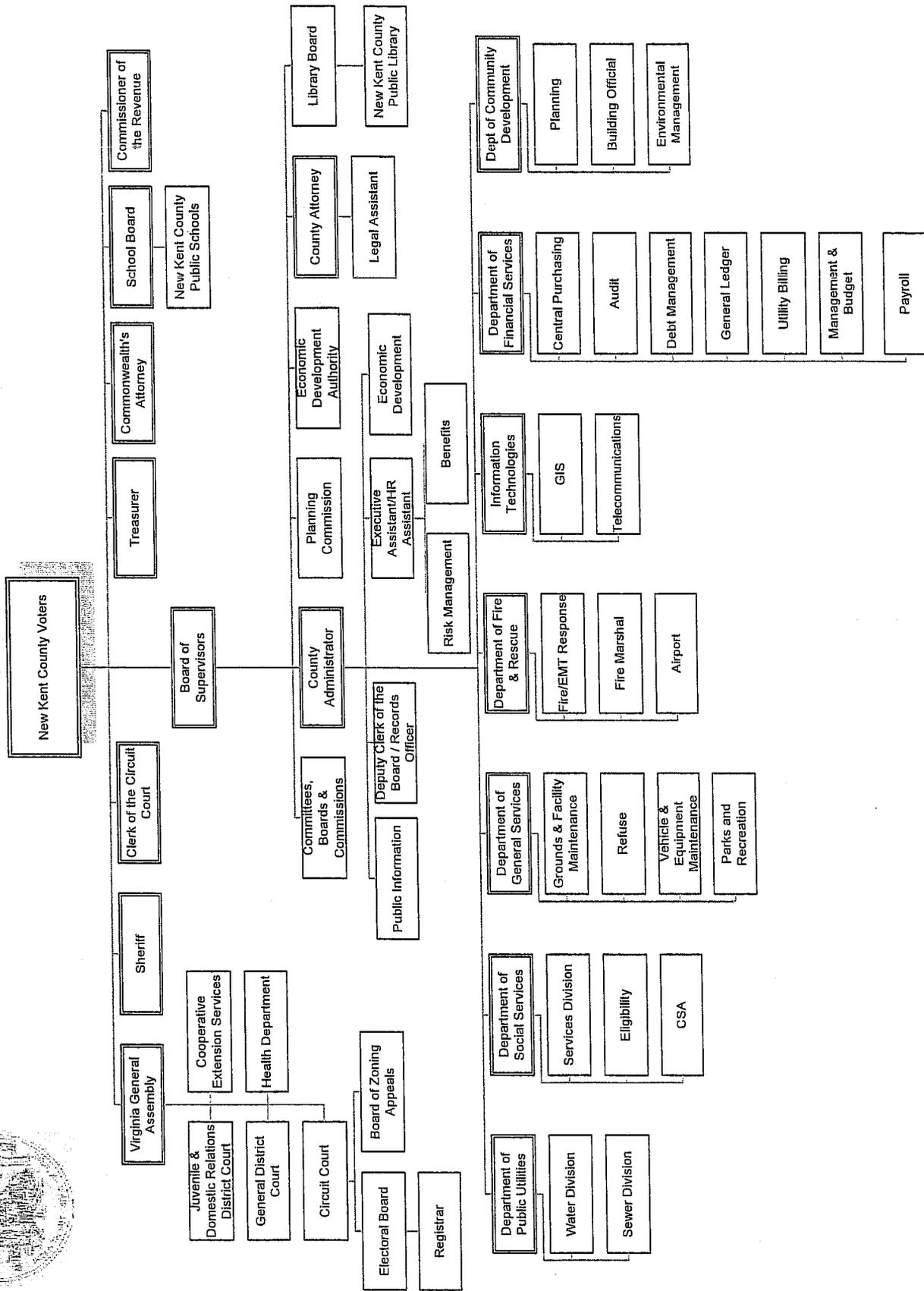
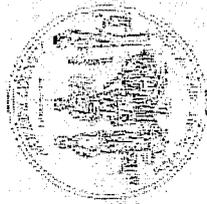
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# County of New Kent

## Organization of General Government Administrative Functions

June 20, 2006





## NEW KENT COUNTY, VIRGINIA

December 13, 2006

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

The Commonwealth 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 States of America by a firm of licensed certified public accountants. Pursuant to the requirement, we hereby issue the Comprehensive Annual Financial Report of the County of New Kent ("the County") for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all 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.

The County's financial statements have been audited by Cherry, Bekaert and Holland, L.L.P., 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, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County financial statements for the fiscal year ended June 30, 2006, 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, federally mandated "Single Audit" designed to meet the special needs of federal 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 audited County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal 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 it. The County MD&A can be found immediately following the report of the independent auditors.

## Profile of the County

New Kent County is home to approximately 15,700<sup>1</sup> people. The population of New Kent County has grown at a steady rate over the past few years increasing by 2,200 people or 16.3% since the 2000 Census. Even though the population density in 2000 was only 64 persons per square mile, demonstrating the County still remains primarily rural; the County has undergone significant development over the past several years. The County is located in the Virginia Coastal Plain between Richmond and Hampton Roads. The County was created by an act of the House of Burgesses on November 20, 1654.

The County of New Kent has a County Administrator form of Government with an elected five member Board of Supervisors who are elected by election districts. The Board has overall administrative and legislative responsibilities including levying County taxes, appropriating funds, approving and enforcing the County's Comprehensive Plan, which governs land use, making and enforcing ordinances and establishing policies and procedures for the residents of the County. A Chairman and Vice Chairman are selected by the Board on an annual basis from among the members of the Board.

The County Administrator serves at the pleasure of the Board and is the County's chief administrative officer, primarily supervising the management of the various governmental agencies of the County. In addition to the Board of Supervisors, other elected County officials include the Clerk of the Circuit Court, Commissioner of the Revenue, Commonwealth's Attorney, Treasurer and Sheriff. There is also an elected five-member School Board.

The Director of Financial Services is the Chief Financial Officer of the County and has been delegated the task of supervising and directing the proper accounting of all revenues and expenditures, and the preparation of the annual operating budget and financial reports.

The County provides general 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 public education in grades kindergarten through twelve and certain technical, vocational and special education programs, mental health assistance, agricultural services, judicial activities, juvenile detention services and airport services.

The County provides education through its own school system administered by the New Kent County School Board (the "School Board") and promotes industry through the Economic Development Authority (the "EDA"). These agencies have been classified as discretely presented component units in the financial reporting entity because the School Board administers their own appropriations within the categories defined by the Commonwealth of Virginia. The Board of Supervisors' (the "Board") financial accountability over the School Board is also limited to approving transfers between categories and authorizing school debt issuances. The EDA has the power to issue tax-exempt economic development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds representing limited obligations of the EDA are to be repaid solely from the revenue and receipts derived from the projects funded with the proceeds. The debt outstanding does not constitute a debt or pledge of the faith and credit of the County or the EDA.

The annual budget serves as the foundation of the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the Director of Financial Services each year. The Director of Financial Services uses these requests as the starting point for developing a proposed budget. The County Administrator then presents this proposed budget to the Board for review. The Board is

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<sup>1</sup> Demographics and Workforce Section, Weldon Cooper Center for Public Service, University of Virginia 2004 Final and 2005 Provisional Population Estimates, Virginia Cities and Counties

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. The appropriated budget is prepared by fund (e.g., General Fund), function (e.g., public safety), and department (e.g., Sheriff's Office). 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 budget for education purposes by May 1 or within 30 days of the receipt of estimates of educational funds to the County. The County budget document includes the School System's adopted budget. Departments may make transfers of appropriations by line item within major categories with the County Administrator's authorization. All other transfers must receive approval of the Board. All transfers are to be reported to the Board on a monthly basis. Budget-to-actual comparisons are provided in this report for which an appropriated annual budget has been adopted.

Appropriations lapse on June 30 for all County units. All incomplete projects must be reconsidered annually to determine if unspent funds need to be recommitted to a given project or reallocated to other planned projects.

### **Factors Affecting Financial Condition**

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:**

The county enjoys the fourth-highest median household income and the third-lowest poverty rate of the twenty jurisdictions in the Richmond, VA Metropolitan Statistical Area. (Source: U.S. Bureau of the Census 2003).

While New Kent County continues to be largely a bedroom community as documented in the 2000 Census with a negative 4,276 Net In-Commuters, it has maintained a low unemployment rate compared to the rates for Virginia and the United States. For 2006 New Kent had an unemployment rate of 2.8% compared to 3.3% and 4.8% for Virginia and the United States respectively. For the first half of 2006 New Kent County continues to demonstrate a strong unemployment rate with an average rate of 2.8% still considerable below the state and national average. (Source: Virginia Employment Commission – "Community Profile").

Residential building permit activity in the County has been increasing in recent years. New home permits averaged 239 units for Fiscal Years 2001-2005, with FY06 showing 341 single-family permits issued. However, non-residential construction in the County has not kept pace with residential activity. Based on approved developments building out as projected and proposed developments being developed as well as continued single-site development, approximately 7,700 new homes will be constructed by 2015. Housing units increased by 1,299 during the years 2000 to 2006. The County also approved the following subdivisions: Deer Lake, and The Oaks, Dispatch Station with 150, 120, and 100 lots respectively. (Source: New Kent County Permit Center).

New Kent taxable sales have steadily increased over the last fifteen years. There has been a 53.63% increase since 1990, with an increase of 15.6% between 2000 and 2003. (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 80 percent of its land area in woodland or agriculture. The local economy has traditionally revolved around the timber and wood products industry. In 2006, the largest major industry sector was construction, with 16 percent of the employment, followed by Health care and Social Assistance with 11 percent, and Retail Trade with 8.6 percent. The county's convenient access to surrounding metropolitan areas, via four interchanges of Interstate 64, has resulted in a substantial increase in recent residential and economic expansion.

The imbalance between residential and business investment in the County may pose a fiscal challenge to the County in the future. 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 nine such facilities statewide, with legislation passed by the General Assembly to increase that number to ten. The revenues from horseracing alone, contribute the equivalent of approximately five cents on the real property tax rate.
- Phase 1 of the Patriots Landing PUD development was recently recorded and is currently under construction. The PUD consists of 253 acres with 638 being the maximum number of residential dwelling units permitted on the property. When built out, the PUD will contain 160,000 square feet of retail and 110,000 square feet of office/service space. Commercial development is set to begin in year 4 of the project.
- The Kentland PUD occupies approximate acreage of 3,165 acres of which 528 acres will be used for commercial/tourism purposes and the remaining acreage will be used for 3,271 dwellings. The Kentland community will consist of a variety of residential, office, retail and recreational uses.
- The Rock Creek Villa 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 area.
- The George Watkins Elementary School renovation is close to completion and the Primary School is undergoing renovation as well. These projects were funded with interim loans until Literary Loans became available.

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

- The tax base grew by 4.7% last year, the largest growth due to an increase in real estate assessments due to the continued growth in subdivisions.
- The County has approximately 5,203 housing units. Homes are in the range of \$90,000 to \$100,000 and \$175,000 to \$250,000 with very little in between. The average value of a home for 2004 was \$164,577. The average sales price of a home in 2004 was \$175,000. (Source: U. S. Census Bureau, Assessor and Commissioner of the Revenue of New Kent County).
- Net Bonded Debt per Capita increased by \$255.00 to \$461.00 due to a loan for the Elementary School renovation and funds to build a County/School Maintenance Garage.

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 15<sup>th</sup> lowest level of fiscal stress and the 14<sup>th</sup> highest median adjusted gross 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 strong indicators of good fiscal health and are also indicative of the traditionally strong indicators that the County has improved over many years though the indicators have regressed just slightly. (Source: Commission on Local Government's Report on the *Comparative Revenue Capacity, Revenue Effort, and*

*Fiscal Stress of Virginia's Counties and Cities, for fiscal year 2004 and Weldon Cooper Center for Public Service, University of Virginia – All Returns, 2003 Virginia Department of Taxation).*

### **Long-term financial Planning:**

The County uses Financial Advisors to guide them through the long-term financial planning needed to address the growth of the county.

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 has long had a non-debt funding strategy for the CIP that helped to strengthen the County's debt ratios. To offset the county's increased debt due to school renovations and the commitment to build a new high school, the Board of Supervisors voted in fiscal year 2005 to set aside six cents of the real estate tax rate for future school capital expenditures and one cent of the tax rate for county capital and have continued with this effort in fiscal year 2006. The County Capital Improvement fund has accumulated funds due to the Board of Supervisor's policy that states any funds in excess of 15% of the actual expenditures are to be transferred from the General Fund into the Capital Fund. The County's conservative revenue forecasting has enabled it to meet future targets. 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 of Supervisors 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 will be reviewed, updated and adopted by the Board of Supervisors, thereby indicating the priority of projects, etc. The Board of Supervisor members recognize that there is a need to improve and build new infrastructure, therefore, there will be a need to increase borrowing and the debt ratios will increase significantly

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

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

**Major initiatives:** Although New Kent County is small, under the leadership of a new County Administrator who started on April 1, 2005, the county is aligning its professionalism, goals, and standards of operation with those of much larger populations. Some of the initial initiatives include:

- Securing federal, state, private and foundation grants for County programs, services, and capital programs
- Formulating Formal Fiscal Management Policies for Board Approval (Polices adopted by the Board on July 24, 2006).

**Risk Management:** The County is a participating member of the Virginia Municipal Group Self Insurance Association (VML) that provides workers' compensation coverage in compliance with the Virginia Workers' Compensation Code. This entity is a non-profit insurance pool created to provide local

municipalities with a stable insurance market for workers' compensation coverage, to reduce the cost of insurance for counties, and to improve risk management and loss prevention programs. Any unused premiums are returned to the County in the form of dividends. The County is experiencing an excellent loss ratio. In addition, the County provides various surety bond coverage as required under regulations and at industry recommended desired levels.

The School is a member of VSBA Risk Management Programs established in 1986 to provide school boards with group purchasing power, stability and top quality coverage. The program is supervised by VSBA members and offers a comprehensive approach to risk management. Additional insurance benefits include free automatic death and dismemberment coverage for all VSBA members traveling in performance of their school board-related duties or to VSBA-sponsored events. The New Kent School Board is experiencing a poor loss ratio.

The County is a participating member of VACoRP (VACo Risk Management Program), a member owned and operated program. The risks of loss to which the County is exposed include, but are not limited to, property loss - both fixed and mobile, personal injury, fleet loss, pollution, theft, embezzlement, sexual harassment, age and sex discrimination, zoning, false arrest, illegal searches, slander, and building codes. The County had no reduction in insurance coverage from the previous fiscal year in any categories of risk and there were no settlements greater than insurance coverage.

Whereas the County uses VACoRP, the School has a commercial package written by Utica Insurance Company by BB&T/GC Wright Insurance Services. The policy includes, but is not limited to, coverage for buildings, personal property written on a replacement cost basis with a \$1,000 deductible, third party liability, floating property, earthquake, flood, employee dishonesty, commercial auto, public officials bonds, and an umbrella liability excess over third party liability.

**Pension and other post-employment benefits:** The County and School are participants in the Virginia Retirement System ("VRS") a defined benefits plan pension system, for which the County and the School contribute a percentage of a qualifying County employee's salary towards the VRS. The VRS is responsible for administering the setting of the contribution rate and making retirement payments in accordance with the established plan. In addition, the County provides access to section 457 and/or section 403b, as applicable, retirement investment programs that are funded through employee deductions. The County does not have any reportable post-employment benefits. The School will have a post-employment benefit liability but does not know the extent of the liability at this time.

### **Acknowledgements**

The County utilizes its Website [www.co.new-kent.state.va.us](http://www.co.new-kent.state.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 (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of New Kent for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the second year that the government received 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 accounting principles generally accepted in the United States of America and applicable legal requirements.

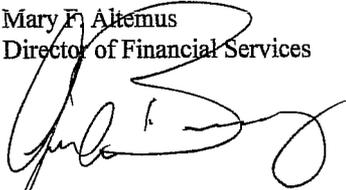
A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements and will be submitted to GFOA.

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, the Human Resources Specialist, and the School Board Office. Special thanks must also be given to our independent accounting firm, Cherry, Bekaert and Holland, LLP 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,

*Mary F. Altemus*

Mary F. Altemus  
Director of Financial Services



John A. Budesky  
County Administrator

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

County of New Kent  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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



*Carla E. Fudge*

President

*Jeffrey R. Egan*

Executive Director

## **FINANCIAL SECTION**



## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia (the "County"), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and airport fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2006 on our consideration of the County of New Kent's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedule of Funding Progress for a Defined Benefit Plan are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of New Kent's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The combining and individual nonmajor fund statements and schedules, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Cherry, Beckett & Halland, L.L.P.

Richmond, Virginia  
December 13, 2006

**County of New Kent, Virginia**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

The Management Discussion and Analysis (MD&A) offers the readers of the County of New Kent's financial statements a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2006. The information presented here should be considered in conjunction with additional information provided in the letter of transmittal.

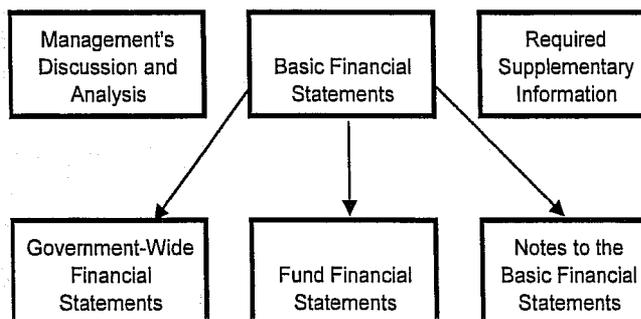
**Financial Highlights**

- The assets of the Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$57,292,892.
- The County's total net assets increased by \$12,692,251. The increase is attributable to a variety of factors including:
  - Conservative revenue practices whereby actual revenues are greater than budget.
  - Conservative expenditure practices that budget for full salaries with no adjustment for different anniversary dates
  - Other operating expenditures below budgetary thresholds.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,380,460, an increase of \$7,512,037 in comparison with the prior year. Approximately \$10,959,927 of this total amount is available for spending at the County's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,972,624. The fund balance policy states that fifteen percent of the current year's operating expenditures remains in the general fund and the remainder is moved to the capital projects fund.
- The Primary Government's total debt increased by \$8,987,161 during the fiscal year. New issuances exceeded scheduled repayments. Current year new debt included \$7.5 million bond anticipation note for School Projects and \$2.3 million capital lease for a maintenance garage.

**Overview of the Financial Statements**

The financial section of the comprehensive annual financial report consists of the following:

Components of the Financial Section



The Management Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required supplementary information is also included in this report.

For the past 20 years, the primary focus of local government financial statements have been summarized fund type information on a current financial resource basis to provide short-term information about the County's overall financial status. This approach has been modified with issuance of the Governmental Accounting Standards Board (GASB) Statement 34. Since fiscal year 2003, the County's financial statements present two kinds of statements,

each with a different snapshot of the County's finances. The new focus is on both the County as a whole (government-wide) and the fund financial statements (general, special revenue, capital projects, enterprise, and fiduciary funds). The government-wide statements, which are new, provide both short-term and long-term information about the County's overall financial status. The fund financial statements, which have been provided in the past, focus on individual parts of the County government, reporting the County's operations in more detail and reinforce the information provided in the government-wide statements. Both perspectives (government-wide and fund) allow the reader to address the relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the County's accountability.

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which 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 4-5 of this report.

In the Statement of Net Assets and the Statement of Activities, the County is divided into the following:

Governmental Activities – Most of the County's basic services are reported here: general government, public safety, public works, health and human services, parks and recreation, and community development. Primarily, property taxes, other taxes and intergovernmental revenue finance most of these activities.

Business-type Activities – The financial activity of the utility department is reported here. The County charges a fee to customers to help cover all or most of the cost of services provided by these activities.

Component Units – The County also includes two separate legal entities in its report – The County of New Kent School Board and the Economic Development Authority. While these represent legally separate entities, their operational or financial relationship with the County makes the County financially accountable.

**Fund Financial Statements:** Traditional readers of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements focus on the County's most significant funds. 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. The County uses governmental, proprietary, and fiduciary fund financial statements to provide more detailed information about the County's most significant funds.

The County has three kinds of funds:

Governmental Funds - Governmental funds are used to report most of the County's basic services. The funds focus on (1) cash and other financial resources that can be readily converted to cash flow in and out and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a near or short-term view of the County's finances 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. Because 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 statement that explains the relationship (or differences) between them. The basic governmental fund financial statements can be found on starting at page 6 of this report.

Proprietary Funds - The County maintains only one type of proprietary fund, the enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in government-wide financial statements. An enterprise fund may be used to report any activity for which a fee is charged to external users for goods or

services. The County uses an enterprise fund to account for its public utilities. The basic proprietary fund financial statements can be found starting on page 18 of this report.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on pages 21 this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting at page 22 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 41 of this report.

