COUNTY OF NEW KENT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

Prepared by the Accounting and Budget Department at New Kent County

INTRODUCTORY SECTION

COUNTY OF NEW KENT, VIRGINIA

Directory of Principal Officers

BOARD OF SUPERVISORS

W.R. Davis, Jr., Chairman

Mark E. Hill
D. M. "Marty" Sparks
Stran L. Trout
James H. Burrell

COUNTY SCHOOL BOARD

Van N. McPherson, Chairman

Teresa D. Lindsay
Dr. Gail B. Hardinge
Joseph S. Yates
Cynthia L. Gaines

SOCIAL SERVICES BOARD

Janet Salmon, Chairman

Cynthia Bradby
Pat Woods
Faye Patterson
Rose Williams
D. M. "Marty" Sparks

OTHER OFFICIALS

Clerk of the Circuit Count ..... Karen A. Butler
County Administrator ..... John A. Budesky
Commonwealth's Attorney ..... C. Linwood Gregory
Commissioner of the Revenue ..... Grosjean G. Crump, III
Treasurer ..... Herbert C. Jones, Jr.
Sheriff ..... F. W. Howard, Jr.
Superintendent of Schools ..... Dr. J. Roy Geiger, II
Director, Department of Social Services ..... E. William Geniesse

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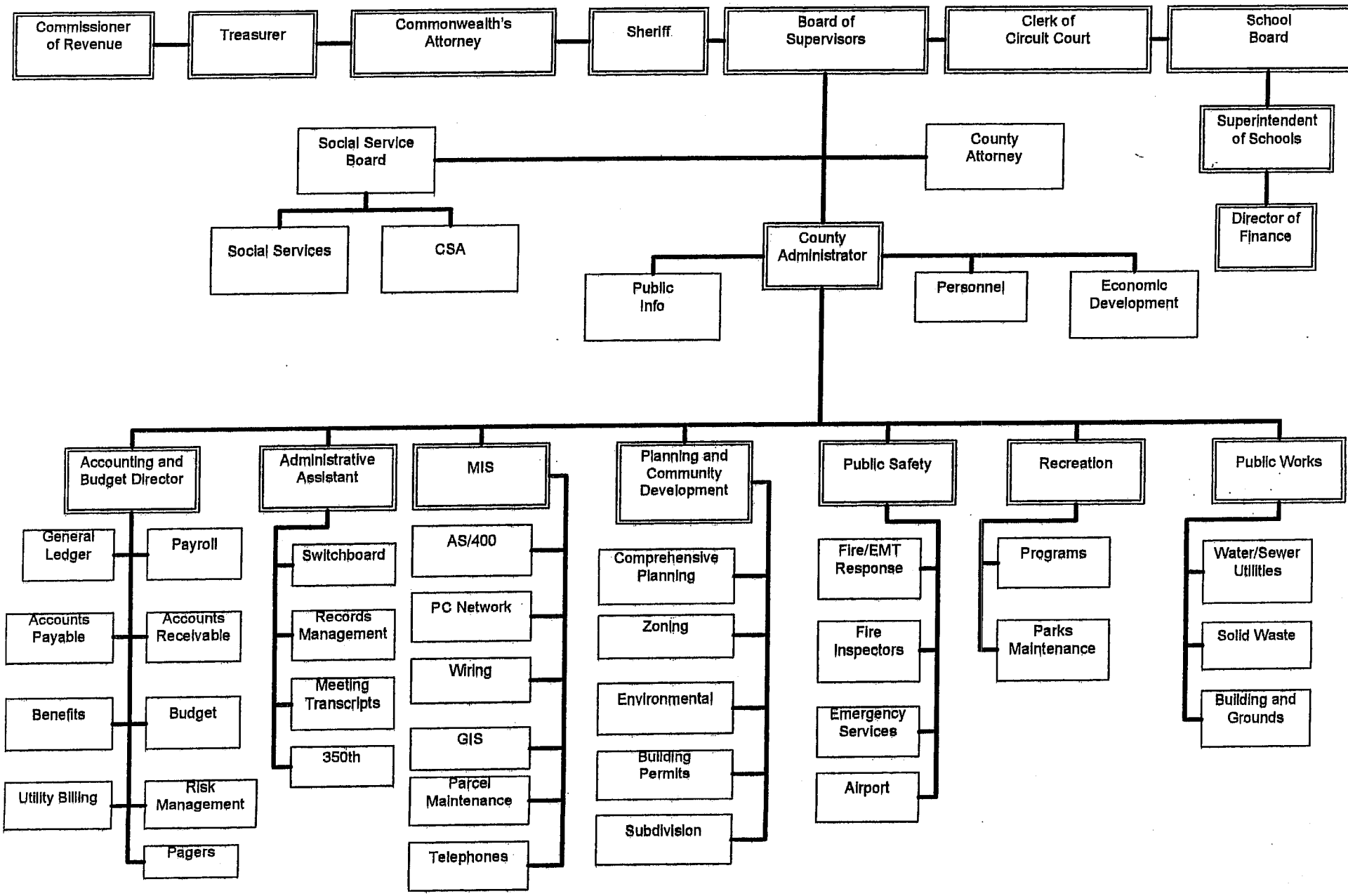
COUNTY OF NEW KENT, VIRGINIA