### Government-wide Financial Analysis

**Statement of New Assets:** The following table reflects condensed information on the County's net assets:

**Summary of Statement of Net Assets  
As of June 30, 2006**

	Governmental	Business Type	Total Primary	Component Unit	
	Activities	Activities	Government	School Board	EDA
Current and other assets	\$ 24,574,203	\$ 13,041,979	\$ 37,616,182	\$ 1,481,748	\$ 2,142,322
Capital assets	25,838,042	30,513,155	56,351,197	6,971,579	66,665
<b>Total assets</b>	<b>50,412,245</b>	<b>43,555,134</b>	<b>93,967,379</b>	<b>8,453,327</b>	<b>2,208,987</b>
Current and other liabilities	3,377,535	1,406,527	4,784,062	1,622,630	11,000
Long Term Liabilities	14,204,125	17,686,300	31,890,425	677,906	706,363
<b>Total liabilities</b>	<b>17,581,660</b>	<b>19,092,827</b>	<b>36,674,487</b>	<b>2,300,536</b>	<b>717,363</b>
Invested in capital assets, net of related debt	15,038,906	13,449,081	28,487,987	6,691,971	66,665
Restricted	823,127	-	823,127	-	-
Unrestricted net assets	16,968,552	11,013,226	27,981,778	(539,180)	1,424,959
<b>Total net assets</b>	<b>\$ 32,830,585</b>	<b>\$ 24,462,307</b>	<b>\$ 57,292,892</b>	<b>\$ 6,152,791</b>	<b>\$ 1,491,624</b>

**Summary of Statement of Net Assets**  
As of June 30, 2005

	Governmental	Business Type	Total Primary	Component Unit	
	Activities	Activities	Government	School Board	EDA
Current and other assets	\$ 14,909,507	\$ 20,247,749	\$ 35,157,256	\$ 2,349,121	\$ 332,553
Capital assets	18,318,642	16,314,393	34,633,035	7,823,834	73,332
<b>Total assets</b>	<b>33,228,149</b>	<b>36,562,142</b>	<b>69,790,291</b>	<b>10,172,955</b>	<b>405,885</b>
Current and other liabilities	2,410,128	656,742	3,066,870	1,443,193	-
Long Term Liabilities	5,752,894	17,696,607	23,449,501	966,088	-
<b>Total liabilities</b>	<b>8,163,022</b>	<b>18,353,349</b>	<b>26,516,371</b>	<b>2,409,281</b>	<b>-</b>
Invested in capital assets, net of related debt	12,228,885	13,004,622	25,233,507	7,010,088	73,332
Restricted	529,641	-	529,641	-	-
Unrestricted net assets	13,633,322	5,204,171	18,837,493	(573,135)	347,698
<b>Total net assets (as restated)</b>	<b>\$ 26,391,848</b>	<b>\$ 18,208,793</b>	<b>\$ 44,600,641</b>	<b>\$ 6,436,953</b>	<b>\$ 421,030</b>

Net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$57,292,892 at the close of the most recent fiscal year. Approximately 50% of the County's net assets reflect its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its 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 these 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).

Of the remaining balance, a portion is restricted, and unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the primary government is able to report positive balances in all three categories of net assets, both for its governmental and business-type activities. As further comparable indicators become available from other localities and as industry standard indicators are formulated (e.g., Government Finance Officer's Association, bond rating agencies, etc.), the County will further examine its own policies and practice to ensure that net assets are representative of a strong financial position.

As noted previously, the County's net assets increased by \$12,692,251 during the current fiscal year due to the budgetary methods which have yielded surpluses, investment in capital assets and ongoing principal debt retirement.

**Statement of Activities:** The County's total revenue and expenses for governmental, business-type, and its component unit activities are reflected in the following charts:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>	<u>EDA</u>
<b>Revenues:</b>					
<b>Program revenues:</b>					
Charges for services	\$ 1,646,065	\$ 7,810,381	\$ 9,456,446	\$ 639,239	\$ -
Operating grants and contributions	3,121,241	-	3,121,241	12,248,421	-
Capital grants and contributions	421,375	141,200	562,575	149,149	-
<b>General revenues:</b>					
Property taxes	13,891,200	-	13,891,200	-	-
Other taxes	3,972,970	-	3,972,970	-	-
Interest	390,396	729,754	1,120,150	2,194	1,177,030
Miscellaneous	1,422,398	-	1,422,398	67,704	-
Non-categorical aid					
Commonwealth	2,404,781	-	2,404,781	-	-
County appropriation	-	-	-	8,291,190	-
<b>Total revenues</b>	<u>27,270,426</u>	<u>8,681,335</u>	<u>35,951,761</u>	<u>21,397,897</u>	<u>1,177,030</u>
<b>Expenses:</b>					
General government administration	2,135,653	-	2,135,653	-	-
Public safety	4,797,876	-	4,797,876	-	-
Public works	634,629	-	634,629	-	-
Health and welfare	2,001,494	-	2,001,494	-	-
Community development	820,618	-	820,618	-	-
Other governmental activities	1,815,793	-	1,815,793	-	-
Education	8,606,853	-	8,606,853	21,682,059	-
Business type activities:					
Water & Sewer	-	1,847,797	1,847,797	-	-
Bottoms Bridge	-	598,797	598,797	-	-
Economic development authority	-	-	-	-	106,436
<b>Total expenses</b>	<u>20,812,916</u>	<u>2,446,594</u>	<u>23,259,510</u>	<u>21,682,059</u>	<u>106,436</u>
Increase in net assets before transfers	6,457,510	6,234,741	12,692,251	(284,162)	1,070,594
Transfers	(18,773)	18,773	-	-	-
<b>Increase in net assets</b>	<u>6,438,737</u>	<u>6,253,514</u>	<u>12,692,251</u>	<u>(284,162)</u>	<u>1,070,594</u>
<b>Beginning of year (restated)</b>	<u>26,391,848</u>	<u>18,208,793</u>	<u>44,600,641</u>	<u>6,436,953</u>	<u>421,030</u>
<b>End of year</b>	<u>\$ 32,830,585</u>	<u>\$ 24,462,307</u>	<u>\$ 57,292,892</u>	<u>\$ 6,152,791</u>	<u>\$ 1,491,624</u>

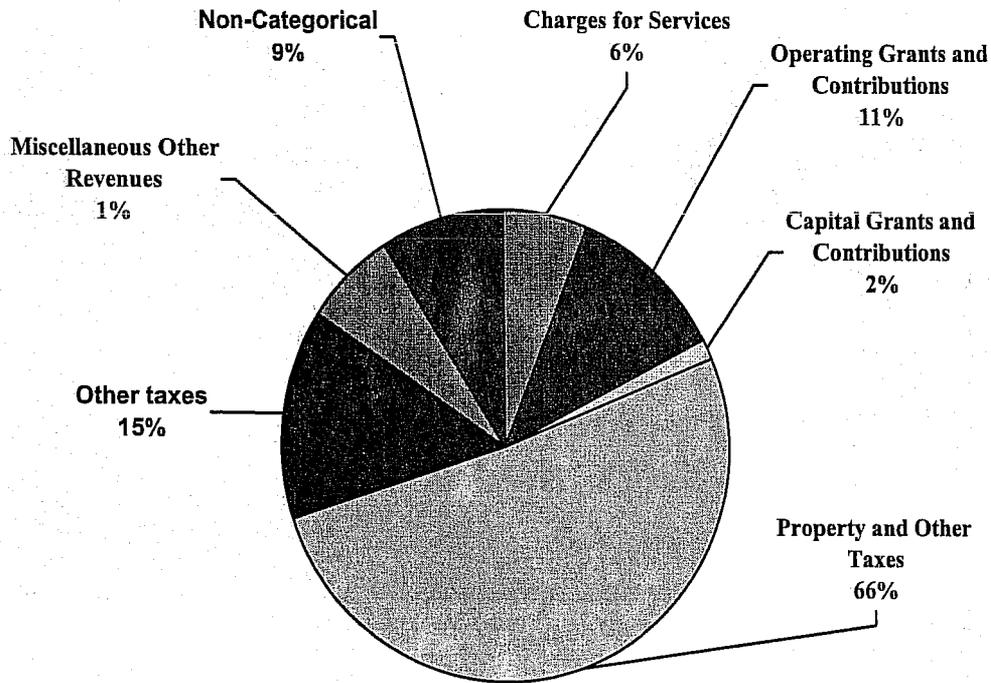
**Summary of Statement of Activities**  
As of June 30, 2005

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>	
				<u>School Board</u>	<u>EDA</u>
<b>Revenues:</b>					
<b>Program revenues:</b>					
Charges for services	\$ 1,221,062	\$ 2,657,412	\$ 3,878,474	\$ 569,939	\$ 17,181
Operating grants and contributions	5,290,164	-	5,290,164	11,465,667	-
Capital grants and contributions	952,147	1,769,979	2,722,126	130,775	-
<b>General revenues:</b>					
Property taxes	12,870,154	-	12,870,154	-	-
Other taxes	2,861,365	-	2,861,365	-	-
Other revenues	243,902	-	243,902	-	-
Interest	322,551	195,955	518,506	-	183,790
Miscellaneous	915,649	-	915,649	92,984	-
County appropriation	-	-	-	7,648,644	-
<b>Total revenues</b>	<u>24,676,994</u>	<u>4,623,346</u>	<u>29,300,340</u>	<u>19,908,009</u>	<u>200,971</u>
<b>Expenses:</b>					
General government administration	1,447,448	-	1,447,448	-	-
Public safety	5,939,781	-	5,939,781	-	-
Public works	2,079,328	-	2,079,328	-	-
Health and welfare	2,035,533	-	2,035,533	-	-
Community development	58,215	-	58,215	-	-
Other governmental activities	1,115,702	-	1,115,702	-	-
Education	7,919,702	-	7,919,702	19,772,422	-
Business type activities:					
Water & Sewer	-	1,512,621	1,512,621	-	-
Bottoms Bridge	-	143,985	143,985	-	-
Economic development authority	-	-	-	-	71,164
<b>Total expenses</b>	<u>20,595,709</u>	<u>1,656,606</u>	<u>22,252,315</u>	<u>19,772,422</u>	<u>71,164</u>
Increase in net assets before transfers	4,081,285	2,966,740	7,048,025	135,587	129,807
Transfers	(1,606)	1,606	-	-	-
<b>Increase in net assets</b>	<u>4,079,679</u>	<u>2,968,346</u>	<u>7,048,025</u>	<u>135,587</u>	<u>129,807</u>
<b>Beginning of year</b>	<u>22,312,169</u>	<u>15,240,447</u>	<u>37,552,616</u>	<u>6,301,366</u>	<u>291,223</u>
<b>End of year (as restated)</b>	<u>\$ 26,391,848</u>	<u>\$ 18,208,793</u>	<u>\$ 44,600,641</u>	<u>\$ 6,436,953</u>	<u>\$ 421,030</u>

**Governmental Activities:** Governmental Activities increased the County's net assets by \$6,438,737 thereby accounting for 50.7% of the total growth in the net assets of the County. Generally, net asset changes arise from revenues above budget, expenditures below budget and the impact of GASB 34 classifications of capitalizing capital expenses and principal retirement.

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

Revenue Sources for Governmental Activities

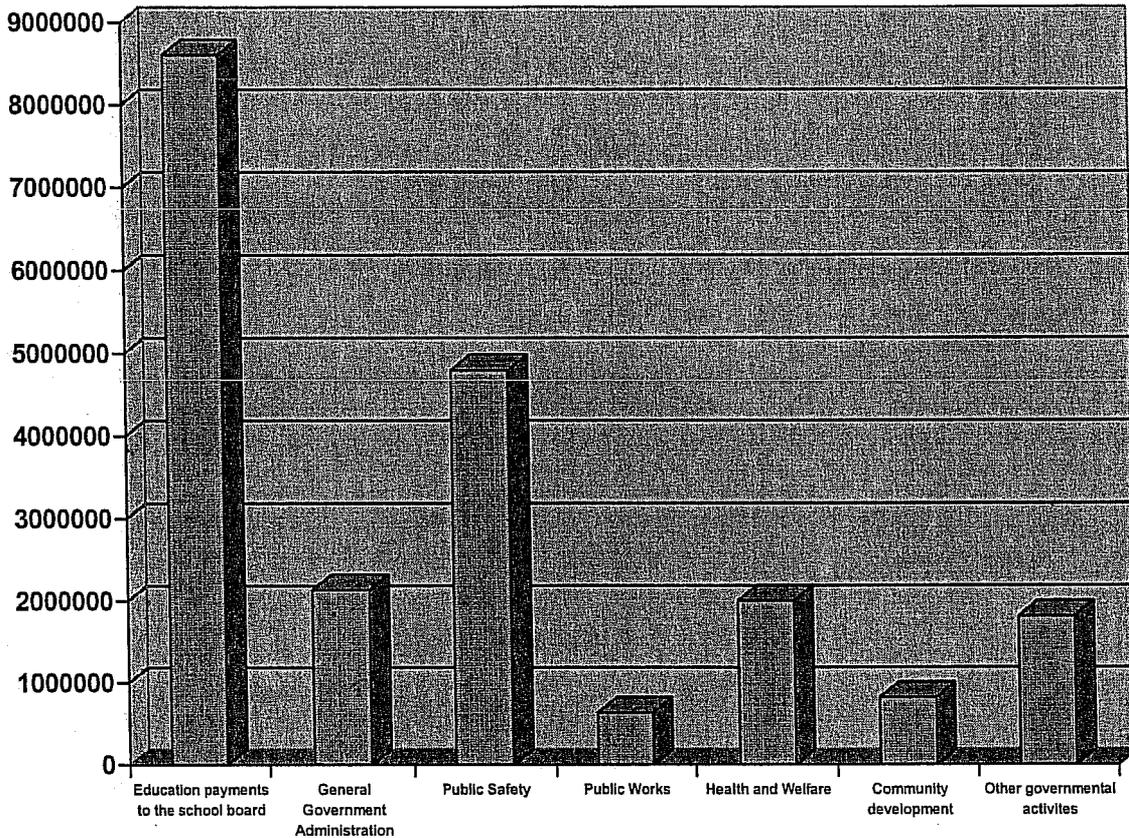


For FY 2006, revenues from governmental activities totaled \$27,270,426. Property taxes are the largest component of revenues. Real estate tax revenues, the County's largest single source of property taxes amounted to \$10,842,207, which is approximately 40% of the total governmental activities revenues. The County received a total of \$2,532,054 from Personal Property Taxes, which is comprised of taxes on individual automobiles, business personal property, and machinery and tools. Personal Property taxes are the County's second largest single source of property taxes revenue source. In addition to personal property taxes collected, non-categorical aid includes a reimbursement from the Commonwealth of Virginia for \$2,249,587 for taxes on individual automobiles. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the State's share is based on 70 percent of the individual taxpayers automobile levy.

Other taxes include revenue from local sales, consumer utilities, and business licenses. Local sales and use tax revenues in the amount of \$856,436 made up the largest source of other taxes for FY 2006. Sales tax, business license and consumer utility tax revenue increased during the current year as a result of a stronger economy and additional businesses in the county. The combination of these revenue sources resulted in a slight overall increase in revenue from other taxes for FY 2006.

During FY 2006, the County received \$3,542,616 in grants, contributions and unrestricted intergovernmental revenue for the Commonwealth of Virginia and the federal government. Of the amount received for operating grants and capital contributions, the major components was a grant from the Federal government for categorical aid for welfare from the Department of Health and Human Services.

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

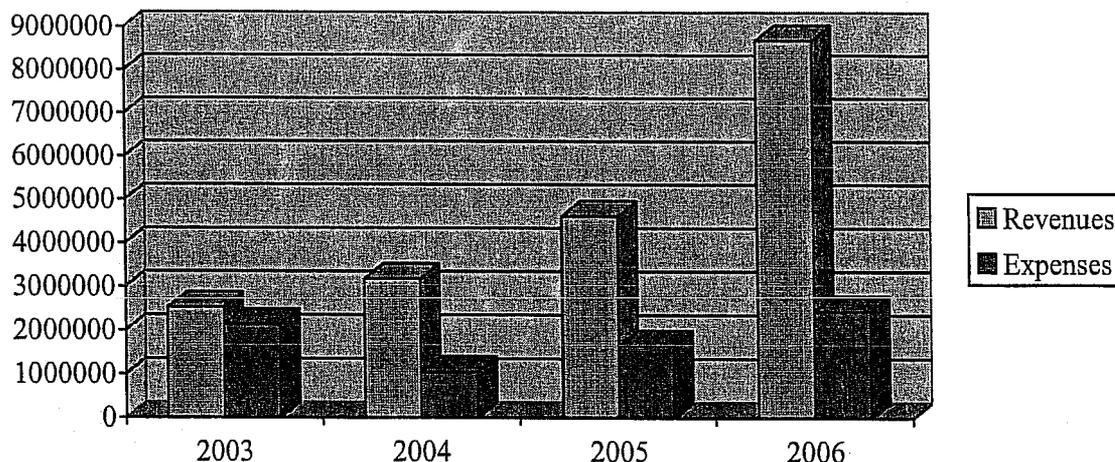


For FY2006, expenses for governmental activities totaled \$20,812,916 which included budgeted increases for employee compensation and payments for education to the New Kent County School Board (transfers). As a result of the GASB34 financial reporting requirements, depreciation expense is allocated to governmental activities.

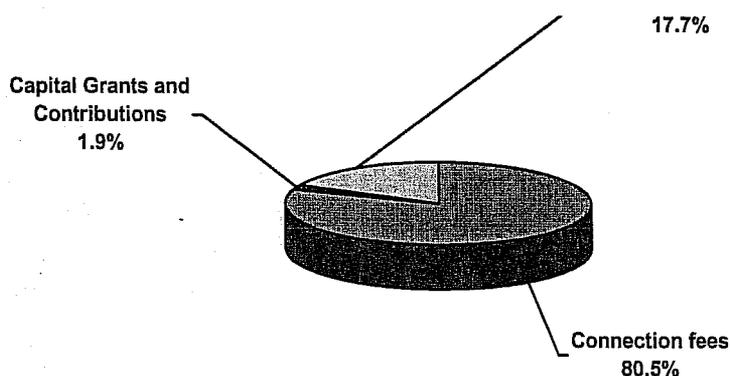
The County's largest funded programs are local support for education, public safety, public works, health and human services and Capital projects. Education continues to be one of the County's highest priorities and commitments. The County's operating subsidy to the Schools totaled \$8,165,215. In addition, the County continued its policy of allowing the School to carryover unspent funds to its Capital Account to be used for such purposes as the purchase of school buses.

For governmental activities, the Statement of Activities on page 5 shows that \$1,646,065 was financed by those receiving services, \$3,121,241 from operating grants and contributions, \$421,375 from capital grants and contributions, with the County's general revenues financing \$22,026,994 of the remaining program expenses.

**Business-Type Activities:** Business-type activities increased the County's net assets by \$6,253,514, accounting for 49% of the total growth in the County's net assets. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences: however, as the public utility function of water and sewer comprises the County's business-type activities there is a direct correlation to the revenues generated relative to the expenses incurred because of service demands. The following chart is a summary of water and sewer income and expenses for the last three years. The chart illustrates this correlation.



The total revenues for the water and sewer activities were \$8,317,519 while \$382,589 was for Bottoms Bridge for FY2006. Connection fees make up the largest portion of the total revenues. The following chart summarizes business type activities revenues for FY2006 as a percentage to the total revenues.



For FY 2006 Charges for services were \$626,131 higher than the prior year primarily due to increase in customers and connection fees. Expenses were \$1,481,046, which were \$339,005 higher than the prior year, excluding depreciation expense. The water and sewer rates were increased in fiscal year 2005, followed by an increase in water and sewer connection fees and sewer connection availability fee in fiscal year 2006.

**Component Unit – School Board:** For FY 2006, revenues for the School Board totaled \$21,397,897, which includes the transfer from the County. Operating Grants and Contributions are the largest component of revenues for the School Board totaling \$12,248,421, or 57% of the total revenues recorded for the School Board. The School Board received \$11,357,237 from the Commonwealth and \$1,022,344 from the federal government. The Transfer from the County represents 38% of the total revenues. As mentioned earlier, education continues to be one of the County’s highest priorities and commitments.

**Component Unit – Economic Development Authority:** The net assets of the Economic Development Authority increased \$1,070,594 from the prior year. The revenues for the EDA are made up almost entirely of revenues from investments held by the EDA, including land holdings. Expenditures are made up of salaries for the director of the EDA and miscellaneous costs for the EDA to operate.

## Financial Analysis of the County's Funds

**Governmental Funds:** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a County's new resources available for spending at the end of the fiscal year.

- At the end of FY 2006, the County's governmental funds reported a combined fund balance of \$21,380,460.
- Of the combined fund balance, \$10,959,927 constitutes unreserved, undesignated fund balance, \$4,972,624 for the General Fund and \$5,987,303 for Other Governmental Funds, which is available for spending at the government's discretion.
- The \$5,987,303 unreserved balance for Other Governmental Funds was comprised of the balances in the Special Revenue, Airport and Capital Projects Funds, the details of which can be found on page 6 of this report.
- Of the combined fund balances, \$10,420,533 is designated to indicate that it has been committed for new spending for E-911, asset forfeiture, Clean County Committee/Litter Control, and capital projects not completed at FY2006 year end and carried forward. Also included in designated funds are general fund operating expenditures that were carried forward to FY2007.

**General Fund:** The General Fund is the chief operating fund of the County. At the end of FY 2006, the undesignated fund balance was \$4,972,624. Because the budget revenues were conservative and expenditures were monitored tightly, there have been funds transferred to the capital projects account over the past six years.

**Capital Projects Fund:** The Capital Projects Fund is used to account for financial resources to be used for construction of major capital facilities (other than projects financed or constructed by Proprietary Funds), vehicles, computer upgrades, fire equipment, and other equipment.

### General Government Functions

The following schedule presents a summary of revenues of the major funds, general and capital projects, and other nonmajor governmental funds of the County for the fiscal year ended June 30, 2006 and the amount and percentage of increases and decreases in relation to prior year revenues.

	2006 Amount	Percent of total	2005 Amount	Increase (Decreases) from 2004	Percent Increase (Decreases)
<b>Revenues</b>					
General property taxes	\$ 14,146,386	51.9%	\$ 12,705,548	\$ 1,440,838	11.3%
Other local taxes	3,972,970	14.6%	2,861,365	1,111,605	38.8%
Permits, fees and licenses	689,055	2.5%	671,713	17,342	2.6%
Fines and forfeitures	239,856	0.9%	180,150	59,706	33.1%
Revenue from use of money and property	688,101	2.5%	360,183	327,918	91.0%
Charges for services	716,023	2.6%	312,774	403,249	128.9%
Miscellaneous	992,979	3.6%	1,131,483	(138,504)	-12.2%
Recovered costs	147,995	0.5%	16,864	131,131	777.6%
Commonwealth	4,748,765	17.4%	4,526,958	221,807	4.9%
Federal	896,803	3.3%	1,715,353	(818,550)	-47.7%
<b>Total Revenues</b>	<b>\$ 27,238,933</b>	<b>100.0%</b>	<b>\$ 24,482,391</b>	<b>\$ 2,756,542</b>	<b>11.3%</b>

Revenues in total came in at a level substantially higher than the previous year. General property taxes increased due to a five cent increase in the tax rate. Other revenues increased due to the significant growth the county is experiencing. Recovered costs increased due to appropriating funds over \$1,000 rather than reducing the corresponding revenue and expenditure line items.

The following schedule presents a summary of expenditure of the major funds for the county for the fiscal year ended June 30, 2006 and the amount and percentage of increases and decreases in relation to prior year expenditures.

	2006 Amount	Percent of total	2005 Amount	Increases (Decreases) from 2005	Percent Increases (Decreases)
<b>Expenditures</b>					
General government administration	\$ 2,223,267	7.5%	\$ 2,294,289	\$ (71,022)	-3.1%
Judicial administration	1,096,622	3.7%	594,240	502,382	84.5%
Public safety	5,116,240	17.4%	5,261,742	(145,502)	-2.8%
Public works	1,696,853	5.8%	3,048,786	(1,351,933)	-44.3%
Health and welfare	1,983,586	6.7%	2,066,373	(82,787)	-4.0%
Education	15,014,449	51.0%	8,927,350	6,087,099	68.2%
Community development	909,671	3.1%	752,097	157,574	21.0%
Parks, recreation and cultural	362,439	1.2%	397,403	(34,964)	-8.8%
Principal retirement	762,357	2.6%	774,354	(11,997)	-1.5%
Interest and other fiscal charges	292,157	1.0%	138,407	153,750	111.1%
<b>Total expenditures</b>	<b>\$ 29,457,641</b>	<b>100.0%</b>	<b>\$ 24,255,041</b>	<b>\$ 5,202,600</b>	<b>21.4%</b>

Expenses were increased mainly from the prior year due to \$6,385,946 for school capital project fund included under primary government starting fiscal year 2006. The fund was reclassified to the primary government for consistency with debt issuance responsibility. The remainder of the expenditures came in at a level comparable to the previous year.

### General Fund Budgetary Highlights

	Original Budget	Amended Budget	Actual	Amended Vs. Actual
<b>Revenues</b>				
Taxes	\$ 16,636,514	\$ 16,401,514	\$ 17,743,073	\$ 1,341,559
Intergovernmental	5,239,178	5,368,987	4,973,924	(395,063)
Other	2,009,172	2,324,225	2,686,073	361,848
<b>Total</b>	<b>23,884,864</b>	<b>24,094,726</b>	<b>25,403,070</b>	<b>1,308,344</b>
<b>Expenditures and Transfers</b>				
Expenditures	22,410,262	23,014,835	20,671,970	2,342,865
Transfers	1,542,582	1,445,094	4,189,606	(2,744,512)
<b>Total</b>	<b>\$ 23,952,844</b>	<b>\$ 24,459,929</b>	<b>\$ 24,861,576</b>	<b>\$ (401,647)</b>

The \$1,308,344 revenue increase over the amended budget is attributable primarily to higher than anticipated:

- Real Property Taxes
- Tangible Personal Property Taxes
- Penalties and Interest on all Taxes
- Local Sales and Use Taxes

- Consumers' Utility Taxes
- Business License Taxes
- Tax on Recordation and Wills
- Investment Income
- Court Fines and Forfeitures

Expenditures and transfers were \$401,647 more than the FY06 amended budget. The overage for transfers versus the budget is attributable to \$2,802,802 transfer to the capital project fund in accordance with Board policy for general fund balance in excess of fifteen percent of current year's operating expenditures. The budget was not adjusted for this transfer. The County has for the third year set aside 6 cents of the real estate tax rate in anticipation of a large debt service payment that will become due in FY2008. There were also specific budgets where expenditures were substantially less than the County Appropriation:

- Clerk of the Circuit Court
- Fire and Rescue Services
- Refuse Collection
- Public Assistance and Administration

Each year the Board of Supervisors appropriates funds for a contingency reserve. For FY06, \$467,236 was appropriated. The Board of Supervisors appropriated \$467,236 from the contingency reserve for a Motor for the Marine Patrol Boat (\$6,407), New Zoning Codes Compliance Inspector (\$47,314), New Building Codes Compliance Inspector (\$55,315), New Vehicle for the New Building Codes Compliance Inspector (\$18,500), Upgrade for the Human Resource/Executive Assistant position (\$4,199), additional funds to Colonial Community Corrections (\$4,242), local match for Grants (\$16,059), local match for Social Services Programs (\$5,028), Office space and moving costs for the School Board Office (\$31,300), Surveillance System Wiring (\$1,880), Hurricane Isabel unqualified reimbursements from FEMA (\$12,414), Family Medical Insurance for IT Director (\$2,900), Interest on the Maintenance Garage Loan (\$36,274), CDBG Plum Point Grant Leverage (\$2,500), Gasoline for Sheriff's Office Vehicles (\$30,000), VJCCA Previous Year's (FY01) Appropriation not distributed (\$7,502), Democratic Primary (\$3,136), Purchase of Jail Space (\$129,054) and Merit Pay/Personnel Overages (\$45,232). The balance of \$7,980 was returned to fund balance as unexpended funds for FY06.

During FY06, the Board of Supervisors approved budget amendments of \$2,402,942 to the original budget of \$13,410,262, resulting in an amended budget of \$15,813,204 for the following purposes:

▪ Carry Forward's for various projects	\$ 932,414
▪ New Fund 20 Meals Tax (Amount Collected in Excess of Budget)	\$ 130,110
▪ New Fund 40 Debt Service (Real Estate Reserve, Vinton OTB and 50% Meals Tax from Fund 3 School Capital)	\$ 991,182
▪ Sheriff's Grants	\$ 176,959
▪ Sheriff/Courts	\$ 100,436
▪ Clerk of the Circuit Court (Technology and Library of VA)	\$ 91,339
▪ Social Services Programs	\$ 48,950
▪ Fire, Emergency Management & Safety	\$ 25,997
▪ Farms of New Kent CDA Admin. Expenses	\$ 20,116
▪ Community Development	\$ 101,728
▪ Building Inspections	\$ 10,838
▪ Litter Prevention & Recycling Grant	\$ 6,568
▪ Parks & Recreation	\$ 25,465
▪ Economic Development	\$ 9,878
▪ E-911	\$ 6,591
▪ Bay Transit Grant	\$(308,825)
▪ Misc. Grants and Other	\$ 33,196

**Proprietary Funds:** The County's proprietary fund is comprised of the Utility Fund and the Bottoms Bridge Fund. In the budgetary management of the enterprise fund, the County has chosen to budget for depreciation. The fund expenditures are separated into the following groups: water and sewer. Connection fees have been used to balance the budget.

## Capital Assets and Debt Administration

**Capital Assets:** The primary government investment in capital assets as of June 30, 2006 for its governmental and business-type activities was \$56,351,197 as reflected in the schedule below.

### Capital Assets June 30, 2006

	Governmental	Business Type	Total Primary	Component Unit	
	Activities	Activities	Government	School Board	EDA
Land	\$ 2,960,229	\$ 1,936,878	\$ 4,897,107	\$ 694,500	\$ -
Construction in progress	10,031,318	16,736,254	26,767,572	736,608	-
Infrastructure	-	5,261,636	5,261,636	-	-
Building and improvements	11,935,171	5,313,200	17,248,371	10,690,034	-
Machinery and equipment	6,318,125	3,931,683	10,249,808	3,618,828	100,000
Less accumulated depreciation	(5,406,801)	(2,666,496)	(8,073,297)	(8,768,391)	(33,335)
<b>Total</b>	<b>\$ 25,838,042</b>	<b>\$ 30,513,155</b>	<b>\$ 56,351,197</b>	<b>\$ 6,971,579</b>	<b>\$ 66,665</b>

### Capital Assets June 30, 2005

	Governmental	Business Type	Total Primary	Component Unit	
	Activities	Activities	Government	School Board	EDA
Land	\$ 3,559,491	\$ 1,242,651	\$ 4,802,142	\$ 694,500	\$ -
Construction in progress	3,334,283	3,172,637	6,506,920	736,608	-
Infrastructure	-	5,261,636	5,261,636	-	-
Building and improvements	10,511,042	5,313,200	15,824,242	10,690,034	-
Machinery and equipment	5,608,206	3,656,607	9,264,813	3,504,219	100,000
Less accumulated depreciation	(4,694,380)	(2,332,338)	(7,026,718)	(8,277,158)	(26,668)
<b>Total</b>	<b>\$ 18,318,642</b>	<b>\$ 16,314,393</b>	<b>\$ 34,633,035</b>	<b>\$ 7,348,203</b>	<b>\$ 73,332</b>

The Primary Government capital assets increase \$21,718,162 for fiscal year 2006. Major additions to capital assets during the current fiscal year included the following:

- Fiber Loop between County/School/Courthouse Offices
- Two Kubota All Terrain Vehicles
- Telephone Upgrades
- Quinton Community Center
- Runway Design/Construction
- Bottoms Bridge utility infrastructure construction

Additional information on the County's capital assets can be found in note 7 of this report.

**Long-term Debt:** At the end of FY 2006, the Primary Government's total outstanding debt was \$33,271,986. Capital leases are included in outstanding debt.

	June 30, 2006			June 30, 2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 4,575,039	\$ -	\$ 4,575,039	\$ 2,721,663	\$ -	\$ 2,721,663
Bond premium	133,832	-	133,832	-	-	-
Accrued vacation/sick	482,210	37,858	520,068	425,494	21,607	447,101
Lease Revenue Bonds	60,000	17,675,000	17,735,000	120,000	17,675,000	17,795,000
Literary Loans	300,000	-	300,000	400,000	-	400,000
Notes Payable	7,500,000	-	7,500,000	2,596,515	-	2,596,515
Capital Leases	2,508,047	-	2,508,047	251,579	-	251,579
<b>Total</b>	<b>\$ 15,559,128</b>	<b>\$ 17,712,858</b>	<b>\$ 33,271,986</b>	<b>\$ 6,515,251</b>	<b>\$ 17,696,607</b>	<b>\$ 24,211,858</b>

During FY 2006, the County retired \$762,357 of outstanding principal and refunded bond anticipation note of \$2,596,515.

Additional information on the County's long-term liabilities can be found in note 8 of this report.

### Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the County is currently 2.8 which is a decrease from a rate of 3.2% a year ago. This compares favorably to the State's average unemployment rate of 3.3% and the national average rate of 4.8%. As noted previously, the greatest economic impact to the County currently is the uncertainty of how the State allocations to local governments will be adjusted, if at all, due to State budgetary issues being addressed by the State.

Local officials have been forced to raise local taxes because of the cost of K-12 education, public safety, and the cost of school construction. County properties were reassessed during fiscal year 2004. The County adopted a real estate tax rate of \$0.94 for fiscal year 2006. Personal property taxes remained unchanged at \$3.75.

### Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives. Questions concerning any of the information provided in this report or requests for additional finance information should be addressed to the Director of Financial Services, County of New Kent, P. O. Box 50, New Kent, VA 23184 or via e-mail at [mfaltemus@co.newkent.state.va.us](mailto:mfaltemus@co.newkent.state.va.us).

## **Government-wide Financial Statements**

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COUNTY OF NEW KENT, VIRGINIA

Statement of Net Assets  
June 30, 2006

	Governmental Activities	Business Type Activities	Total Primary Government	School Board	EDA	Total Reporting Unit
<b>Assets</b>						
Cash and cash equivalents	\$ 20,727,698	\$ 12,453,204	\$ 33,180,902	\$ 809,986	\$ 1,420,814	\$ 35,411,702
Restricted cash and cash equivalents	1,286,494	-	1,286,494	-	-	1,286,494
Accounts receivable, net	1,007,327	588,775	1,596,102	1,199	-	1,597,301
Prepaid assets	11,338	-	11,338	-	-	11,338
Due from other governments	834,983	-	834,983	670,563	-	1,505,546
Land held for resale	-	-	-	-	721,508	721,508
Note receivable	706,363	-	706,363	-	-	706,363
Capital assets:						
Land	2,960,229	1,936,878	4,897,107	694,500	-	5,591,607
Construction in progress	10,031,318	16,736,254	26,767,572	736,608	-	27,504,180
Infrastructure	-	5,261,636	5,261,636	-	-	5,261,636
Buildings and improvements	11,935,171	5,313,200	17,248,371	10,690,034	-	27,938,405
Machinery and equipment	6,318,125	3,931,683	10,249,808	3,618,828	100,000	13,968,636
Less accumulated depreciation	(5,406,801)	(2,666,496)	(8,073,297)	(8,768,391)	(33,335)	(16,875,023)
<b>Total assets</b>	<b>50,412,245</b>	<b>43,555,134</b>	<b>93,967,379</b>	<b>8,453,327</b>	<b>2,208,987</b>	<b>104,629,693</b>
<b>Liabilities</b>						
liabilities	1,470,343	1,325,418	2,795,761	145,928	11,000	2,952,689
Deposits	463,367	54,551	517,918	-	-	517,918
Unearned revenue	34,645	-	34,645	-	-	34,645
Accrued expenses	54,177	-	54,177	1,188,894	-	1,243,071
Non-current liabilities:						
Due within one year	1,355,003	26,558	1,381,561	287,808	-	1,669,369
Due in more than one year	14,204,125	17,686,300	31,890,425	677,906	706,363	33,274,694
<b>Total liabilities</b>	<b>17,581,660</b>	<b>19,092,827</b>	<b>36,674,487</b>	<b>2,300,536</b>	<b>717,363</b>	<b>39,692,386</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	15,038,906	13,449,081	28,487,987	6,691,971	66,665	35,246,623
Restricted for capital improvements	823,127	-	823,127	-	-	823,127
Unrestricted net assets	16,968,552	11,013,226	27,981,778	(539,180)	1,424,959	28,867,557
<b>Total net assets</b>	<b>\$ 32,830,585</b>	<b>\$ 24,462,307</b>	<b>\$ 57,292,892</b>	<b>\$ 6,152,791</b>	<b>\$ 1,491,624</b>	<b>\$ 64,937,307</b>

**COUNTY OF NEW KENT, VIRGINIA**

**Statement of Activities  
Year Ended June 30, 2006**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues			Primary Government			School Board		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	EDA	Total Reporting Unit
<b>Primary government:</b>										
Governmental activities:										
General government administration	\$ 2,135,653	\$ 976,674	\$ 440,594	\$ 34,607	\$ (683,778)	\$ -	\$ -	\$ -	\$ -	\$ (683,778)
Judicial administration	1,148,168	108,277	342,667	-	(697,224)	-	-	-	-	(697,224)
Public safety	4,797,876	118,371	1,026,895	100,089	(3,652,610)	-	-	-	-	(3,652,610)
Public works	634,629	160,223	-	-	(374,317)	-	-	-	-	(374,317)
Health and welfare	2,001,494	-	1,240,298	-	(761,196)	-	-	-	-	(761,196)
Community development	820,618	-	8,568	-	(812,050)	-	-	-	-	(812,050)
Parks, recreation and cultural	375,468	74,350	-	286,679	(14,439)	-	-	-	-	(14,439)
Education	8,606,853	208,170	62,219	-	(8,336,464)	-	-	-	-	(8,336,464)
Interest and other fiscal charges	292,157	-	-	-	(292,157)	-	-	-	-	(292,157)
Total governmental activities	20,812,916	1,646,065	3,121,241	421,375	(15,624,235)	-	-	-	-	(15,624,235)
<b>Business-type activities:</b>										
Water and sewer	1,847,797	7,427,792	-	141,200	-	5,721,195	-	-	-	5,721,195
Bottoms Bridge	598,797	382,589	-	-	(216,208)	-	-	-	-	(216,208)
Total business-type activities	2,446,594	7,810,381	-	141,200	-	5,504,987	-	-	-	5,504,987
<b>Total primary government</b>	<b>\$ 23,259,510</b>	<b>\$ 9,456,446</b>	<b>\$ 3,121,241</b>	<b>\$ 562,575</b>	<b>(15,624,235)</b>	<b>5,504,987</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,119,248)</b>
<b>Component units:</b>										
School Board	\$ 21,682,059	\$ 639,239	\$ 12,248,421	\$ 149,149	-	-	(8,645,250)	-	(106,436)	(8,645,250)
EDA	106,436	-	-	-	-	-	-	(106,436)	(106,436)	-
<b>Total component units</b>	<b>\$ 21,788,495</b>	<b>\$ 639,239</b>	<b>\$ 12,248,421</b>	<b>\$ 149,149</b>	<b>-</b>	<b>-</b>	<b>(8,645,250)</b>	<b>-</b>	<b>(106,436)</b>	<b>(8,645,250)</b>
<b>General revenues:</b>										
Property taxes					13,891,200	-	-	-	-	13,891,200
Other local taxes					3,972,970	-	-	-	-	3,972,970
Investment earnings					390,396	729,754	2,194	1,177,030	-	2,299,374
Miscellaneous					1,422,398	-	67,704	-	-	1,490,102
Non-categorical aid from the Commonwealth					2,404,781	-	-	-	-	2,404,781
Transfers					(18,773)	18,773	-	-	-	-
County appropriation					-	-	8,291,190	-	-	8,291,190
Total general revenues and transfers					22,062,972	748,527	8,361,088	1,177,030	-	32,349,617
<b>Change in net assets</b>					6,438,737	6,253,514	(284,162)	1,070,594	-	13,478,683
<b>Net assets - beginning as restated</b>					26,391,848	18,208,793	6,436,953	421,030	-	51,458,624
<b>Net assets - ending</b>					\$ 32,830,585	\$ 24,462,307	\$ 6,152,791	\$ 1,491,624	-	\$ 64,937,307

## **Fund Financial Statements**

COUNTY OF NEW KENT, VIRGINIA

Balance Sheet  
 Governmental Funds  
 June 30, 2006

	General	Capital Projects	School Capital Projects	Airport	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 4,805,282	\$ 8,950,905	\$ 5,211,456	\$ -	\$ 1,760,055	\$ 20,727,698
Restricted cash	-	1,286,494	-	-	-	1,286,494
Taxes including penalties	509,728	-	-	-	-	509,728
Accounts receivable	372,348	-	-	24,298	100,953	497,599
Prepaid assets	2,496	-	-	8,842	-	11,338
Due from other funds	137,604	-	-	-	-	137,604
Due from other governments	603,295	78,145	-	36,748	116,795	834,983
Note receivable	-	706,363	-	-	-	706,363
Total assets	<u>\$ 6,430,753</u>	<u>\$ 11,021,907</u>	<u>\$ 5,211,456</u>	<u>\$ 69,888</u>	<u>\$ 1,977,803</u>	<u>\$ 24,711,807</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 365,372	\$ 284,990	\$ 781,962	\$ 3,205	\$ 88,991	\$ 1,524,520
Due to other funds	-	-	-	57,083	80,521	137,604
Deposits	4,600	458,767	-	-	-	463,367
Deferred revenue	499,493	706,363	-	-	-	1,205,856
Total liabilities	<u>869,465</u>	<u>1,450,120</u>	<u>781,962</u>	<u>60,288</u>	<u>169,512</u>	<u>3,331,347</u>
<b>Fund balances:</b>						
Designated	588,664	5,195,664	4,429,494	-	206,711	10,420,533
Undesignated	4,972,624	4,376,123	-	9,600	-	9,358,347
<b>Reported in:</b>						
Debt service fund	-	-	-	-	1,601,580	1,601,580
Total fund balances	<u>5,561,288</u>	<u>9,571,787</u>	<u>4,429,494</u>	<u>9,600</u>	<u>1,808,291</u>	<u>21,380,460</u>
Total liabilities and fund balances	<u>\$ 6,430,753</u>	<u>\$ 11,021,907</u>	<u>\$ 5,211,456</u>	<u>\$ 69,888</u>	<u>\$ 1,977,803</u>	<u>\$ 24,711,807</u>

**COUNTY OF NEW KENT, VIRGINIA**

**Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
June 30, 2006**

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

Ending fund balance - governmental funds \$ 21,380,460

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

Capital assets	31,244,843	
Less accumulated depreciation	<u>(5,406,801)</u>	25,838,042