Organization of General Government Administrative Functions
June 30, 2005



NEW KENT COUNTY, VIRGINIA

December 12, 2005

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, 2005.

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, 2005, 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, 2005, 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

The County was created by an act of the House of Burgesses on November 20, 1654. The County is located 25 miles east of Richmond, 15 miles west of Williamsburg, 60 miles northwest of Norfolk and 100 miles south of Washington DC. The County currently occupies a land area of 212 square miles and serves a population of 13,462 per the 2000 Federal Census. The County is empowered to levy a property tax on real properties and personal property within its boundaries and to charge user fees for services it provides.

The County of New Kent has a County Administrator form of Government with an elected five member Board of Supervisors. The County Administrator serves as the Chief Administrative Officer of the County and is responsible to the Board for all of the County affairs, including financial affairs. The Director of Accounting and Budget 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 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 credits 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 Accounting and Budget each year. The Director of Accounting and Budget 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 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 fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's Office). 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. For the General Fund, this comparison is presented on pages 10 through 16 as part of the basic financial statements for the government funds. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the Combining and Individual Fund Statements and Schedules which starts on page 48.

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: New Kent County is a predominantly rural community which lies between two growing metropolitan areas. Situated along Interstate 64 between the Richmond and the Hampton Roads regions, New Kent enjoys the presence of four interstate interchanges that represent enormous economic development potential.

New Kent's population grew by 29.8 percent from 1992 to 2002, making it the third fastest-growing community in the Richmond metropolitan area on a percentage basis. The estimated population changes

from 2000 to 2004 indicate that New Kent is the second fastest growing county in the Richmond metropolitan areas having grown by 9.1% during that period. The county enjoys the fifth-highest median adjusted gross income and the third-lowest poverty rate of the thirteen jurisdictions in the Metropolitan Statistical Area. (Source: U.S. Bureau of the Census, Weldon Cooper for Public Service).

While New Kent County has largely been a bedroom community, it has maintained a low unemployment rate while increasing the total employment within the County by 35 percent between 1995 and 2005. (Source: LAUS Unit and Bureau of Labor Statistics).

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 FY05 showing 387 single-family permits issued. However, non-residential construction in the County has not kept pace with residential activity. (Source: New Kent County Permit Center).

Economic Development Update:

The imbalance between residential and business investment in the County may pose a fiscal threat 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 threat, the County leadership has proactively undertaken the following steps to position New Kent for continued economic growth:

- New Kent County hosted the regional jail facility in exchange for the construction of the Parham Landing wastewater treatment plant, a plant that provides treatment capacity to the Route 33 corridor, an area of the County designated for industrial development. The County received 50% of the capacity allocation of this plant for its development needs, as well as additional, reserved sewer capacity from neighboring Henrico County to serve the Bottoms Bridge area of the County.