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,171,211

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (15,559,128)

Net assets of governmental activities \$ 32,830,585

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2006

	General	Capital Projects	School Capital Projects	Airport	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
General property taxes	\$ 14,146,386	\$ -	\$ -	\$ -	\$ -	\$ 14,146,386
Other local taxes	3,596,687	-	-	-	376,283	3,972,970
Permits, fees and licenses	689,055	-	-	-	-	689,055
Fines and forfeitures	239,856	-	-	-	-	239,856
Revenue from the use of money and property	416,864	60	266,657	4,520	-	688,101
Charges for services	244,715	311,085	-	160,223	-	716,023
Miscellaneous	947,588	3,295	42,096	-	-	992,979
Recovered costs	147,995	-	-	-	-	147,995
Commonwealth	4,161,250	34,607	62,219	15,960	474,729	4,748,765
Federal	812,674	-	-	84,129	-	896,803
Total revenues	25,403,070	349,047	370,972	264,832	851,012	27,238,933
<b>Expenditures</b>						
Current:						
General government administration	1,992,187	231,080	-	-	-	2,223,267
Judicial administration	1,096,622	-	-	-	-	1,096,622
Public safety	4,678,449	437,791	-	-	-	5,116,240
Public works	1,389,687	14,190	-	292,976	-	1,696,853
Health and welfare	1,095,285	-	-	-	888,301	1,983,586
Education	8,168,710	459,793	6,385,946	-	-	15,014,449
Community development	834,077	75,594	-	-	-	909,671
Parks, recreation and cultural	362,439	-	-	-	-	362,439
Debt service:						
Principal retirement	762,357	-	-	-	-	762,357
Interest and other fiscal charges	292,157	-	-	-	-	292,157
Total expenditures	20,671,970	1,218,448	6,385,946	292,976	888,301	29,457,641
Excess (deficiency) of revenues over (under) expenditures	4,731,100	(869,401)	(6,014,974)	(28,144)	(37,289)	(2,218,708)
<b>Other financing sources (uses)</b>						
Interfund transfers in	203,100	3,025,658	-	28,144	2,080,580	5,337,482
Interfund transfers out	(4,392,706)	(96,778)	(631,771)	-	(235,000)	(5,356,255)
Refunding bond proceeds	-	-	2,412,201	-	-	2,412,201
Bond anticipation note refunding	-	-	(2,596,515)	-	-	(2,596,515)
Bond anticipation note proceeds	-	-	7,500,000	-	-	7,500,000
Lease revenue bond proceeds	-	-	2,300,000	-	-	2,300,000
Refunding bond premium	-	-	133,832	-	-	133,832
Total other financing sources (uses)	(4,189,606)	2,928,880	9,117,747	28,144	1,845,580	9,730,745
Net change in fund balances	541,494	2,059,479	3,102,773	-	1,808,291	7,512,037
Fund balance - beginning, as restated	5,019,794	7,512,308	1,326,721	9,600	-	13,868,423
Fund balance - ending	\$ 5,561,288	\$ 9,571,787	\$ 4,429,494	\$ 9,600	\$ 1,808,291	\$ 21,380,460

**COUNTY OF NEW KENT, VIRGINIA**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended June 30, 2006**

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

Net change in fund balances - total governmental funds	\$	7,512,037
<p>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 capital outlay exceeded depreciation in the current period.</p>		
Capital outlay	9,044,559	
Depreciation expense	<u>(782,818)</u>	8,261,741
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.</p>		
		(35,978)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(255,186)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similiar 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.</p>		
Issuance of long-term debt	(12,346,033)	
Repayment of principal on long-term debt	<u>3,358,872</u>	(8,987,161)
<p>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.</p>		
Compensated absences		<u>(56,716)</u>
Change in net assets of governmental activities	\$	<u>6,438,737</u>

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual  
General Fund  
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from local sources:				
General Property Taxes				
Real property taxes	\$ 10,689,003	\$ 10,689,003	\$ 10,842,207	\$ 153,204
Personal property taxes	2,168,599	2,168,599	2,532,054	363,455
Public service corporation property taxes	575,642	575,642	510,507	(65,135)
Mobile home taxes	16,550	16,550	17,427	877
Machinery and tools taxes	903	903	648	(255)
Airplane taxes	6,432	6,432	9,841	3,409
Penalties	95,000	95,000	158,295	63,295
Interest	60,000	60,000	75,407	15,407
Total general property taxes	13,612,129	13,612,129	14,146,386	534,257
Other local taxes				
Meals tax	235,000	-	-	-
Local sales and use taxes	806,765	806,765	856,436	49,671
Consumers' utility taxes	444,800	444,800	583,359	138,559
Business license taxes	550,000	550,000	790,349	240,349
Motor vehicle licenses	405,320	405,320	455,073	49,753
Bank stock taxes	30,000	30,000	30,626	626
Taxes on recordation and wills	250,000	250,000	573,869	323,869
Admissions tax	5,500	5,500	6,447	947
Lodging tax	5,000	5,000	11,751	6,751
Cable TV Fees	32,000	32,000	52,043	20,043
Emergency telephone service taxes	260,000	260,000	236,734	(23,266)
Total other local taxes	3,024,385	2,789,385	3,596,687	807,302
Permits, fees and licenses				
Animal licenses	13,500	13,500	13,667	167
Building permits	275,751	275,751	339,398	63,647
Permits and other licenses	286,809	358,652	335,990	(22,662)
Total permits, fees and licenses	576,060	647,903	689,055	41,152
Fines and forfeitures				
Court fines and forfeitures	170,000	170,000	239,856	69,856
Revenue from use of money and property				
Revenue from use of money	195,000	195,000	382,268	187,268
Revenue from use of property	31,300	31,300	34,596	3,296
Total revenue from use of money and property	\$ 226,300	\$ 226,300	\$ 416,864	\$ 190,564

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Charges for services				
Charges for Sheriff	\$ 1,828	\$ 1,828	\$ 1,731	\$ (97)
Charges for Circuit Court	104,522	104,522	158,335	53,813
Charges for Commonwealth Attorney	500	500	1,451	951
Charges for boarding of dogs	1,200	1,200	1,789	589
Charges for recreation	100,000	117,966	71,158	(46,808)
Charges for environmental management	5,500	5,500	7,500	2,000
Charges for planning	1,995	1,995	2,751	756
Total charges for services	215,545	233,511	244,715	11,204
Miscellaneous revenue				
Miscellaneous	103,346	201,400	210,873	9,473
Off-track betting proceeds	703,654	703,654	735,939	32,285
Street sign repair and replacement	3,200	3,200	776	(2,424)
Total miscellaneous revenue	810,200	908,254	947,588	39,334
Recovered costs	11,067	138,257	147,995	9,738
Total revenue from local sources	18,645,686	18,725,739	20,429,146	1,703,407
Revenue from the Commonwealth				
Non-categorical aid:				
ABC profits	7,892	7,892	7,892	-
Wine taxes	8,272	8,272	8,272	-
Mobile home titling taxes	10,000	10,000	6,332	(3,668)
Tax on deeds	74,370	74,370	91,366	16,996
Vehicle rental tax	1,000	1,000	1,889	889
Medical examiner fee	-	-	210	210
Rolling stock tax	30,535	30,535	39,233	8,698
Personal property tax reimbursement	2,176,703	2,176,703	2,249,587	72,884
Total non-categorical aid	2,308,772	2,308,772	2,404,781	96,009
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	146,108	148,536	157,860	9,324
Sheriff	728,653	728,653	757,622	28,969
Commissioner of the Revenue	88,866	88,866	88,870	4
Treasurer	87,786	87,786	91,251	3,465
Registrar/Electoral Board	39,554	44,418	44,419	1
Clerk of the Circuit Court	167,078	258,417	251,018	(7,399)
Total shared expenses	1,258,045	1,356,676	1,391,040	34,364
Categorical aid:				
Welfare administration and assistance	\$ 720,353	\$ 288,165	\$ 203,009	\$ (85,156)

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual  
General Fund  
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Other categorical aid:				
Four for life funds	\$ 8,061	\$ 13,687	\$ 13,687	\$ -
VDEM - FEMA relief - hurricane Isabel	-	-	151	151
Virginia Commission for the Arts	5,000	5,000	5,000	-
VDH-OEMS grant	-	9,981	9,981	-
Fire program funds	22,000	30,499	30,499	-
Victim & witness assistance grant	44,287	44,287	41,355	(2,932)
DMV animal friendly	-	-	385	385
Sheriff forfeited assets	-	-	110	110
E911 wireless upgrade program	36,303	31,462	31,462	-
Rural Public Transit Funds	105,000	-	-	-
Crime victim assistance grant	-	50,000	23,222	(26,778)
Litter control	-	6,568	6,568	-
Total other categorical aid	220,651	191,484	162,420	(29,064)
Total categorical aid	2,199,049	1,836,325	1,756,469	(79,856)
Total revenue from the Commonwealth	4,507,821	4,145,097	4,161,250	16,153
Revenue from the Federal Government				
Categorical aid:				
Welfare	-	484,219	484,219	-
Other categorical aid:				
VDH-Get Alarmed Virginia	5,169	3,446	3,446	-
Plum Point grant	445,000	446,516	78,341	(368,175)
Rural Public Transit Funds	151,750	-	-	-
VDEM Grant	117,470	117,471	110,963	(6,508)
Byrne Formula Grant Program	-	127,809	92,635	(35,174)
Help America Vote Act	-	-	3,568	3,568
Local Law Enforcement Block Grant	-	1,051	1,036	(15)
Violence Against Women Formula Grant	11,968	5,984	5,983	(1)
Justice Assistance Grant	-	2,636	2,533	(103)
DMV - State and Community Highway Safety	-	-	47	47
DMV - Occupant Protection	-	500	500	-
DMV - DUI Strike Force	-	10,758	8,333	(2,425)
DMV - Operation Buckle Up	-	20,000	17,409	(2,591)
DMV - Alcohol Enforcement Summer Blitz	-	3,500	2,994	(506)
Emergency Management Preparedness Grant	-	-	667	667
Total revenue from the Federal Government	731,357	1,223,890	812,674	(411,216)
Total revenues	\$ 23,884,864	\$ 24,094,726	\$ 25,403,070	\$ 1,308,344

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
General Government Administration				
Legislative:				
Board of supervisors	\$ 116,210	\$ 140,746	\$ 129,541	\$ 11,205
Total legislative	116,210	140,746	129,541	11,205
General and Financial Administration:				
Accounting	424,414	429,172	417,371	11,801
Central purchasing/stores	154,908	154,908	91,708	63,200
Central switchboard	25,609	31,909	27,087	4,822
Commissioner of the Revenue	235,576	235,576	215,643	19,933
County administrator	270,587	280,177	271,422	8,755
Legal services	249,400	249,400	225,801	23,599
MIS	242,801	246,705	208,037	38,668
Reserved for contingency	339,775	(900)	-	(900)
Merit pay county employees	53,212	7,980	-	7,980
Treasurer	263,297	267,821	267,001	820
Total general and financial administration	2,259,579	1,902,748	1,724,070	178,678
Board of Elections:				
Electoral board and officials	7,586	7,586	5,719	1,867
Registrar	133,324	141,434	132,857	8,577
Total board of elections	140,910	149,020	138,576	10,444
Total general government administration	2,516,699	2,192,514	1,992,187	200,327
Judicial Administration				
Courts:				
Circuit court	69,812	119,813	91,604	28,209
General district court	13,830	13,830	13,152	678
Sheriffs court	378,773	394,954	379,411	15,543
Special magistrates	11,400	11,400	11,173	227
Juvenile and domestic relations district court	8,300	8,300	3,754	4,546
Victim witness	44,287	44,287	41,330	2,957
Clerk of the circuit court	273,597	444,794	350,381	94,413
Total courts	799,999	1,037,378	890,805	146,573
Commonwealth's Attorney:				
Commonwealth's Attorney	202,234	208,622	205,817	2,805
Total judicial administration	\$ 1,002,233	\$ 1,246,000	\$ 1,096,622	\$ 149,378

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Public Safety				
Law enforcement and traffic control:				
Grants programs	\$ 44,334	\$ 233,346	\$ 192,472	\$ 40,874
Law enforcement	1,570,070	1,701,089	1,638,139	62,950
Total law enforcement and traffic control	1,614,404	1,934,435	1,830,611	103,824
Fire and Rescue Services:				
Volunteer rescue departments	96,850	96,850	96,850	-
Fire and rescue service	985,524	1,036,809	933,440	103,369
E-911 system	363,559	383,335	341,921	41,414
Forest fire service	4,694	4,694	4,694	-
Total fire and rescue services	1,450,627	1,521,688	1,376,905	144,783
Correction and detention:				
Confinement of prisoners	604,250	736,250	699,558	36,692
Probation office	116,202	120,444	77,061	43,383
Total correction and detention	720,452	856,694	776,619	80,075
Inspections:				
Administration of public safety	421,319	477,027	437,326	39,701
Other Protection:				
Animal control	140,378	140,428	134,058	6,370
School resource officers	116,842	116,842	110,517	6,325
Emergency services	-	12,414	12,413	1
Total other protection	257,220	269,684	256,988	12,696
Total public safety	4,464,022	5,059,528	4,678,449	381,079
Public Works				
Sanitation and waste removal:				
Refuse collection	938,712	955,571	874,425	81,146
Litter control	3,924	10,492	5,501	4,991
Total sanitation and waste removal	\$ 942,636	\$ 966,063	\$ 879,926	\$ 86,137

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual  
General Fund  
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Maintenance of Buildings and Grounds:				
General properties	\$ 483,477	\$ 541,029	\$ 509,761	\$ 31,268
Total maintenance of buildings and grounds	483,477	541,029	509,761	31,268
Total public works	1,426,113	1,507,092	1,389,687	117,405
Health and Welfare				
Health:				
Local health department	148,901	148,901	142,251	6,650
Mental Health/Mental Retardation:				
Henrico Community Services Board	99,287	99,287	99,287	-
Welfare/Social Services:				
Public assistance and administration	1,196,783	941,263	814,337	126,926
Social service agency donations	31,054	31,054	31,054	-
Welfare Board	4,381	4,381	399	3,982
Area Agency on Aging	3,087	3,087	3,087	-
Meals on wheels	3,090	3,090	3,090	-
Transportation for the elderly	2,500	2,500	1,780	720
Total welfare/social services	1,240,895	985,375	853,747	131,628
Total health and welfare	1,489,083	1,233,563	1,095,285	138,278
Education				
County appropriations including projects	9,000,000	9,023,300	8,165,215	858,085
Contributions to community colleges	3,495	3,495	3,495	-
Total education	9,003,495	9,026,795	8,168,710	858,085
Cultural	420,712	443,342	362,439	80,903
Community Development				
Planning and Community Development:				
Planning	363,616	509,013	468,806	40,207
Historic commission	17,650	17,650	1,020	16,630
Zoning board	5,600	5,600	2,943	2,657
Economic development	150,044	176,524	142,005	34,519
Drywell	445,000	451,071	83,212	367,859
Planning commission	48,337	48,337	45,180	3,157
Total planning and community development	\$ 1,030,247	\$ 1,208,195	\$ 743,166	\$ 465,029

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Environmental Management:				
Wetlands Board	\$ 9,975	\$ 9,995	\$ 9,995	\$ -
Soil and water districts	12,980	12,980	12,980	-
Cooperative forestry and reforestation	3,250	3,250	525	2,725
Total environmental management	26,205	26,225	23,500	2,725
Cooperative Extension Program:				
Cooperative extension program - horticulture	70,653	70,863	67,411	3,452
Total community development	1,127,105	1,305,283	834,077	471,206
Debt Service				
Principal retirement	244,428	301,772	762,357	(460,585)
Interest and fiscal charges	716,372	698,946	292,157	406,789
Total debt service	960,800	1,000,718	1,054,514	(53,796)
Total expenditures	22,410,262	23,014,835	20,671,970	2,342,865
Excess (deficiency) of revenues over (under) expenditures	1,474,602	1,079,891	4,731,100	3,651,209
Other financing sources (uses):				
Operating transfers out - school operating fund	106,995	106,995	-	(106,995)
Operating transfers out - water fund	-	(18,773)	(18,773)	-
Operating transfers out - human services fund	(585,215)	(592,717)	(413,572)	179,145
Operating transfers in/out - meals tax fund	(160,500)	52,072	52,072	-
Operating transfers in/out - capital projects fund	(883,529)	(97,256)	(2,940,058)	(2,842,802)
Operating transfers out - debt service fund	-	(873,682)	(852,309)	21,373
Operating transfers out - airport fund	(20,333)	(21,733)	(16,966)	4,767
Total other financing sources (uses)	(1,542,582)	(1,445,094)	(4,189,606)	(2,744,512)
Net change in fund balances	(67,980)	(365,203)	541,494	906,697
Fund balance - beginning	67,980	365,203	5,019,794	4,654,591
Fund balance - ending	\$ -	\$ -	\$ 5,561,288	\$ 5,561,288

**COUNTY OF NEW KENT, VIRGINIA**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Airport Fund  
Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from local sources:				
Revenue from the use of money and property	\$ -	\$ -	\$ 4,520	\$ 4,520
Charges for services	170,880	185,880	160,223	(25,657)
Revenue from the Commonwealth				
Other categorical aid	386,500	380,210	15,960	(364,250)
Revenue from the Federal Government				
Other categorical aid	300,000	392,150	84,129	(308,021)
<b>Total revenue</b>	<u>857,380</u>	<u>958,240</u>	<u>264,832</u>	<u>(693,408)</u>
<b>Expenditures:</b>				
Current:				
Public works				
Salaries	57,554	57,664	57,889	(225)
Repairs and maintenance	10,400	19,244	9,388	9,856
Electricity	5,900	5,500	5,455	45
Miscellaneous	908,859	1,010,955	220,244	790,711
<b>Total expenditures</b>	<u>982,713</u>	<u>1,093,363</u>	<u>292,976</u>	<u>800,387</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(125,333)</u>	<u>(135,123)</u>	<u>(28,144)</u>	<u>106,979</u>
<b>Other financing sources (uses):</b>				
Interfund transfers in	125,333	135,123	28,144	(106,979)
<b>Net changes in fund balances</b>	-	-	-	-
<b>Fund balance - beginning</b>	-	-	9,600	9,600
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,600</u>	<u>\$ 9,600</u>

COUNTY OF NEW KENT, VIRGINIA

Statement of Net Assets

Proprietary Funds

June 30, 2006

	<u>Business-type Activities</u>		
	<u>Water &amp; Sewer</u>	<u>Bottoms Bridge</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 10,362,153	\$ 2,091,051	\$ 12,453,204
Receivables	588,775	-	588,775
Total current assets	<u>10,950,928</u>	<u>2,091,051</u>	<u>13,041,979</u>
Noncurrent assets:			
Land	890,100	1,046,778	1,936,878
Construction in progress	718,958	16,017,296	16,736,254
Buildings	5,313,200	-	5,313,200
Equipment	3,931,683	-	3,931,683
Infrastructure	5,261,636	-	5,261,636
Less accumulated depreciation	(2,666,496)	-	(2,666,496)
Total noncurrent assets	<u>13,449,081</u>	<u>17,064,074</u>	<u>30,513,155</u>
Total assets	<u>24,400,009</u>	<u>19,155,125</u>	<u>43,555,134</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	288,393	1,037,025	1,325,418
Customer deposits	54,551	-	54,551
Compensated absences	26,558	-	26,558
Total current liabilities	<u>369,502</u>	<u>1,037,025</u>	<u>1,406,527</u>
Noncurrent liabilities:			
Bonds payable	-	17,675,000	17,675,000
Compensated absences	11,300	-	11,300
Total noncurrent liabilities	<u>11,300</u>	<u>17,675,000</u>	<u>17,686,300</u>
Total liabilities	<u>380,802</u>	<u>18,712,025</u>	<u>19,092,827</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	13,449,081	-	13,449,081
Unrestricted	10,570,126	443,100	11,013,226
Total net assets	<u>\$ 24,019,207</u>	<u>\$ 443,100</u>	<u>\$ 24,462,307</u>

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2006

	<u>Business-type Activities</u>		
	<u>Water &amp; Sewer</u>	<u>Bottoms Bridge</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services	\$ 945,789	\$ 34,798	\$ 980,587
Parham landing fees	429,499	-	429,499
Connection fees	6,051,661	347,791	6,399,452
Miscellaneous	843	-	843
Total operating revenues	<u>7,427,792</u>	<u>382,589</u>	<u>7,810,381</u>
<b>Operating expenses:</b>			
Personnel services	439,758	-	439,758
Fringe benefits	135,283	-	135,283
Contractual services	650,747	18,855	669,602
Other charges	236,403	-	236,403
Depreciation	334,158	-	334,158
Total operating expenses	<u>1,796,349</u>	<u>18,855</u>	<u>1,815,204</u>
<b>Operating income (loss)</b>	<u>5,631,443</u>	<u>363,734</u>	<u>5,995,177</u>
<b>Nonoperating revenue (expense):</b>			
Investment income	98,363	631,391	729,754
Interest expense	(51,448)	(579,942)	(631,390)
Total nonoperating revenue (expense)	<u>46,915</u>	<u>51,449</u>	<u>98,364</u>
<b>Income (loss) before transfers, contributions special items, and extraordinary items</b>	<u>5,678,358</u>	<u>415,183</u>	<u>6,093,541</u>
Transfer in	18,773	-	18,773
Capital contributions	141,200	-	141,200
<b>Change in net assets</b>	<u>5,838,331</u>	<u>415,183</u>	<u>6,253,514</u>
<b>Net assets - beginning</b>	<u>18,180,876</u>	<u>27,917</u>	<u>18,208,793</u>
<b>Net assets - ending</b>	<u>\$ 24,019,207</u>	<u>\$ 443,100</u>	<u>\$ 24,462,307</u>

COUNTY OF NEW KENT, VIRGINIA

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2006

	<u>Business-type Activities</u>		
	<u>Water &amp; Sewer</u>	<u>Bottoms Bridge</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 7,157,901	\$ 363,734	\$ 7,521,635
Payments to suppliers	(725,914)	-	(725,914)
Payments to employees	(558,790)	-	(558,790)
<b>Net cash provided by operating activities</b>	<u>5,873,197</u>	<u>363,734</u>	<u>6,236,931</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer from related fund	18,773	-	18,773
<b>Net cash provided by noncapital financing activities</b>	<u>18,773</u>	<u>-</u>	<u>18,773</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(637,417)	(13,192,312)	(13,829,729)
Interest paid	(51,448)	(579,942)	(631,390)
<b>Net cash used in capital and related financing activities</b>	<u>(688,865)</u>	<u>(13,772,254)</u>	<u>(14,461,119)</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	98,363	631,391	729,754
<b>Net cash provided by investing activities</b>	<u>98,363</u>	<u>631,391</u>	<u>729,754</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>5,301,468</u>	<u>(12,777,129)</u>	<u>(7,475,661)</u>
<b>Cash and cash equivalents</b>			
Beginning of year	5,060,685	14,868,180	19,928,865
End of year	<u>\$ 10,362,153</u>	<u>\$ 2,091,051</u>	<u>\$ 12,453,204</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income	\$ 5,631,443	\$ 363,734	\$ 5,995,177
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	334,158	-	334,158
Change in assets and liabilities			
(Increase) decrease in accounts receivable	(269,891)	-	(269,891)
Increase (decrease) in accounts payable	151,785	-	151,785
Increase (decrease) in customer deposits	9,451	-	9,451
Increase (decrease) in accrued vacation payable	16,251	-	16,251
Total adjustments	<u>241,754</u>	<u>-</u>	<u>241,754</u>
<b>Net cash provided by operating activities</b>	<u>\$ 5,873,197</u>	<u>\$ 363,734</u>	<u>\$ 6,236,931</u>
<b>Noncash investing, capital, and financing activities:</b>			
Capital contributions	\$ 141,200	\$ -	\$ 141,200

**COUNTY OF NEW KENT, VIRGINIA**

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

**June 30, 2006**

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 13,927
<b>Liabilities</b>	
Amounts held for others	\$ 13,927

## **Notes to the Financial Statements**

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 1 - Summary of significant accounting policies

#### A. Financial reporting entity

The County of New Kent, Virginia (the County) was formed in 1916. 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 public safety (police, fire and rescue), public works, health and welfare services, education, recreational activities, community and economic development and judicial and general administrative services.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies. All applicable GASB Statements have been implemented including GASB Statement No. 34, Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments, which the County was required to implement effective fiscal year ended June 30, 2003. Unless otherwise stated, the accounting policies of the School Board of the County of New Kent are similar to those of the County.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability of the primary government to impose its will, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. Each discretely presented component unit (see note below for description) is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

#### Discretely presented component units

The School Board of the County of New Kent (the School Board) operates the public education system in the County for grades kindergarten through twelve. The voters elect the members of the School Board. However, the County is financially accountable for the School Board because the County's council approves the School Board's budget, levies taxes (if necessary), and must approve any debt issuances. The School Board is reported in a separate column to emphasize that it is legally separate from the County. The School Board does not issue separate financial statements.

The New Kent County Economic Development Authority (EDA) promotes economic development throughout the County. The County appoints the board members of the EDA and the County is considered to be financially accountable for the EDA. The EDA is reported in a separate column to emphasize that it is legally separate from the County. The EDA does not issue separate financial statements.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the County) and its component units (the School Board and Economic Development Authority). For the most part, the effect of interfund activity has been removed from these statements. *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. The *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are 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 operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 1 - Summary of significant accounting policies (continued)

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.

#### C. Measurement focus and basis of accounting

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both available and measurable. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers all revenues available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when cash is paid by the County.

Property taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the primary operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

The *capital projects fund* is used to account for financial resources to be used for construction of major capital facilities (other than projects financed or constructed by Proprietary Funds or by the School Board Component Unit), vehicles, fire equipment, and other equipment.

The *school capital projects fund* is used to account for financial resources to be used for construction of major capital facilities of the school board component unit, vehicles, and other equipment. Reclassified to primary government for fiscal year 2006, previously reported within Discretely Presented Component Unit-School Board, see note 17.

The *airport fund* is used to account for the financial resources of the County airport.

The government reports the following major proprietary funds:

The *water and sewer fund* and the *Bottoms Bridge fund* are used to account for the water and sewer services that are being provided to the County and the Bottoms Bridge area. Operation of the proprietary fund is designed to be primarily self-supporting through user charges. These funds service their own debts and construction projects and record the acquisition of their depreciable assets and land.

Additionally, the government reports the following fund types:

The *agency fund* is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The agency fund includes the activities of the special welfare fund.

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 1 - Summary of significant accounting policies (continued)

The *special revenue funds* are used to account for the proceeds of specific revenue sources, (other than capital projects discussed above) which require separate accounting as the result of regulatory provisions or administrative actions. The County's special revenue funds consist of the Human Services Fund and the Meals Tax Revenue Fund.

The *debt service fund* accounts for the resources accumulated for principal and interest on long-term general obligation debt of governmental funds. The County created the fund during the current fiscal year and began accumulating cash in the fund for future debt service. The General Fund transferred tax revenues restricted to debt service, the Meals Tax Revenue Fund transferred other taxes collected for debt service, and the School Capital Projects Fund transferred debt funds to be used for debt service to the Debt Service Fund. In future fiscal years, debt service payments now presented in the general fund will be budgeted and paid from this fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Jointly governed organization

##### *Central Virginia Waste Management Authority*

The Central Virginia Waste Management Authority (the Waste Authority) was established under the provision of the Virginia Water and Sewer Authorities Act. 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

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 1 - Summary of significant accounting policies (continued)

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 the years ended June 30, 2006 was \$484,741. Complete financial statements can be obtained from the Authority's office at 2100 West Laburnum Ave., 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 by resolutions adopted in 1993 by its member jurisdictions. The member jurisdictions are as follows: Counties of Caroline, Charles City, Essex, Gloucester, Hanover, James City, King George, King and Queen, King William, Lancaster, Matthews, Middlesex, New Kent, Northumberland, Westmoreland, and York and the Cities of Poquoson, Richmond and Williamsburg. Each member jurisdiction appoints one member to the Commission. There are no direct or indirect liabilities borne by the County of New Kent for the operation of this organization.

The Commission was created to enhance the region for the protection of the citizens by the maintenance and operation of a juvenile detention facility (the "Center") to serve the member jurisdictions. The member jurisdictions have entered into a Service Agreement, which is a long-term contract governing the parties' respective obligations.

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. Complete 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.

#### **E. Cash, cash equivalents and investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. Investments are stated at fair value.

Because the County uses the pooled cash investment method, individual fund overdrafts have been reclassified as due to/due from other funds for financial statement purposes. All income from pooled cash is recorded in the General Fund.

#### **F. Allowances for uncollectibles**

The County calculates its allowances for uncollectibles using historical collection data and, in certain cases, specific account analysis. At June 30, 2006, the allowances approximated \$445,980 in the General Fund.

#### **G. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **H. Restricted assets**

Certain resources are set aside and classified as restricted assets on the balance sheet. These resources represent cash proffers that are allocated for expenditures associated with school facilities, fire programs/facilities and rescue programs/facilities.

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 1 - Summary of significant accounting policies (continued)

#### I. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 assets lives 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. Capital assets for the Water and Sewer Fund and Bottoms Bridge Fund are stated at cost less accumulated depreciation.

Depreciation is charged as an expense against operations and has been provided using the straight-line method generally over the following estimated useful lives:

Buildings	50 years
Capital improvements	20-50 years
Equipment and machinery	5-20 years
Infrastructure	65 years
Vehicles	8 years

Depreciation on capital assets acquired by grant entitlements and shared revenue is accounted for as an operating expense and as a reduction of contributed capital.

#### J. Compensated absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits with limitations outlined in the County's personnel policy. On the last day of the fiscal year any accumulated vacation in excess of twenty days for employees with less than five years service or twenty-four days for employees with more than five years of service, shall be forfeited. Upon termination of employment, an employee who has successfully completed the probation period outlined in the County's personnel policy shall be entitled to twenty-five percent of their accrued sick leave. Compensation of unused sick leave shall not exceed two thousand five hundred dollars based on their rate of pay at the time of termination.

#### K. Long-term obligations

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

#### L. Net Assets / Fund equity

Net assets in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute. The County's restricted net assets represent cash proffers that are allocated for expenditures associated with school facilities, fire programs/facilities and rescue programs/facilities.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## COUNTY OF NEW KENT, VIRGINIA

### Notes to Financial Statements Year Ended June 30, 2006

#### Note 1 - Summary of significant accounting policies (continued)

##### N. Retirement plan

The County participates in a defined benefit pension plan administered by the Virginia Retirement System. It is the County's policy to fund the normal cost and amortization of unfunded prior service cost over 30 years.

##### O. Statement of cash flows

For purposes of the statement of cash flows, all highly liquid debt instruments and certificates of deposit, with original maturities of three months or less from the date of purchase, are grouped into cash and cash equivalents.

##### P. Adoption of Governmental Accounting Standards Board Pronouncements

During the year ended June 30, 2006, the County implemented Governmental Accounting Standards Board (GASB) Statement 44 *Economic Condition Reporting: The Statistical Section*. This new statement establishes five categories of information and clarifies the types of schedules presented in the statistical section.

##### Q. 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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Note 2 – Stewardship, compliance, and accountability

The County Administrator submits to the County Board of Supervisors an annual budget for the ensuing fiscal year at least sixty days prior to the beginning of such fiscal year.

A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the County Board of Supervisors may change any item in the budget (other than debt service or items required by law). An appropriation ordinance must be adopted by the County Board of Supervisors prior to June 30 or as soon thereafter as is practicable.

The County utilizes the appropriated budget level of budgetary control whereby the County Board of Supervisors adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Capital Projects Funds are budgeted on an annual basis. Adopted budgets may be amended or superseded by action of the County Board of Supervisors. Appropriations, except for reserved fund balances, lapse at year-end.

All operating budgets include proposed expenditures and the means of financing them. County Board of Supervisors must approve any budget revisions once the appropriation ordinance has been adopted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2006. Appropriation control is maintained at the department level. Encumbrances and reserved fund balances outstanding at year-end are reappropriated in the succeeding year on a case by case basis. The operating budgets are maintained on the modified accrual basis.

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 3 - Deposits and investments

Deposits - At June 30, 2006, the carrying value of the County's deposits, were \$16,516,013, \$809,986 and \$38,704, for the primary government, School Board, and EDA respectively, and the bank balance was \$20,607,430. The carrying value of the Fiduciary funds at June 30, 2006 was \$13,927. The difference is due to outstanding checks, deposits in transit and other reconciling items. All of the County's deposits were insured deposits by federal depository insurance or the provisions of the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of federal depository insurance limits. The State Treasury Board has the authority to assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of noncompliance by banks and savings and loan institutions.

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, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP, a 2a-7 like pool).

	<u>Fair Value</u>	<u>Credit Rating</u>
Investments not subject to categorization:		
Money Market Mutual Funds	\$ 3,140,739	N/A
US Government Money Market Mutual Funds	2,825,824	N/A
State Non-Arbitrage Program (SNAP)	4,727,774	AAAm
Local Government Investment Pool (LGIP)	7,340,000	AAAm
Total investments	<u>18,034,337</u>	
Total deposits	17,376,815	N/A
Cash in office	550	N/A
Restricted cash	1,286,494	N/A
Total cash, cash equivalents and investments per Statement of Net Assets	<u><u>\$ 36,698,196</u></u>	

The County's Policy limits investments to those allowed by the Code of Virginia. The County may however restrict investments beyond the limits imposed by the Code as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

Interest Rate Risk: As a means of limiting exposure to fair value losses from rising interest rates, investment maturity is managed to proceed or coincide with expected need of funds. As of June 30, 2006 each investment within the County's portfolio has liquidity of one day.

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 4 - Property taxes

The County levies real estate and personal property taxes on property within its boundaries, except property specifically exempted by statute. These levies are assessed each year as of January 1 on the estimated market value of the property, at which time a lien in favor of the County is automatically attached to the property. The County follows the practice of reassessing real estate every four to six years and personal property annually.

Real estate taxes and personal property taxes are payable in full on December 5. Property taxes are levied to finance activities of the fiscal year in which they are due from the taxpayer. The County bills and collects taxes and recognizes such as revenue when received except at year-end, when billed but uncollected amounts, net of allowances for uncollectible amounts, are recorded. Property taxes, net of allowances for uncollectible amounts, not collected within 45 days after year-end are reflected as deferred revenue. The tax rates for the year ended June 30, 2006 were as follows: real estate taxes were \$0.81 per \$100 of assessed value, personal property taxes were \$3.75 per \$100 of the NADA assessed value, machinery and tools taxes were \$3.00 per \$100 of the reported value, and aircraft taxes were \$0.75 per \$100 of the reported value.

### Note 5 - Interfund receivables, payables and transfers

The County's interfund receivable and payable balances at June 30, 2006 are presented below:

	<u>Receivables</u>	<u>Payables</u>
Interfunds		
General Fund	\$ 137,604	\$ -
Human Services Fund	-	80,521
Airport Fund	-	57,083
	<u>\$ 137,604</u>	<u>\$ 137,604</u>

The outstanding balances between funds result mainly from the time lag between the dates that interfund reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers for the year ended June 30, 2006 were as follows:

	<u>Out</u>	<u>In</u>
Major funds		
General Fund	\$ 4,392,706	\$ 203,100
Capital Projects Fund	96,778	3,025,658
School Capital Projects Fund	631,771	-
Airport Fund	-	28,144
Water and Sewer Fund	-	18,773
Nonmajor funds		
Human Service Fund	-	413,572
Meals Tax Revenue Fund	235,000	65,428
Debt Service Fund	-	1,601,580
	<u>\$ 5,356,255</u>	<u>\$ 5,356,255</u>

Transfers are used to provide funding for operating and capital costs.

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 6 - Due from other governmental units

At June 30, 2006, the General Fund and the Human Services Fund are due \$498,162 and \$116,795, respectively, from the Commonwealth of Virginia. The School Board Component Unit is due \$438,994 from the Commonwealth of Virginia. The Capital Improvement Fund and Airport Fund are due \$78,145 and \$36,748, respectively, from the Commonwealth of Virginia. At June 30, 2006, the General Fund and the School Board Component Unit are due \$105,133 and \$231,569, respectively, from the Federal government.

### Note 7 - Capital assets

#### Primary Government:

The following is a summary of changes in capital assets for governmental activities:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 3,559,491	\$ 107,101	\$ 706,363	\$ 2,960,229
Construction in progress	3,334,283	7,669,825	972,790	10,031,318
Total capital assets, not being depreciated	<u>6,893,774</u>	<u>7,776,926</u>	<u>1,679,153</u>	<u>12,991,547</u>
Capital assets, being depreciated:				
Buildings	8,801,850	230,323	-	9,032,173
Machinery and equipment	5,608,206	816,294	106,375	6,318,125
Capital improvements	1,709,192	1,193,806	-	2,902,998
Total capital assets, being depreciated	<u>16,119,248</u>	<u>2,240,423</u>	<u>106,375</u>	<u>18,253,296</u>
Less accumulated depreciation for:				
Buildings	(2,085,726)	(135,592)	-	(2,221,318)
Machinery and equipment	(2,520,212)	(590,117)	(70,397)	(3,039,932)
Capital improvements	(88,442)	(57,109)	-	(145,551)
Total accumulated depreciation	<u>(4,694,380)</u>	<u>(782,818)</u>	<u>(70,397)</u>	<u>(5,406,801)</u>
Total capital assets, being depreciated, net	<u>11,424,868</u>	<u>1,457,605</u>	<u>35,978</u>	<u>12,846,495</u>
Governmental activities capital assets, net	<u>\$ 18,318,642</u>	<u>\$ 9,234,531</u>	<u>\$ 1,715,131</u>	<u>\$ 25,838,042</u>

**COUNTY OF NEW KENT, VIRGINIA**

**Notes to Financial Statements  
Year Ended June 30, 2006**

**Note 7 - Capital assets (continued)**

The following is a summary of changes in capital assets in the business-type activities during the fiscal year:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Assets not subject to depreciaton:				
Land	\$ 1,242,651	\$ 708,227	\$ 14,000	\$ 1,936,878
Construction in progress	3,172,637	13,692,024	128,407	16,736,254
Water production and distribution facilities	8,969,807	275,076	-	9,244,883
Infrastructure	5,261,636	-	-	5,261,636
Total capital assets	<u>18,646,731</u>	<u>14,675,327</u>	<u>142,407</u>	<u>33,179,651</u>
Less accumulated depreciation for:				
Water production and distribution facilities	(1,591,332)	(253,210)	-	(1,844,542)
Infrastructure	(741,006)	(80,948)	-	(821,954)
Total accumulated depreciation	<u>(2,332,338)</u>	<u>(334,158)</u>	<u>-</u>	<u>(2,666,496)</u>
Total capital assets, net	<u>\$ 16,314,393</u>	<u>\$ 14,341,169</u>	<u>\$ 142,407</u>	<u>\$ 30,513,155</u>

Depreciation was charged to governmental and business-type functions as follows:

*Governmental Activities:*

General government	\$ 181,510
Judicial	71,872
Public safety	443,033
Public works	11,732
Health and welfare	6,692
Community development	42,854
Education	19,160
Parks and recreation	5,965
Total governmental depreciation expense	<u>\$ 782,818</u>

*Business-Type Activities:*

Water and sewer fund	<u>\$ 334,158</u>
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**Discretely presented component units:**

The Economic Development Authority had machinery and equipment with a cost of \$100,000 and accumulated depreciation of \$33,335.

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements  
Year Ended June 30, 2006

Note 7 - Capital assets (continued)

The following is a summary of changes in capital assets in the Component Unit - School Board during the fiscal year:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 694,500	\$ -	\$ -	\$ 694,500
Construction in progress	736,608	-	-	736,608
Total capital assets, not being depreciated	<u>1,431,108</u>	<u>-</u>	<u>-</u>	<u>1,431,108</u>
Capital assets, being depreciated:				
Buildings	9,055,827	-	-	9,055,827
Machinery and equipment	3,504,219	114,609	-	3,618,828
Capital improvements	1,634,207	-	-	1,634,207
Total capital assets, being depreciated	<u>14,194,253</u>	<u>114,609</u>	<u>-</u>	<u>14,308,862</u>
Total capital assets	<u>15,625,361</u>	<u>114,609</u>	<u>-</u>	<u>15,739,970</u>
Less accumulated depreciation for:				
Buildings	(5,459,234)	(232,614)	-	(5,691,848)
Machinery and equipment	(2,524,119)	(220,356)	-	(2,744,475)
Capital improvements	(293,805)	(38,263)	-	(332,068)
Total accumulated depreciation	<u>(8,277,158)</u>	<u>(491,233)</u>	<u>-</u>	<u>(8,768,391)</u>
Total capital assets being depreciated, net	<u>5,917,095</u>	<u>(376,624)</u>	<u>-</u>	<u>5,540,471</u>
Component units capital assets, net	<u>\$ 7,348,203</u>	<u>\$ (376,624)</u>	<u>\$ -</u>	<u>\$ 6,971,579</u>

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 7 – Capital Assets (continued)

#### Construction Commitments:

The County had active construction projects as of June 30, 2006. At year end the County's commitments are as follows:

	Balance Remaining on Contract
<b>Governmental Activities:</b>	
School Capital Projects Fund	\$ 6,648,315
<b>Business-type Activities:</b>	
Water and Sewer Fund	2,250,531
Bottoms Bridge Fund	2,132,227
	<u>\$ 11,031,073</u>

### Note 8 - Long-term obligations

A summary of changes in general long-term debt of the Governmental Activities, Business-Type Activities and Component Unit - School Board for the year ended June 30, 2006 follows:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Due within One Year
<b>County - Governmental Activities</b>					
Lease revenue bonds	\$ 120,000	\$ -	\$ 60,000	\$ 60,000	\$ 60,000
Note payable	2,596,515	7,500,000	2,596,515	7,500,000	-
Capital lease obligations	251,579	2,300,000	43,532	2,508,047	174,510
Accrued vacation and sick leave	425,494	353,523	296,807	482,210	334,570
General obligation bonds	2,721,663	2,412,201	558,825	4,575,039	670,948
Bond premium	-	133,832	-	133,832	14,975
Literary loans	400,000	-	100,000	300,000	100,000
Total Governmental Activities	<u>\$ 6,515,251</u>	<u>\$ 12,699,556</u>	<u>\$ 3,655,679</u>	<u>\$ 15,559,128</u>	<u>\$ 1,355,003</u>
<b>Business-Type Activities</b>					
Lease revenue bonds	\$ 17,675,000	\$ -	\$ -	\$ 17,675,000	\$ -
Accrued vacation and sick leave	21,607	31,409	15,158	37,858	26,558
Total Business-Type Activities	<u>\$ 17,696,607</u>	<u>\$ 31,409</u>	<u>\$ 15,158</u>	<u>\$ 17,712,858</u>	<u>\$ 26,558</u>

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements  
Year Ended June 30, 2006

Note 8 – Long-term obligation (continued)

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Due Within One Year
<b>Component Unit - School Board:</b>					
Capital lease obligations	\$ 338,115	\$ -	\$ 58,507	\$ 279,608	\$ 62,746
Accrued vacation and sick leave	332,791	214,800	185,408	362,183	201,783
Retirement incentive cost obligations	345,649	-	21,726	323,923	23,279
<b>Total School Board</b>	<b>\$ 1,016,555</b>	<b>\$ 214,800</b>	<b>\$ 265,641</b>	<b>\$ 965,714</b>	<b>\$ 287,808</b>
<b>Component Unit - EDA:</b>					
Note Payable	\$ -	\$ 706,363	\$ -	\$ 706,363	\$ -

Bonds and loans payable at June 30, 2006 for the Governmental Activities are comprised of the following individual issues:

	Year Issued	Interest Rates	Amount Outstanding
<b>Governmental Activities</b>			
Lease revenue bond:			
1997 IDA HVAC	1997	4.70-5.25%	\$ 60,000
Note payable:			
EDA Series 2005	2006	3.07%	7,500,000
General obligation bond:			
2005 School Bonds - Primary School	2006	4.60-5.10%	2,412,201
1997 Refunding	1997	4.20-5.65%	1,040,000
1995 School Bonds	1995	6.10-6.60%	812,838
1993 School Bonds	1993	7.10-7.50%	310,000
Literary Loan:			
1989 State Literary Loan	1991		300,000
			<u>12,435,039</u>
Unamortized premium			133,832
Total governmental activities			<u>\$ 12,568,871</u>

Bonds and loans payable at June 30, 2006 for the Business-Type Activities are comprised of the following individual issues:

	Year Issued	Interest Rates	Amount Outstanding
<b>Business-Type Activities</b>			
Lease revenue bond	2004	2.30-4.600%	\$ 17,675,000

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 8 – Long-term obligations (continued)

The School Board has a retirement incentive obligation of \$323,923 as of June 30, 2006. This represents the amount to be paid to the Virginia Retirement System (VRS) for additional costs incurred due to eligible school employees electing early retirement. To be eligible members had to be at least 50 years of age by September 1, 1991 and have had at least 25 years of VRS service credit by that date.