- The availability of public utilities to the Route 33 corridor has led to the location of seven new industries in the County: Basic Construction, Curtis Contracting,, Commercial Carrier, Brockwell Septic & Service, Inc., Henderson Cold Storage, Mead Holdings, and Virginia Biodiesel Refinery, LLC.

- The County has created its first Service District in the Bottoms Bridge area. The Bottoms Bridge Service District is to bring water and sewer services primarily for industrial, commercial, and business areas of Bottoms Bridge and incidentally to residential areas. The cost of this project has been financed through the Virginia Resource Authority. The financing will be paid for with connection fees, user fees and an ad valorem tax based on assessed values of those parcels within the service district. The District will provide public water and sewer to this interchange, which is both closest to the City of Richmond and has the strongest demographic base of any of the County's four interchanges. This area represents the most immediate opportunity for the County to increase its share of regional retail sales, one percent of which reverts to the jurisdiction in which such sales are generated.

- The County has committed to extending the sewer lines into the Courthouse area to provide sewer to the village area and to the renovated primary school and the proposed new high school. The County has also committed to the expansion of the utility system to the Chickahominy Waste Treatment Plant as well as the extension of the sewer line to the Parham Landing Treatment Plant and its eventual expansion. The County is committed to attracting industry and having the infrastructure in place to support the industrial base.

- 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 eight 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.

- The County accepted the DragonsRidge Motor sport Park Planned Unit Development (PUD) application in FY04. This PUD will be a tourist attraction, bring people into our county, and it is very likely to spur the type of commercial growth that the County envisions for the Route 33 interchange economic opportunity area. This PUD includes an approximate three (3) mile road racing track, one (1) mile Karting track, campground, conference center and lodge, and 300 resort residential units. The rezoning of the over 600 acres of land is very compatible with the Economic Opportunity designation in the current Comprehensive Plan.

- In FY05, the County accepted the Farms of New Kent PUD which involved the rezoning of approximately 2,500 acres to PUD in order to accommodate approximately 2,700 residential dwellings, 750,000 square feet of commercial space, vineyards, a signature golf course, high-goal polo field, and resort cottages. (Source: New Kent County Planning Department).

- The Board of Supervisors has continued to support the New Kent County Airport with local matches to State and Federal Grants. The airport has a 3,600 foot runway and serves general aviation needs in the County.

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

- The tax base grew by 19.5% last year, the largest growth due to an increase in real estate assessments due to subdivision growth. Taxes collected were 99.22% of levy in 2003-04.

- 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 is $219.

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 14th lowest level of fiscal stress and the 11th 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. With the County's commitment to remain a low tax locality, it 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 not only very strong indicators of fiscal health, but also indicative of the traditionally strong indicators that the County has improved over many years. (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 2003* and Weldon Cooper Center for Public Service, University of Virginia – All Returns, 2002 Virginia Department of Taxation).

Capital Improvements Program (CIP): 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 of 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 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. 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.

Cash management policies and practices: 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.

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.

Acknowledgements

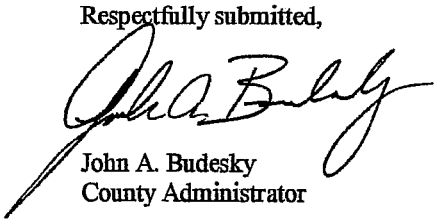
The County utilizes its Website www.co.new-kent.state.va.us for a variety of purposes, which include presentation of the proposed budget document. The budget document serves as the best source for the variety of accomplishments of County functions, new initiatives and changes in service levels. In addition, 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, 2004. This was the first 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 Department of Accounting and Budget. 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 and the Community Development Department. 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,



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, 2004

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.

Nancy L. Zielke

President

Jeffrey R. Esser

Executive Director

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FINANCIAL SECTION

CHERRY BEKAERT& HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2005, 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 Audit 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general 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 12, 2005 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 thereon.

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, is 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, Bekaert & Holland, L.L.P.