For the governmental activities, compensated absences are generally liquidated by the general fund.

The annual requirements for the retirement of fixed principal and interest on outstanding debt of the County and Business-Type Activities are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	642,691	508,384	-	378,297
2008	8,091,763	452,482	365,000	378,297
2009	604,548	189,676	370,000	374,008
2010	347,617	159,821	385,000	369,198
2011	360,936	140,142	395,000	363,712
2012-2016	1,138,793	438,157	2,180,000	1,717,372
2017-2021	610,840	233,028	2,640,000	1,480,271
2022-2026	637,851	76,192	3,250,000	1,180,308
2027-2031	-	-	4,080,000	759,028
2032-2036	-	-	4,010,000	235,750
Total bonds, loans, and note payable	\$ 12,435,039	\$ 2,197,882	\$ 17,675,000	\$ 7,236,241

In September 2005, general obligation bonds in the principal amount of \$2,412,201 plus a bond issuance premium in the amount of \$133,832 were issued to replace bond anticipation notes. In fiscal year 2005, the County received proceeds from a note in anticipation of general obligation bonds from the VPSA in the amount of \$2,596,515. The bond anticipation note proceeds were treated as an other financing source because the note was replaced by long-term obligations issued prior to the issuance of the 2005 financial statements. The bond anticipation note replacement is treated as a refunding and removed through an other financing use. The general obligation bonds were supplemented by a VPSA subsidy from the state in the amount of \$62,219. The premium is amortized over the life of the refunding debt issued.

Notes payable includes \$7,500,000 for a bond anticipation note issued during the fiscal year 2006 through the EDA. In November 2006, general obligation bonds in the principal amount of \$7,137,447 plus a bond issuance premium in the amount of \$209,166 were issued to replace the \$7,500,000 bond anticipation note issued in fiscal year 2006. The refunding bonds were issued prior to the issuance of the 2006 financial statements and accordingly the \$7,500,000 bond anticipation note proceeds were recorded as an other financing source in fiscal year 2006. The general obligation bonds were supplemented by a VPSA subsidy in the amount of \$159,887 and the premium will be amortized over the life of the refunding bonds.

**COUNTY OF NEW KENT, VIRGINIA**

**Notes to Financial Statements  
Year Ended June 30, 2006**

**Note 9 - Obligations under capital leases**

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Cash - lease proceeds to be used for construction	\$ 2,930,345
Construction in progress	72,983
Machinery and equipment	259,024
Less: Accumulated depreciation	(259,024)
Total	\$ 3,003,328

The County entered a lease agreement with the Economic Development Authority during the year for use of the school bus maintenance garage under construction. The minimum lease payments equal the amount of principal payments due on the lease revenue bonds issued by the EDA and imputed interest. At June 30, 2006, \$72,983 of construction costs has been capitalized as Construction in Progress.

A summary of future minimum rental payments under capital leases of the County as of June 30, 2006 is as follows:

Year Ending June 30, 2006	Total Minimum Lease Payments
2007	274,986
2008	274,986
2009	274,986
2010	274,986
2011	214,303
2012-2016	1,071,514
2017-2021	857,213
Total minimum lease payments	3,242,974
Less amount representing imputed interest	734,927
Present value of net minimum lease payments	\$ 2,508,047

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 10 - Equity balances

Designated portions of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Designation of fund balance by specific purpose is as follows:

	Governmental Funds				Subtotal	Component Unit	
	General	Capital Projects	School Capital Projects	Meals Tax Revenue	Governmental Funds	School Board	EDA
Designated for:							
Asset forfeiture:							
Sheriff	\$ 22,106	\$ -	\$ -	\$ -	\$ 22,106	\$ -	\$ -
Commonwealth Attorney	11,542	-	-	-	11,542	-	-
E-911	171,282	-	-	-	171,282	-	-
Litter control	7,268	-	-	-	7,268	-	-
Capital projects	-	280	4,429,494	-	4,429,774	-	-
Recreation	-	-	-	51,678	51,678	-	-
Community development	-	-	-	51,678	51,678	-	1,409,793
Debt service	-	-	-	103,355	103,355	-	-
Education	-	-	-	-	-	146,926	-
Proffers:							
Education	-	543,708	-	-	543,708	-	-
Public safety	-	283,739	-	-	283,739	-	-
Reappropriation of unencumbered balances	273,551	2,063,688	-	-	2,337,239	-	-
Funding of subsequent fiscal year's budget	102,915	2,304,249	-	-	2,407,164	-	-
<b>Total Designated for specific purposes</b>	<b>\$ 588,664</b>	<b>\$ 5,195,664</b>	<b>\$ 4,429,494</b>	<b>\$ 206,711</b>	<b>\$ 10,420,533</b>	<b>\$ 146,926</b>	<b>\$ 1,409,793</b>

### Note 11 – 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, 2006:

<u>Description</u>	<u>Original issue</u>
Industrial Development Revenue Bond Series 2001	\$ 10,000,000
Economic Development Revenue Bond Series 2003	\$ 8,500,000

# COUNTY OF NEW KENT, VIRGINIA

## Notes to Financial Statements Year Ended June 30, 2006

### Note 12 - Defined benefit pension plan

#### A. Plan Description

The County contributes to the Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees who retire with reduced benefit at age 55 (age 50 for participating law enforcement officers and firefighters) with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) up to \$13,200 plus 1.65 percent of AFS over \$13,200 for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with 35 years or more of credited service are entitled to an annual benefit equal to 1.7 percent of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. 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 State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System 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% of their annual salary to VRS. The employer has assumed this 5% member contribution. 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. Contributions made by the County were 1.00% and contributions made by the School Board for non-professional employees were 10% of covered payrolls for the fiscal year ended 2006. Total employer contributions made to the VRS statewide teacher pool for professional employees by the School Board for fiscal years 2006, 2005 and 2004 amounted to \$1,350,130, \$1,235,387, and \$909,504, respectively, and represented 11.62%, 11.03%, and 8.77%, respectively, of the current covered payroll.

#### C. Annual Pension Cost

For 2006, the County's annual pension cost of \$63,371 and the School Board's annual pension cost of \$128,175 for non-professional employees was equal to the County's and School Board's required actuarial contributions. Annual pension cost for the County and School Board for the preceding June 30, 2005 and 2004 was \$59,026, \$34,533, and \$119,881, \$125,498, respectively. The annual pension cost was equal to the required actuarial contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 3.50% - 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market's value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

### Note 13 - 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 an 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.

## COUNTY OF NEW KENT, VIRGINIA

### Notes to Financial Statements Year Ended June 30, 2006

#### Note 14 - Commitments and contingencies

The County and School Board participate in a number of Federal award programs. Although the County's and School Board's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendment of 1996, these programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County and School Board expect such amounts, if any, to be immaterial.

During the normal course of business, the County and its employees have been made as defendants in claims for personal injuries, property damage and specific performances, which are being defended by the County Attorney and associated counsel. It is the opinion of the County Attorney that the resolution of such litigation will not involve a substantial liability to the County.

#### Note 15 – 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 carries commercial coverage for these risks of loss. Through this coverage, the County obtains general liability coverage of \$3,000,000 per occurrence, auto liability coverage of \$3,000,000 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 \$1,000,000 per occurrence and crime blanket coverage of \$250,000. Settlements have not exceeded coverage for each of the past three fiscal years.

#### Note 16 – Subsequent events

In November 2006, the County issued \$7,137,447 Series 2006 general obligation bonds to replace the \$7,500,000 bond anticipation note used to fund school capital projects. The interest rate on the bonds is 5.10 percent with a maturity date of July 15, 2027.

#### Note 17 – Prior Period Adjustment

For fiscal year 2006, land previously shown as a primary government capital asset has been reclassified to real property investment held by the Economic Development Authority (EDA) discrete component unit. In addition, a related note due to the County from the EDA, authorized by the Board of Supervisors in April 2005, has been included. The land value for EDA includes additional \$15,145 funded directly by the EDA. The note receivable in governmental fund statements is offset by deferred revenue, and has no impact on the County's capital project fund balance. Since the note is due from EDA in April 2008 (more than one year after the fiscal year end) a liability is not reflected in the EDA fund statements.

For fiscal year 2006, the School Capital Projects Fund, previously shown within Discretely Presented Component Unit- School Board, has been reclassified to the primary government for consistency with debt issuance responsibility.

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements  
Year Ended June 30, 2006

Note 17 – Prior Period Adjustment (continued)

	Statement of Activities			Fund Statements		
	Primary Government - Governmental Activities	Component Unit - School Board	Component Unit - EDA	Primary Government - Total Governmental Funds	Component Unit - School Board	Component Unit - EDA
Net assets / fund balance PY	\$ 25,065,127	\$ 7,763,674	\$ 405,885	\$ 12,541,702	\$ 1,432,026	\$ 332,553
School Capital Projects Fund	1,326,721	(1,326,721)	-	1,326,721	(1,326,721)	-
Reclassify land to EDA as inventory (real property investment)	(706,363)	-	721,508	-	-	721,508
Record note between County and EDA	706,363	-	(706,363)	-	-	-
Beginning net assets/ fund balance as restated	\$ 26,391,848	\$ 6,436,953	\$ 421,030	\$ 13,868,423	\$ 105,305	\$ 1,054,061

## **Required Supplementary Information**

COUNTY OF NEW KENT, VIRGINIA

Required Supplementary Information  
 Schedule of Funding Progress – Defined Benefit Plans  
 June 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Primary Government:						
June 30, 2003	7,499,320	6,473,937	(1,025,383)	115.84%	3,069,329	(33.41%)
June 30, 2004	7,769,908	7,647,288	(122,620)	101.60%	3,768,750	(3.25%)
June 30, 2005	8,116,622	8,888,230	771,608	91.32%	4,038,948	19.10%
School Board - Component Unit:						
June 30, 2003	2,303,283	2,194,004	(109,279)	104.98%	1,348,051	(8.11%)
June 30, 2004	2,438,021	2,352,626	(85,395)	103.60%	1,079,581	(7.91%)
June 30, 2005	2,558,984	2,587,772	28,788	98.89%	1,230,847	2.34%

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## **Combining and Individual Fund Statements and Schedules**

### **NONMAJOR GOVERNMENTAL FUNDS**

#### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Human Services Fund  
Meals Tax Revenue Fund

#### Debt Service Fund

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

### **DISCRETELY PRESENTED COMPONENT UNITS**

#### School Board

The School Board funds are used to account for money to be used in the operation of the public education system of the County.

School Operating Fund  
School Cafeteria Fund

#### Economic Development Authority

The Economic Development Authority fund is used to promote economic development throughout the County.

COUNTY OF NEW KENT, VIRGINIA

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue Funds		Debt Service	Total Nonmajor Governmental Funds
	Human Services	Meals Tax Revenue		
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 158,475	\$ 1,601,580	\$ 1,760,055
Accounts receivable	52,717	48,236	-	100,953
Due from other governments	116,795	-	-	116,795
Total assets	<u>\$ 169,512</u>	<u>\$ 206,711</u>	<u>\$ 1,601,580</u>	<u>\$ 1,977,803</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 88,991	\$ -	\$ -	\$ 88,991
Due to other funds	80,521	-	-	80,521
Total liabilities	<u>169,512</u>	<u>-</u>	<u>-</u>	<u>169,512</u>
Fund balances:				
Designated	-	206,711	-	206,711
Undesignated	-	-	1,601,580	1,601,580
Total fund balances	<u>-</u>	<u>206,711</u>	<u>1,601,580</u>	<u>1,808,291</u>
Total liabilities and fund balances	<u>\$ 169,512</u>	<u>\$ 206,711</u>	<u>\$ 1,601,580</u>	<u>\$ 1,977,803</u>

COUNTY OF NEW KENT, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2006

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Human Services	Meals Tax Revenue	Debt Service	
<b>Revenues</b>				
Other local taxes	\$ -	\$ 376,283	\$ -	\$ 376,283
Commonwealth	474,729	-	-	474,729
Total revenues	474,729	376,283	-	851,012
<b>Expenditures</b>				
Current:				
Health and welfare	888,301	-	-	888,301
Debt service:				
Total expenditures	888,301	-	-	888,301
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(413,572)	376,283	-	(37,289)
<b>Other financing sources (uses)</b>				
Interfund transfers in	413,572	65,428	1,601,580	2,080,580
Interfund transfers out	-	(235,000)	-	(235,000)
Total other financing sources (uses)	413,572	(169,572)	1,601,580	1,845,580
<b>Net change in fund balances</b>	-	206,711	1,601,580	1,808,291
<b>Fund balance - beginning</b>	-	-	-	-
<b>Fund balance - ending</b>	\$ -	\$ 206,711	\$ 1,601,580	\$ 1,808,291

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual

Human Services Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from the Commonwealth				
Comprehensive Services Act Grants	\$ 669,131	\$ 669,131	\$ 474,729	\$ (194,402)
<b>Expenditures:</b>				
Current:				
Health and welfare				
Welfare/Social services -				
Comprehensive Services Act	1,254,346	1,261,848	888,301	373,547
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(585,215)</u>	<u>(592,717)</u>	<u>(413,572)</u>	<u>179,145</u>
<b>Other financing sources (uses):</b>				
Interfund transfers in	585,215	592,717	413,572	(179,145)
Total other financing sources (uses)	585,215	592,717	413,572	(179,145)
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund balance - beginning</b>	-	-	-	-
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual

Meals Tax Revenue Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from local sources:				
Other local taxes	\$ -	\$ 169,572	\$ 376,283	\$ 206,711
<b>Other financing sources (uses):</b>				
Interfund transfers in	-	65,428	65,428	-
Interfund transfers out	-	(235,000)	(235,000)	-
Total other financing sources (uses)	-	(169,572)	(169,572)	-
<b>Net change in fund balances</b>	-	-	206,711	206,711
<b>Fund balance - beginning</b>	-	-	-	-
<b>Fund balance - ending</b>	\$ -	\$ -	\$ 206,711	\$ 206,711

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Capital Projects Fund  
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 60	\$ 60
Charges for services:				
Proffers	-	-	311,085	311,085
Miscellaneous	-	3,295	3,295	-
Commonwealth	32,000	126,587	34,607	(91,980)
Total revenue	32,000	129,882	349,047	219,165
<b>Expenditures:</b>				
Capital projects:				
General government and administration	2,580,000	613,664	231,080	382,584
Public safety	375,930	491,508	437,791	53,717
Public works	335,000	577,331	14,190	563,141
Education	168,447	863,996	459,793	404,203
Parks, recreation and cultural	90,000	297,648	75,594	222,054
Total expenditures	3,549,377	2,844,147	1,218,448	1,625,699
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(3,517,377)</b>	<b>(2,714,265)</b>	<b>(869,401)</b>	<b>1,844,864</b>
<b>Other financing sources (uses):</b>				
Interfund transfers in	138,447	182,856	3,025,658	2,842,802
Interfund transfers out	(190,600)	(198,990)	(96,778)	102,212
Total other financing sources (uses)	(52,153)	(16,134)	2,928,880	2,945,014
<b>Net change in fund balances</b>	<b>(3,569,530)</b>	<b>(2,730,399)</b>	<b>2,059,479</b>	<b>4,789,878</b>
<b>Fund balance - beginning</b>	<b>3,569,530</b>	<b>2,730,399</b>	<b>7,512,308</b>	<b>4,781,909</b>
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,571,787</b>	<b>\$ 9,571,787</b>

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
School Capital Projects Fund  
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Positive (Negative)
<b>Revenues:</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 266,657	\$ 266,657
Miscellaneous	-	42,096	42,096	-
Commonwealth	-	-	62,219	62,219
Total revenue	-	42,096	370,972	328,876
<b>Expenditures:</b>				
Current:				
Education	14,131,074	16,076,938	6,385,946	9,690,992
Excess (deficiency) of revenues over expenditures	(14,131,074)	(16,034,842)	(6,014,974)	10,019,868
<b>Other financing sources (uses):</b>				
Interfund transfers in	991,182	-	-	-
Interfund transfers out	-	(738,766)	(631,771)	106,995
Refunding bond proceeds	2,139,892	2,139,892	2,412,201	272,309
Bond anticipation note refunding	-	-	(2,596,515)	(2,596,515)
Bond anticipation note proceeds	11,000,000	11,000,000	7,500,000	(3,500,000)
Lease revenue bond proceeds	-	2,200,000	2,300,000	100,000
Refunding bond premium	-	-	133,832	133,832
Total other financing sources (uses)	14,131,074	14,601,126	9,117,747	(5,483,379)
Net change in fund balances	-	(1,433,716)	3,102,773	4,536,489
Fund balance - beginning	-	1,433,716	(3,204,956)	(4,638,672)
Fund balance - ending	\$ -	\$ -	\$ (102,183)	\$ (102,183)

COUNTY OF NEW KENT, VIRGINIA

Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2006

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	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
<b><u>Special Welfare Fund:</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 7,193	\$ 48,115	\$ 41,381	\$ 13,927
Prepaid expenses	1,200	-	1,200	-
Total assets	<u>\$ 8,393</u>	<u>\$ 48,115</u>	<u>\$ 42,581</u>	<u>\$ 13,927</u>
<b>Liabilities</b>				
Amounts held for others	8,393	5,534	-	13,927
Total liabilities	<u>\$ 8,393</u>	<u>\$ 5,534</u>	<u>\$ -</u>	<u>\$ 13,927</u>

COUNTY OF NEW KENT, VIRGINIA

Combining Balance Sheet

Discretely Presented Component Unit - School Board

June 30, 2006

	Governmental Funds		Totals
	School Operating	School Cafeteria	
<b>Assets</b>			
Cash and cash equivalents	\$ 639,814	\$ 137,047	\$ 776,861
Cash held by others	-	33,125	33,125
Accounts receivable	69	1,130	1,199
Due from other governments	661,360	9,203	670,563
Total assets	<u>\$ 1,301,243</u>	<u>\$ 180,505</u>	<u>\$ 1,481,748</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,301,243	\$ 33,579	\$ 1,334,822
Total liabilities	<u>1,301,243</u>	<u>33,579</u>	<u>1,334,822</u>
Fund balances:			
Designated	-	146,926	146,926
Total fund balances	<u>-</u>	<u>146,926</u>	<u>146,926</u>
Total liabilities and fund balances	<u>\$ 1,301,243</u>	<u>\$ 180,505</u>	<u>\$ 1,481,748</u>

**COUNTY OF NEW KENT, VIRGINIA**

**Reconciliation of the Balance Sheet of the Discretely Presented School Board Component Unit  
to the Statement of Net Assets  
June 30, 2006**

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

Ending fund balance - governmental funds \$ 146,926

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

Capital assets	15,739,970	
Less accumulated depreciation	<u>(8,768,391)</u>	6,971,579

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

(965,714)

Net assets of governmental activities

\$ 6,152,791

COUNTY OF NEW KENT, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2006

	Governmental Funds		Totals
	School Operating	School Cafeteria	
<b>Revenues</b>			
Revenue from the use of money and property	\$ -	\$ 2,194	\$ 2,194
Charges for services	57,636	581,603	639,239
Miscellaneous	193,679	-	193,679
County appropriation	8,165,215	-	8,165,215
Commonwealth	11,347,857	9,380	11,357,237
Federal	879,687	142,657	1,022,344
Total revenues	<u>20,644,074</u>	<u>735,834</u>	<u>21,379,908</u>
<b>Expenditures</b>			
Current:			
Education	20,372,187	694,213	21,066,400
Debt service:			
Principal retirement	80,144	-	80,144
Interest and other fiscal charges	191,743	-	191,743
Total expenditures	<u>20,644,074</u>	<u>694,213</u>	<u>21,338,287</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>41,621</u>	<u>41,621</u>
<b>Net change in fund balances</b>	-	41,621	41,621
<b>Fund balance - beginning, as restated</b>	-	105,305	105,305
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ 146,926</u>	<u>\$ 146,926</u>

COUNTY OF NEW KENT, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of the Discretely Presented School Board Component Unit to the  
Statement of Activities  
Year Ended June 30, 2006

---

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

Net change in fund balances - total governmental funds \$ 41,621

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 capital outlay exceeded depreciation in the current period.

Capital outlay	114,609	
Depreciation expense	<u>(491,233)</u>	(376,624)

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

Repayment of principal on long-term debt	80,233
--	--------

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.

Compensated absences	<u>(29,392)</u>
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Change in net assets of governmental activities	<u>\$ (284,162)</u>
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COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -  
Discretely Presented Component Unit - School Board Operating Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from local sources:				
Charges for services	\$ 77,500	\$ 82,500	\$ 57,636	\$ (24,864)
County appropriation	9,000,000	9,023,300	8,165,215	(858,085)
Miscellaneous	500	126,475	193,679	67,204
Total revenue from local sources	9,078,000	9,232,275	8,416,530	(815,745)
Revenue from the Commonwealth:				
Categorical aid:				
Share of State sales tax	2,357,788	2,357,788	2,650,231	292,443
Basic school aid	7,467,126	7,471,170	7,190,784	(280,386)
Regular foster care	16,669	16,669	19,112	2,443
Special education	60,326	60,326	53,772	(6,554)
Adult education	7,859	7,859	7,859	-
Teacher incentive	2,534	2,534	1,971	(563)
At risk payments	26,931	26,931	26,377	(554)
Maintenance support - SOQ	-	-	2,501	2,501
Fringe benefits	675,704	675,704	614,998	(60,706)
Technology	154,000	204,000	-	(204,000)
Lottery proceeds	435,417	435,417	419,401	(16,016)
SOL algebra readiness	7,732	7,732	-	(7,732)
School construction receipts	131,303	131,303	131,160	(143)
Remediation	64,210	64,210	61,193	(3,017)
VPSA Education Tech Grant	-	-	168,498	168,498
Total revenue from the Commonwealth	11,407,599	11,461,643	11,347,857	(113,786)
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	21,000	23,562	-	(23,562)
Title I	199,000	221,935	215,069	(6,866)
Title II - EESA(Eisenhower grant)	73,500	79,941	69,374	(10,567)
Sliver grant	18,300	23,046	-	(23,046)
Title VIB	520,000	595,823	523,567	(72,256)
Head start/even start	-	-	52	52
Vocational education	31,000	29,864	25,809	(4,055)
Technology literacy challenge	-	4,702	6,503	1,801
Drug alcohol prevention program	8,300	11,685	-	(11,685)
Preschool	37,000	31,166	22,742	(8,424)
Special education preschool	-	-	9,679	9,679
State assessments and related activities - NCLB	-	-	1,617	1,617
Title VI	7,900	6,624	5,275	(1,349)
Total revenue from the Federal Government	916,000	1,028,348	879,687	(148,661)
Total revenues	21,401,599	21,722,266	20,644,074	(1,078,192)

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -  
 Discretely Presented Component Unit - School Board Operating Fund  
 Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
Education:				
Administration, attendance and health	\$ 1,420,983	\$ 1,403,087	\$ 1,307,706	\$ 95,381
Instruction	15,708,046	16,020,844	15,482,645	538,199
Transportation	1,552,799	1,565,959	1,715,941	(149,982)
Operation and maintenance	2,010,387	2,001,692	1,865,895	135,797
Total education	20,692,215	20,991,582	20,372,187	619,395
Debt Service:				
Principal	503,539	500,463	80,144	420,319
Interest and fiscal charges	205,845	230,221	191,743	38,478
Total debt service	709,384	730,684	271,887	458,797
Total expenditures	21,401,599	21,722,266	20,644,074	1,078,192
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Discretely Presented Component Unit - School Board Cafeteria Fund  
 School Cafeteria Fund  
 Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from local sources:				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,194	\$ 2,194
Charges for Services	324,089	540,589	581,603	41,014
Commonwealth	9,411	9,411	9,380	(31)
Federal	150,000	150,000	142,657	(7,343)
Total revenue	483,500	700,000	735,834	35,834
<b>Expenditures:</b>				
Current:				
Education	483,500	700,000	694,213	5,787
Excess (deficiency) of revenues over (under) expenditures	-	-	41,621	41,621
Net change in fund balances	-	-	41,621	41,621
Fund balance - beginning	-	-	105,305	105,305
Fund balance - ending	\$ -	\$ -	\$ 146,926	\$ 146,926

COUNTY OF NEW KENT, VIRGINIA

Balance Sheet

Discretely Presented Component Unit - Economic Development Authority

June 30, 2006

---

<b>Assets</b>	
Cash and cash equivalents	\$ 1,420,814
Land held for resale	721,508
Total assets	<u>\$ 2,142,322</u>
<b>Liabilities and fund balances</b>	
Liabilities:	
Accounts payable and accrued liabilities	<u>\$ 11,000</u>
Fund balances:	
Reserved:	
Reserve for land held for resale	721,508
Unreserved:	
Designated	<u>1,409,814</u>
Total fund balances	<u>2,131,322</u>
Total liabilities and fund balances	<u>\$ 2,142,322</u>

**COUNTY OF NEW KENT, VIRGINIA**

**Reconciliation of the Balance Sheet of the Discretely Presented Economic Development Authority  
Component Unit to the Statement of Net Assets  
June 30, 2006**

---

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

Ending fund balance - governmental funds \$ 2,131,322

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

Capital assets	100,000	
Less accumulated depreciation	<u>(33,335)</u>	66,665

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (706,363)

Net assets of governmental activities \$ 1,491,624

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances  
Discretely Presented Component Unit - Economic Development Authority  
Year Ended June 30, 2006

---

**Revenues:**

Revenue from the use of money and property	\$ 77,198
Miscellaneous	1,099,832
Total revenues	<u>1,177,030</u>

**Expenditures:**

Current:

Community development	99,769
Total expenditures	<u>99,769</u>

Excess (deficiency) of revenues over (under) expenditures	<u>1,077,261</u>
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Net change in fund balances 1,077,261

Fund balance - beginning, as restated 1,054,061

Fund balance - ending \$ 2,131,322

COUNTY OF NEW KENT, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of the Discretely Presented Economic Development Authority  
Component Unit to the Statement of Activities  
Year Ended June 30, 2006

---

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

Net change in fund balances - total governmental funds \$ 1,077,261

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 capital outlay exceeded depreciation in the current period.

(6,667)

Change in net assets of governmental activities

\$ 1,070,594

**COUNTY OF NEW KENT, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2006**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	FY2006 Federal Expenditures
<b>Department of Agriculture:</b>			
Department of Social Services:			
Pass Through Payments:			
State Administrative Matching Grants for Food Stamp Program	10.561	46003	\$ 76,524
Department of Agriculture and Consumer Services:			
Pass Through Payments:			
National School Breakfast Program	10.553	45707	17,018
National School Lunch Program	10.555	45707	110,561
Commodities - Schools (NOTE B)	10.555	45707	31,076
<b>Federal Emergency Management Agency:</b>			
Department of Emergency Services:			
Pass Through Payments:			
Emergency Management and Response	97.042	72209	48,492
Public Assistance - Hurricane Isabel	97.036	72203	667
State Domestic Preparedness Equipment Support Program	97.004	72209	62,471
<b>Department of Justice</b>			
Department of Criminal Justice Services:			
Pass Through Payments:			
Byrne Formula Grant Program - TRIAD/Project Lifesaver	16.579	39002	75,675
Edward Byrne Memorial -Gang Unit Training Equipment	16.580	39002	16,960
Local Law Enforcement Block Grant	16.592	39001	1,036
Violence Against Women Grants	16.588	39001	5,983
Office of Justice Programs:			
Pass Through Payments:			
Bulletproof Vest Partnership Program	16.607		2,533
<b>Department of Health and Human Services:</b>			
Department of Social Services:			
Pass Through Payments:			
Temporary Assistance for Needy Families	93.558	46210	58,552
Refugee and Entrant Assistance - State Administered Program	93.566	46003	64
Low Income Home Energy Assistance	93.568	45206	3,639
Child Care and Development Block Grant	93.575	49003	65,239
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	49010	81,849
Foster Care - Title IV-E	93.658	45301	57,755
Adoption Assistance	93.659	45303	9,898
Social Services Block Grant	93.667	49005	59,827
Chafee Foster Care Independent Living	93.674	45301	1,012
Medical Assistance Program	93.778	46003	54,269
Promoting Safe & Stable Families	93.556	45301	15,286
State Children's Insurance Program	93.767	46003	56
Statewide Fraud Protection	N/A	46003	250
Department of Health:			
Center for Injury and Violence:			
Prevention of Fire Related Injuries	93.136		3,446

**COUNTY OF NEW KENT, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2006**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	FY2006 Federal Expenditures
<b>Department of Education:</b>			
Department of Labor:			
Pass Through Payments:			
Head Start Program	93.600	49003	\$ 15,078
Department of Education:			
Pass Through Payments:			
Title I Grants to Local Educational Agencies	84.010	17101	215,068
Innovative Education Program Strategies	84.298	17101	5,275
Special Education - Grants to States	84.027	17102	523,568
Vocational Education	84.048	17103	25,809
Special Education - Preschool Grants	84.173	17102	22,742
Title II - Teacher QUA	84.367	56045	69,374
Drug Free Schools	84.186	17105	9,679
State Assessments and Related Activities-NCLB	84.369	19107	1,617
Literacy Challenge Grants	84.318	17518	6,503
Advanced Placement Program Test Fee	84.330		52
<b>Department of Housing &amp; Urban Development:</b>			
Department of Housing & Community Development:			
Pass Through Payments:			
Community Development Block Grants - Plum Point Housing Rehab	14.228	53305	78,341
<b>Federal Election Commission:</b>			
State Board of Elections:			
Pass Through Payments:			
Help America Vote Act	99.000	72308	3,568
<b>Department of Transportation:</b>			
Department of Aviation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	84,129
Department of Motor Vehicles:			
Pass Through Payments:			
State & Comm. Highway Safety - Open Container/Alcohol Impaired Driving	20.607	60507	6,833
State & Comm. Highway Safety - (Section 410) Alcohol	20.601	60507	3,000
State & Comm. Highway Safety (Section 405) Occupant Protection	20.602	60507	18,902
State & Comm. Highway Safety (Section 402) Community Traffic Safety Programs	20.600	60507	500
State & Comm. Highway Safety (Section 402) Speed Control	20.600	60507	47
Totals			<u>\$ 1,950,223</u>

COUNTY OF NEW KENT, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

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Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of New Kent, Virginia. The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

Note 3 - 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	\$	812,674
Airport Fund		84,129
Total primary government		<u>896,803</u>

Component Unit – Public Schools:

School Operating Fund		879,687
School Cafeteria Fund		142,657
Total component unit public schools		<u>1,022,344</u>

Total federal expenditures per basic financial statements 1,919,147

Noncash expenditures - School commodities 31,076

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards \$ 1,950,223

## **STATISTICAL SECTION**

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 1**

**Net Assets by Component**

**Last Four Fiscal Years (1)**

*(accrual basis of accounting)*

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 8,387,629	\$ 9,820,196	\$ 12,228,885	\$ 15,038,906
Restricted	124,409	286,512	529,641	823,127
Unrestricted	11,557,580	12,205,461	12,306,601	16,968,552
<b>Total governmental activities net assets</b>	<b>20,069,618</b>	<b>22,312,169</b>	<b>25,065,127</b>	<b>32,830,585</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	9,444,454	11,615,019	13,004,622	12,838,155
Unrestricted	-	-	-	-
<b>Total business-type activities net assets</b>	<b>1,963,202</b>	<b>3,411,101</b>	<b>5,204,171</b>	<b>11,624,152</b>
	<b>11,407,656</b>	<b>15,026,120</b>	<b>18,208,793</b>	<b>24,462,307</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	17,832,083	21,435,215	25,233,507	27,877,061
Restricted	124,409	286,512	529,641	823,127
Unrestricted	13,520,782	15,616,562	17,510,772	28,592,704
<b>Total Primary government net assets</b>	<b>\$ 31,477,274</b>	<b>\$ 37,338,289</b>	<b>\$ 43,273,920</b>	<b>\$ 57,292,892</b>

**Note:**

(1) Data is presented from fiscal year 2003 when the County implemented GASB Statement 34. Ultimately this schedule will contain information for the last ten fiscal years.

COUNTY OF NEW KENT, VIRGINIA

Schedule 2

Changes in Net Assets

Last Four Fiscal Years (1)

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities				
General government administration	\$ 1,772,644	\$ 1,266,621	\$ 1,447,448	\$ 2,135,653
Judicial administration	542,644	557,455	573,244	1,148,168
Public safety	3,724,372	4,960,805	5,939,781	4,797,876
Public works	1,347,566	1,389,480	2,079,328	634,629
Health and welfare	1,775,012	1,967,934	2,035,533	2,001,494
Community development	721,495	1,060,039	58,215	820,618
Parks, recreation and cultural	141,314	146,726	404,051	375,468
Education	6,869,308	8,398,078	9,216,426	8,606,853
Interest and other fiscal charges	138,065	123,893	138,407	292,157
Total governmental activities	17,032,420	19,871,031	21,892,433	20,812,916
Business-type activities				
Water and Sewer	1,858,732	1,050,475	1,512,621	1,847,797
Bottoms Bridge	-	-	143,985	598,797
Total business-type activities	1,858,732	1,050,475	1,656,606	2,446,594
<b>Total primary government expenses</b>	<b>\$ 18,891,152</b>	<b>\$ 20,921,506</b>	<b>\$ 23,549,039</b>	<b>\$ 23,259,510</b>
<b>Program Revenues</b>				
Governmental activities				
Charges for services:				
General government	\$ 459,965	\$ 515,998	\$ 854,141	\$ 976,674
Judicial	96,268	100,828	100,630	108,277
Public safety	69,306	14,978	14,638	118,371
Public works	141,390	150,040	131,431	160,223
Health and welfare	982	-	-	-
Parks, recreation and cultural	59,941	-	64,347	74,350
Education	-	-	55,875	208,170
Operating grants and contributions	4,639,646	4,858,074	5,290,164	3,121,241
Capital grants and contributions	39,060	239,954	952,147	421,375
Total governmental activities program revenues	5,506,558	5,879,872	7,463,373	5,188,681
Business-type activities				
Charges for services:				
Water and Sewer	1,286,095	2,511,216	2,629,494	7,427,792
Bottoms Bridge	-	-	27,918	382,589
Operating grants and contributions	441,000	-	-	-
Capital grants and contributions	44,375	670,748	1,769,979	141,200
Total business-type activities	1,771,470	3,181,964	4,427,391	7,951,581
<b>Total primary government program revenues</b>	<b>\$ 7,278,028</b>	<b>\$ 9,061,836</b>	<b>\$ 11,890,764</b>	<b>\$ 13,140,262</b>

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 2 (continued)**

**Changes in Net Assets**

**Last Four Fiscal Years (1)**

*(accrual basis of accounting)*

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>NET (Expense)/Revenue</b>				
Governmental activities	\$ (11,525,862)	\$ (13,991,159)	\$ (14,429,060)	\$ (15,624,235)
Business-type activities	(87,262)	2,131,489	2,770,785	5,504,987
<b>Total primary government net expense</b>	<b>\$ (11,613,124)</b>	<b>\$ (11,859,670)</b>	<b>\$ (11,658,275)</b>	<b>\$ (10,119,248)</b>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 10,328,886	\$ 11,501,765	\$ 12,870,154	\$ 13,891,200
Other local taxes	2,410,149	2,746,469	2,861,365	3,972,970
Proffer revenues	59,205	128,789	243,902	-
Investment earnings	203,020	189,284	322,551	390,396
Miscellaneous	697,245	1,061,389	885,652	1,422,398
Non-categorical aid from the Commonwealth	-	-	-	2,404,781
Transfers	-	-	(1,606)	(18,773)
<b>Total governmental activities</b>	<b>13,698,505</b>	<b>15,627,696</b>	<b>17,182,018</b>	<b>22,062,972</b>
Business-type activities:				
Investment earnings	3,176	2,340	195,955	729,754
Miscellaneous	10,000	-	-	-
Transfers	-	-	1,606	18,773
<b>Total business-type activities</b>	<b>13,176</b>	<b>2,340</b>	<b>197,561</b>	<b>748,527</b>
<b>Total primary government</b>	<b>13,711,681</b>	<b>15,630,036</b>	<b>17,379,579</b>	<b>22,811,499</b>
<b>Change in Net Assets</b>				
Governmental activities	2,172,643	1,636,537	2,752,958	6,438,737
Business-type activities	(74,086)	2,133,829	2,968,346	6,253,514
<b>Total primary government</b>	<b>\$ 2,098,557</b>	<b>\$ 3,770,366</b>	<b>\$ 5,721,304</b>	<b>\$ 12,692,251</b>

**Note:**

(1) Data is presented from fiscal year 2003 when the County implemented GASB Statement 34. Ultimately this schedule will contain information for the last ten fiscal years.

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 3**

**Fund Balances, Governmental Funds**

**Last Four Fiscal Years (1)**

*(modified accrual basis of accounting)*

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General Fund				
Unreserved:				
Designated	\$ 235,026	\$ 413,627	\$ 369,985	\$ 588,664
Undesignated	3,792,534	4,080,940	4,649,809	4,972,624
Total general fund	<u>4,027,560</u>	<u>4,494,567</u>	<u>5,019,794</u>	<u>5,561,288</u>
All Other Governmental Funds				
Unreserved, reported in:				
Non-major funds	-	9,600	-	1,808,291
Capital projects funds	8,027,668	7,811,791	7,512,308	9,571,787
School Capital Projects	-	-	-	4,429,494
Airport fund	-	-	9,600	9,600
Total all other governmental funds	<u>\$ 8,027,668</u>	<u>\$ 7,821,391</u>	<u>\$ 7,521,908</u>	<u>\$ 15,819,172</u>
Total Fund balances	<u>12,055,228</u>	<u>12,315,958</u>	<u>12,541,702</u>	<u>21,380,460</u>

**Note:**

(1) Data is presented from fiscal year 2003, consistent with earlier schedules from when the County implemented GASB Statement 34. Ultimately this schedule will contain information for the last ten fiscal years.

**COUNTY OF NEW KENT, VIRGINIA**  
**Schedule 4**  
**Changes in Fund Balances, Governmental Funds**  
**Last Four Fiscal Years (1)**  
*(modified accrual basis of accounting)*

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006 (2)</b>
<b>Revenues</b>				
General property taxes	\$ 10,287,896	\$ 11,552,349	\$ 12,705,548	\$ 14,146,386
Other local taxes	2,410,149	2,746,469	2,861,365	3,972,970
Permits, fees and licenses	426,524	504,554	671,713	689,055
Fines and forfeitures	98,588	154,322	180,150	239,856
Revenue from use of money and property	233,428	217,099	360,183	688,101
Charges for services	253,542	277,290	312,774	716,023
Miscellaneous	826,341	1,003,548	1,131,483	992,979
Recovered costs	3,475	4,493	16,864	147,995
Commonwealth	3,845,155	4,141,660	4,526,958	4,748,765
Federal	808,688	956,368	1,715,353	896,803
<b>Total Revenues</b>	<b>19,193,786</b>	<b>21,558,152</b>	<b>24,482,391</b>	<b>27,238,933</b>
<b>Expenditures</b>				
General government	1,695,880	1,742,309	1,931,326	2,223,267
Judicial administration	484,227	517,043	594,240	1,096,622
Public safety	3,258,851	3,988,242	4,828,250	5,116,240
Public works	1,322,235	1,537,519	2,334,661	1,696,853
Health and welfare	1,782,126	1,983,080	2,066,373	1,983,586
Education	7,059,977	7,327,368	8,389,668	15,014,449
Community development	820,170	1,007,176	752,097	909,671
Parks, recreation and cultural	98,811	100,140	387,751	362,439
Capital projects (3)	2,688,742	1,530,016	2,057,914	-
Debt service:				
Principal	271,867	750,069	774,354	762,357
Interest	138,065	123,893	138,407	292,157
<b>Total Expenditures</b>	<b>19,620,951</b>	<b>20,606,855</b>	<b>24,255,041</b>	<b>29,457,641</b>
Excess of revenues over (under) expenditures	(427,165)	951,297	227,350	(2,218,708)
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	2,420,743	2,388,343	2,170,296	5,337,482
Interfund transfers out	(2,420,743)	(3,078,911)	(2,171,902)	(5,356,255)
Refunding bond proceeds	-	-	-	2,412,201
Bond anticipation note refunding	-	-	-	(2,596,515)
Bond anticipation note proceeds	-	-	-	7,500,000
Lease revenue bond proceeds	-	-	-	2,300,000
Refunding bond premium	-	-	-	133,832
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(690,568)</b>	<b>(1,606)</b>	<b>9,730,745</b>
<b>Net change in fund balances</b>	<b>\$ (427,165)</b>	<b>\$ 260,729</b>	<b>\$ 225,744</b>	<b>\$ 7,512,037</b>
Debt service as a % of noncapital expenditures	2.5%	5.1%	4.6%	3.6%

**Note:**

- (1) Data is presented from fiscal year 2003, consistent with earlier schedules from when the County implemented GASB Statement 34. Ultimately this schedule will contain information for the last ten fiscal years.
- (2) Starting fiscal year 2006 the School Capital Project fund is presented under the primary government based its responsibility for debt. Previously it was presented under the School Component Unit.
- (3) Starting fiscal year 2006, the Capital Projects expenditures, in the amount of \$1,218,448, were allocated among all the functions within the Governmental Funds.