Richmond, Virginia
December 12, 2005

County of New Kent, Virginia
Management's Discussion and Analysis

The Management's 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, 2005. 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 $43,273,920.
- The County's total net assets increased by $5,721,304. The increase is attributable to a variety of factors:
    - 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 and other operating expenditures below budgetary thresholds.
    - Projects not completed by year-end.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $12,541,702 an increase of $225,744 in comparison with the prior year. $12,171,717 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 $5,019,794. The fund balance policy is to leave fifteen percent of the current year's operating expenditures in the general fund and to move the remainder to the capital projects fund.
- The Primary Government's total debt increased by $19,497,161 during the fiscal year. The County had two issuances, one in the amount of $2,596,515 to fund the expansion of the primary school and the other in the amount of $17,675,000 to fund the Bottoms Bridge project.

Overview of the Financial Statements

The Management's 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 many 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. The County's financial statements now 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 than 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, judicial administration, 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 pages 6-16 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 on pages 17-19 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 statements can be found on pages 20 and 42 of 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 on pages 21-36 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 37 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, 2005

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit EDA
Current and other assets	$ 14,909,507	$ 20,247,749	$ 35,157,256	$ 2,824,752	$ 332,553
Capital assets	18,318,642	16,314,393	34,633,035	7,348,203	73,332
Total assets	33,228,149	36,562,142	69,790,291	10,172,955	405,885
Current and other liabilities	1,647,771	656,742	2,304,513	1,392,726	-
Long Term Liabilities	6,515,251	17,696,607	24,211,858	1,016,555	-
Total liabilities	8,163,022	18,353,349	26,516,371	2,409,281	-
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	12,306,601	5,204,171	17,510,772	753,586	332,553
Total net assets	$ 25,065,127	$ 18,208,793	$ 43,273,920	$ 7,763,674	$ 405,885

Summary of Statement of Net Assets
As of June 30, 2004

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit EDA
Current and other assets	$ 13,867,985	$ 3,640,289	$ 17,508,274	$ 1,707,916	$ 217,167
Capital assets	14,087,792	11,615,019	25,702,811	7,248,120	79,999
Total assets	27,955,777	15,255,308	43,211,085	8,956,036	297,166
Current and other liabilities	996,599	209,767	1,206,366	1,596,793	5,943
Long Term Liabilities	4,647,009	19,421	4,666,430	1,057,876	-
Total liabilities	5,643,608	229,188	5,872,796	2,654,669	5,943
Invested in capital assets, net of related debt	9,820,196	11,615,019	21,435,215	7,193,567	79,999
Restricted	286,512	-	286,512	-	-
Unrestricted net assets	12,205,461	3,411,101	15,616,562	(892,200)	211,224
Total net assets	$ 22,312,169	$ 15,026,120	$ 37,338,289	$ 6,301,367	$ 291,223

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 $43,273,920 at the close of the most recent fiscal year. Approximately 100% 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 for capital improvements. 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 except for the restricted net assets under

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 $5,721,304 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 chart:

Summary of Statement of Activities
Year Ended June 30, 2005

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit	
				School Board	EDA
Revenues:					
Program revenues:					
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	-
General revenues:					
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	885,652		885,652	122,981	-
Transfers	(1,606)	1,606	-	-	-
County appropriation	-	-	-	8,945,368	-
Total revenues	24,645,391	4,624,952	29,270,343	21,234,730	200,971
Expenses:					
General government admininstration	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	9,216,426	-	9,216,426	19,772,422	-
Business type activities:					
Water & Sewer	-	1,512,621	1,512,621	-	-
Bottoms Bridge	-	143,985	143,985	-	-
Economic development	-	-	-	-	86,309
Total expenses	21,892,433	1,656,606	23,549,039	19,772,422	86,309
Increase in net assets	2,752,958	2,968,346	5,721,304	1,462,308	114,662
Beginning of year, adjusted	22,312,169	15,240,447	37,552,616	6,301,366	291,223
End of year	$ 25,065,127	$ 18,208,793	$ 43,273,920	$ 7,763,674	$ 405,885