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 5**

**Assessed and Estimated Actual Value of Real Property**

**Last Ten Fiscal Years**

Fiscal Year	Residential Property (5)	Commercial Property (5)	Less: Tax-Exempt Property (5)	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Actual Taxable Value
2006	\$ 1,225,020,700	\$ 113,057,998	\$ 129,037,600	\$ 1,209,041,098	0.81	\$ 1,590,843,550	76.00% (2)
2005	1,159,126,150	118,947,531	126,428,300	1,151,645,381	0.76	1,289,636,485	89.30% (2)
2004	957,434,300	111,266,313	118,102,000	950,598,613	0.81	946,811,368	100.40% (2)
2003	908,051,400	98,381,790	117,105,100	889,328,090	0.79	1,075,366,493	82.70% (2)
2002	865,556,600	94,133,895	114,970,700	844,719,795	0.77	989,133,249	85.40% (2)
2001	831,660,500	91,471,100	114,107,700	809,023,900	0.72	914,151,299	88.50% (3)
2000	697,399,000	73,597,180	63,033,200	707,962,980	0.82	781,588,629	90.58% (3)
1999	681,217,900	72,340,514	63,226,600	690,331,814	0.82	837,984,722	82.38% (3)
1998	619,536,430	72,048,178	62,629,750	628,954,858	0.82	753,871,339	83.43% (3)
1997	600,802,500	60,888,961	63,502,700	598,188,761	0.82	666,505,583	89.75% (3)

**Notes:**

- Real property is the County's primary local source revenue. Assessment information for other property taxes is provided on the Schedule 6.
- (1) Estimated value of real estate based on sales ratio percentage for the corresponding tax years as computed by the Virginia Department of Taxation
- (2) Ratios Based on Estimations provided by the State Department of Taxation
- (3) Ratios based on Table 1 of the Assessment Sales Ratio Studies posted on the Virginia Department of Taxation website.
- (4) Tax rate per \$100 of assessed value.
- (5) Source, Real Estate Assessments from Commissioner of Revenue.

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 6  
Assessed and Estimated Actual Value of Taxable Property, Other Than Real Property  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Personal Property (1)</b>	<b>Machinery &amp; Tools (1)</b>	<b>Aircraft (1)</b>	<b>Public Service (2)</b>	<b>Total</b>
2006	\$ 138,448,093	\$ 21,600	\$ 1,018,500	\$ 62,909,522	\$ 202,397,715
2005	118,496,255	31,699	1,072,000	71,062,752	190,662,706
2004	113,096,654	2,117,755	642,600	58,674,214	174,531,223
2003	99,611,366	38,188	719,600	66,114,328	166,483,482
2002	103,628,115	38,188	719,600	60,897,685	165,283,588
2001	97,584,495	3,500	778,020	66,391,934	164,757,949
2000	82,268,688	6,825	745,800	51,888,375	134,909,688
1999	77,092,154	2,126,464	455,800	52,605,279	132,279,697
1998	72,004,102	1,845,708	443,525	51,812,599	126,105,934
1997	66,849,438	2,488,885	382,280	53,260,526	122,981,129

**Notes:** Real property shown on Schedule 5 is the County's primary local source revenue. Assessment information for other property taxes provided above for additional reference.

(1) Source, Assessments from Commissioner of Revenue.

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

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 7**

**Direct Property Tax Rates**

**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery &amp; Tools</u>	<u>Aircraft</u>	<u>Public Service</u>
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
2003	0.79	3.75	3.00	0.50	0.79
2002	0.77	3.75	3.00	0.50	0.77
2001	0.72	3.75	3.00	1.25	0.72
2000	0.82	3.75	3.00	1.25	0.82
1999	0.82	3.75	3.00	1.25	0.82
1998	0.82	3.75	3.00	1.25	0.82
1997	0.82	3.75	3.00	1.25	0.82

**Notes:**

Per \$100 of assessed value. There are no overlapping property tax rates with other governments.

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 8**

**Principal Real Property Taxpayers**

**Current and Nine Years Ago**

Taxpayer	Type of Business	2006			1997		
		Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
New Kent Farms LLC	Investment Property	1	\$ 33,978,300	2.54%			
Colonial Downs	Horse Track/Investment	2	\$ 29,777,700	2.23%			
City of Newport News	Waterworks/Dam	3	\$ 23,697,142	1.77%	1	\$ 20,315,862	3.07%
Bluegreen Properties of VA	Developer	4	\$ 9,464,700	0.71%			
Kentland Investments LLC	Investment Property	5	\$ 7,399,300	0.55%			
Kinney Jonathan C. Trustee	Investment Property	6	\$ 7,179,500	0.54%	9	921,300	0.14%
The Stitzer - Ingo Co Etal	Investment Property	7	\$ 6,874,800	0.51%	3	4,423,000	0.67%
AHS Cumberland Hospital LLC	Investment Property	8	\$ 6,313,200	0.47%			
Tideland Title Agency LLC	Health Care	9	\$ 6,060,600	0.45%			
Wingspread Partners Invest LTD	Investment Property	10	\$ 4,349,800	0.33%	2	19,049,900	2.88%
Chesapeake Forest Products	Investment Property				4	2,176,300	0.33%
Charles S. Ylonen					5	1,500,000	0.23%
Legends of Virginia LC					6	1,072,300	0.16%
Southern States Research					7	991,300	0.15%
Union Camp Corporation					8	954,300	0.14%
Broyhill Foundation					10	857,000	0.13%
H&W Investments						\$ 52,261,262	7.90%
<b>Total</b>			\$ 135,095,042	10.10%		\$ 661,691,461	100.00%
<b>Total Assessed Valuation of Real Estate</b>			\$ 1,338,078,698	100.00%			

**Notes:**

(1) Based on January 1, 2005 Real Estate Assessments

(2) Based on January 1, 1996 Real Estate Assessments

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 9**

**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

(3) Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the		Adjustments to Levy in Subsequent Years	Total Adjusted Levy	Collections In Subsequent Years	Total Collections to Date		
		Fiscal Year of the Levy	Percentage of Levy				Amount (1) (2)	Amount (1) (2)	Percentage of Levy
2006	16,386,881		96.19%	-	16,386,881	-	15,762,884	96.19%	
2005	14,775,781	13,700,119	92.72%	36,573	14,812,354	796,511	14,496,630	97.87%	
2004	13,417,025	12,969,845	96.67%	131,723	13,548,748	380,864	13,350,709	98.54%	
2003	12,146,124	11,304,708	93.07%	200,420	12,346,544	885,686	12,190,393	98.74%	
2002	11,680,812	11,289,556	96.65%	94,824	11,775,636	376,939	11,666,495	99.07%	
2001	10,722,708	10,374,028	96.75%	70,772	10,793,480	331,723	10,705,751	99.19%	
2000	9,779,374	9,324,260	95.35%	84,864	9,864,238	474,088	9,798,348	99.33%	

**Notes:**

(1) Exclusive of penalties and interest.

(2) Includes personal property reimbursement from the Commonwealth of Virginia.

(3) Data presented from fiscal year 2000 for which data is available, ultimately this schedule will contain information for the last ten fiscal years.

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 10**

**Ratios of Outstanding Debt by Type**

**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Lease Revenue Bond	Notes Payable	Capital Lease Obligations	General Obligation Bond	Literary Loan	Revenue Bond				
2006	\$ 2,360,000	\$ 7,500,000	\$ 208,047	\$ 4,575,039	\$ 300,000	\$ 17,675,000	\$ 32,618,086	N/A	N/A	
2005	120,000	2,596,515	251,579	2,721,663	400,000	17,675,000	23,764,757	N/A	N/A	
2004	175,000	31,576	292,170	3,268,850	500,000	-	4,267,596	0.91%	279	
2003	1,770,000	63,153	330,018	2,254,495	600,000	-	5,017,666	1.16%	344	
2002	1,975,000	94,729	365,309	2,628,690	700,000	-	5,763,728	1.40%	406	
2001	2,165,000	126,305	398,215	2,899,333	800,000	-	6,388,853	1.59%	463	
2000	2,350,000	157,881	428,898	3,270,881	900,000	-	7,107,660	1.92%	528	
1999	2,525,000	189,457	475,371	3,743,409	1,000,000	-	7,933,237	2.32%	588	
1998	2,790,000	221,033	518,926	4,112,613	1,100,000	-	8,742,572	2.74%	657	
1997	2,200,000	252,609	559,749	4,480,748	1,200,000	-	8,693,106	2.91%	669	

**Notes:**

(1) See Demographic Statistics at Schedule #12  
 Details regarding the County's outstanding debt can be found in the notes to the financial statements

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 11**

**Ratios of General Bonded Debt**

**Last Ten Fiscal Years**

Fiscal Year	Population*	Assessed Taxable Value (1)	Lease Revenue Bond	General Obligation Bond	Literary Loan	Gross Bonded Debt	Net Bonded Debt to Assessed Value
2006	N/A	\$ 1,411,438,813	\$ 2,360,000	\$ 4,575,039	\$ 300,000	\$ 7,235,039	0.51%
2005	15,700	1,342,308,087	120,000	2,721,663	400,000	3,241,663	0.24%
2004	15,300	1,125,129,836	175,000	3,268,850	500,000	3,943,850	0.35%
2003	14,600	1,055,811,572	1,770,000	2,254,495	600,000	4,624,495	0.44%
2002	14,200	1,010,003,383	1,975,000	2,628,690	700,000	5,303,690	0.53%
2001	13,800	973,781,849	2,165,000	2,899,333	800,000	5,864,333	0.60%
2000	13,462	842,872,668	2,350,000	3,270,881	900,000	6,520,881	0.77%
1999	13,500	822,611,511	2,525,000	3,743,409	1,000,000	7,268,409	0.88%
1998	13,300	755,060,792	2,790,000	4,112,613	1,100,000	8,002,613	1.06%
1997	13,000	721,169,890	2,200,000	4,480,748	1,200,000	7,880,748	1.09%

**Notes:**

(1) Assessed taxable value is combination of real and other personal property per Schedules 5 and 6.

\*See Demographic Statistics table

\*\*Includes all long-term general obligation bonded debt and Literary Fund loans.

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 12**

**Demographic Statistics**

**Last Ten Fiscal Years**

Fiscal Year	Population	Median Age (1)	Personal Income (4)	Per Capita Income (4)	School Enrollment (7)	Unemployment Rate (5)
2006	N/A	N/A	N/A	N/A	2721	2.8 (6)
2005	15,700(2)	N/A	N/A	N/A	2,637	2.9
2004	15,300	N/A	\$ 470,316,000	\$ 30,343	2,626	3.1
2003	14,600	N/A	432,352,000	29,280	2,546	3.5
2002	14,200	N/A	410,917,000	29,188	2,455	3.5
2001	13,800	N/A	402,568,000	28,983	2,403	3.0
2000	13,462(3)	38.4	370,062,000	27,341	2,342	1.8
1999	13,500	37.5	342,649,000	25,839	2,351	1.9
1998	13,300	36.8	319,526,000	24,373	2,301	2.5
1997	13,000	36.8	298,562,000	23,470	2,275	2.6

**Notes:**

- (1) Source: United States Census - 2000
- (2) Source: Weldon Cooper Center for Public Service, Demographics and Workforce Section
- (3) Source: United States Census - 2000
- (4) Source: Bureau of Economic Analysis - Annual Per Capita Personal Income
- (5) Source: Virginia Employment Commission Economic Profiles for New Kent County
- (6) Source: Virginia Employment Commission (annual average) June 2006
- (7) Source: Virginia Department of Education Fall Membership Reports (division totals by grade)

N/A - Information was not available.

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule 13**

**Principal Employers**

**Current Year and Nine Years Ago**

<u>Employer</u>	<u>2006 *</u>		<u>1997</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
New Kent County School Board	250 to 499	1	250 to 499	1
A.H.S. Cumberland Hospital	250 to 499	2	100 to 249	2
County of New Kent	100 to 249	3	50 to 99	3
Henrico Regional Jail	100 to 249	4		
Food Lion	100 to 249	5	50 to 99	4
Slosjarik Electrical			20 to 49	5
Commercial Carrier Corporation	50 to 99	6		
Colonial Downs	50 to 99	7		
Denton Concrete Paving Company	50 to 99	8		
Curtis Contracting Incorporated	50 to 99	9		
Winn Dixie			20 to 49	6
McDonald's			20 to 49	7
Allied Pallet Company (formerly Virginia Carolina Pallet)	50 to 99	10	20 to 49	8
Whitmore Chevrolet			20 to 49	9
Direct Wood Products			20 to 49	10

\*4th Quarter 2005

Source: Virginia Employment Commission

COUNTY OF NEW KENT, VIRGINIA

Schedule 14

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

	Full-time Equivalent Employees as of June 30		
	2006	2005	2004
<b>Governmental</b>			
<u>General government</u>			
Clerk of the Board	3	2	2
Commissioner of the Revenue	4	4	4
Treasurer	4	4	4
Finance	5	4	4
Information Technologies	2	2	1
Registrar	1	1	1
County Attorney	2	0	0
Total general government	21	17	16
<u>Judicial Administration</u>			
Clerk of the Circuit Court	4	4	4
General District Court	1	1	1
Victim's Witness	1	1	1
Commonwealth Attorney	2	2	2
Total judicial administration	8	8	8
<u>Public Safety</u>			
Sheriff and Animal Control	36	35	35
Fire and Emergency Mgmt.	8	8	8
Total Public Safety	44	43	43
<u>Public Works</u>			
Airport	1	1	1
Refuse	1	1	1
Other public works	6	6	6
Total public works	8	8	8
<u>Health and Welfare</u>			
Social Services	10	10	10
Human Services	1	1	1
Total health and welfare	11	11	11
<u>Community Development</u>			
Planning/Environmental/Permitting	8	5	5
Building Inspections	8	6	5
Extension	0	0	0
Economic Development	1	1	0
Total community development	17	12	10
<u>Parks, Recreation and Cultural</u>			
Parks and recreation	1	2	2
Total parks, recreation and cultural	1	2	2
Total Governmental	110	101	98
<b>Other Funds</b>			
<u>Public Utilities</u>			
Water/Sewer	11	9	6
Total public utilities	11	9	6
Total Other Funds	11	9	6
Total County	121	110	104

Notes:

(1) Data available since 2004, ultimately this schedule will contain information for the last ten fiscal years.

**COUNTY OF NEW KENT, VIRGINIA**  
**Schedule 15**  
**Operating Indicators by Function/Program**  
**Last Three Fiscal Years**

	Fiscal Year		
	2006	2005	2004
<u>Public Safety</u>			
Police			
Number of stations	1	1	1
Number of patrol units	14	14	14
Total calls dispatched	25,712	19,967	18,052
Calls dispatched for traffic	2,863	2,850	3,132
Calls dispatched for rescue	1,701	2,776	2,060
Number of criminal warrants served	1,243	1,212	1,088
Number of civil warrants and traffic notices	7,639	6,989	5,192
Fire			
Number of stations	1	1	1
Emergency responses	1,132	1,021	2,300
Fires extinguished	557	732	945
Inspections	103	112	104
<u>Public Works</u>			
Refuse collection			
Number of refuse sites	5	5	5
Refuse collected (tons per year)	7,801	8,474	N/A
Recyclables collected (tons per year)	468	460	N/A
<u>Public Utilities</u>			
Water			
Daily average consumption (gallons)	648,000	344,568	380,000
Number of connections	1,576	1,384	1,200
Wastewater			
Average daily sewage treatment (thousands of gallons)	188,000	135,000	200,000
Number of connections	422	268	125

**Notes:**

(1) Data available since 2004, ultimately this schedule will contain information for the last ten fiscal years.

**COUNTY OF NEW KENT, VIRGINIA**  
**Schedule 16**  
**Operating Indicators by Function/Program**  
**Last Three Fiscal Years**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Public safety</b>	3	3	3	3	3	3	3	3	3	3
Fire and rescue companies										
<b>Public works</b>	*	*	*	*	*	*	*	6	5	6
Active vehicles										
<b>Parks, recreation, and cultural</b>	0	0	0	0	0	158	158	158	158	159
Land acres										
Trails (miles)	0	0	0	0	3	3	3	3	3	3
<b>Education</b>										
Elementary schools	1	1	1	1	1	1	1	1	1	1
Buildings										
Primary schools	1	1	1	1	1	1	1	1	1	1
Buildings										
Middle schools	1	1	1	1	1	1	1	1	1	1
Buildings										
Capacity	522	522	522	522	522	522	522	522	522	522
High schools	1	1	1	1	1	1	1	1	1	1
Buildings										
Capacity	800	800	800	800	800	800	800	800	800	800
Number of school buses	41	42	45	44	45	47	47	54	57	60
<b>Airport</b>										

\* Unavailable

**COMPLIANCE AND SINGLE AUDIT SECTION**



**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, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent as of and for the year ended June 30, 2006, and have issued our report thereon dated December 13, 2006. 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 Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County of New Kent's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting of the Economic Development Authority (the "EDA") discretely presented component unit and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation in internal control over financial reporting that, in our judgment, could adversely affect the EDA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2006-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud, would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

We noted certain other matters that we have reported to the management of the County in a separate letter dated December 13, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of New Kent's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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

*Cheryl Beckett, Norfolk, J.L.P.*

Richmond, Virginia

December 13, 2006



**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the County of New Kent with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County of New Kent's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of New Kent's management. Our responsibility is to express an opinion on the County of New Kent's compliance based on our audit.

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

In our opinion, the County of New Kent complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control over Compliance**

The management of the County of New Kent is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of New Kent's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Cheryl Beckett Hallard, J.L.P.*

Richmond, Virginia  
December 13, 2006

*Cheryl Beckett Hallard, J.L.P.*



**Independent Auditors' Report on Compliance with  
Commonwealth of Virginia's Laws, Regulations,  
Contracts and Grants**

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

We have audited the basic financial statements of the County of New Kent, Virginia (the "County"), as of and for the year ended June 30, 2006, and have issued our report thereon dated December 13, 2006.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and, accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>	<u>State Agency Requirements</u>	
Budget and Appropriation Laws	Procurement	Comprehensive Services Act
Cash and Investments	Unclaimed Property	Social Services
Conflicts of Interest	Enhanced 911 Service Taxes	Education
Debt Provisions		
Retirement Systems		

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of the Board of Supervisors, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry Bekaert & Holland, L.L.P.*

Richmond, Virginia  
December 13, 2006

**COUNTY OF NEW KENT, VIRGINIA**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005**

**A. Summary of Auditors' Results**

1. The type of report issued on the basic financial statements: **Unqualified opinions**
2. Reportable conditions in internal control disclosed by the audit of the financial statements: **Yes**
3. Noncompliance, which is material to the financial statements: **No**
4. Reportable conditions in internal control over major programs: **No**  
Material weaknesses: **No**
5. The type of report issued on compliance for major programs: **Unqualified opinion**
6. Any audit findings which are required to be reported under Section 510(1) of OMB Circular A-133: **No**
7. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Special Education – Grants to States	84.027/ 84.173
8. Dollar threshold to distinguish between Type A and Type B Programs: **\$300,000**
9. The County of New Kent was determined to be a low risk auditee.

**B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:**

**Prior Period Adjustment**

**2006-1: Establish Formal Accounting Records for Economic Development Authority**

A prior period adjustment was required for the Economic Development Authority (the "EDA") discretely presented component unit for a \$721,508 land investment asset acquired in fiscal year 2005 and a related \$706,363 note payable. The EDA does not maintain formal accounting records, such as a general ledger detailing financial activity. Financial statements for the EDA are prepared at fiscal year end by summarizing the check register.

We recommend the EDA establish formal accounting records that provide for monthly and annual reporting.

**C. Findings and Questioned Costs Relating to Federal Awards: None**

**D. Resolution of Prior Year's Findings: There were no findings reported in the prior year.**