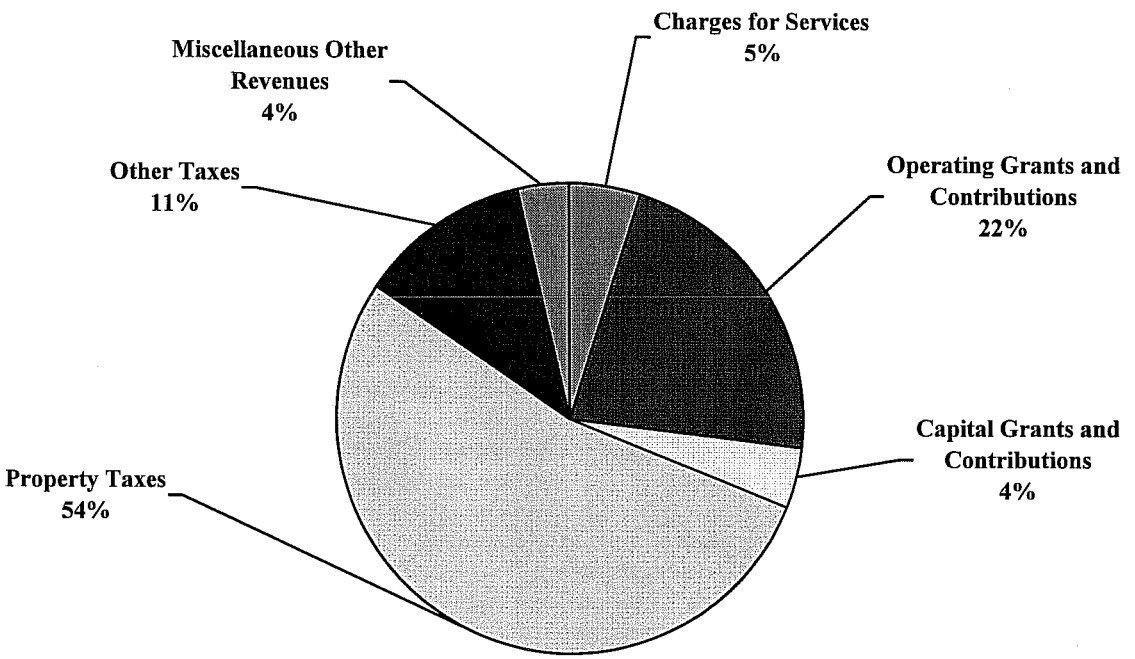
Summary of Statement of Activities
Year Ended June 30, 2004

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit EDA
Revenues:					
Program revenues:					
Charges for services	$ 781,844	$ 2,511,216	$ 3,293,060	$ 563,840	$ 38,754
Operating grants and contributions	4,858,074	-	4,858,074	10,383,558	-
Capital grants and contributions	239,954	670,748	910,702	130,474	-
General revenues:					
Property taxes	11,501,765	-	11,501,765	-	-
Other taxes	2,396,763	-	2,396,763	-	-
Other revenues	1,352,546	-	1,352,546	-	-
Interest	189,284	2,340	191,624	-	100,783
Miscellaneous	187,338		187,338	54,022	-
County appropriation	-	-	-	8,014,596	-
Total revenues	21,507,568	3,184,304	24,691,872	19,146,490	139,537
Expenses:					
General government admininstration	1,266,621	-	1,266,621	-	-
Public safety	4,960,805	-	4,960,805	-	-
Public works	1,283,480	-	1,283,480	-	-
Health and welfare	1,967,934	-	1,967,934	-	-
Community development	1,166,039	-	1,166,039	-	-
Other governmental activities	828,074	-	828,074	-	-
Education	8,398,078	-	8,398,078	18,479,400	-
Business type activities:					
Water & Sewer	-	1,050,475	1,050,475	-	-
Economic development	-	-	-	-	75,074
Total expenses	19,871,031	1,050,475	20,921,506	18,479,400	75,074
Increase in net assets	1,636,537	2,133,829	3,770,366	667,090	64,463
Beginning of year	20,675,632	12,892,291	33,567,923	5,634,277	226,760
End of year	$ 22,312,169	$ 15,026,120	$ 37,338,289	$ 6,301,367	$ 291,223

Governmental Activities: Governmental Activities increased the County's net assets by $2,752,958, thereby accounting for 48% 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

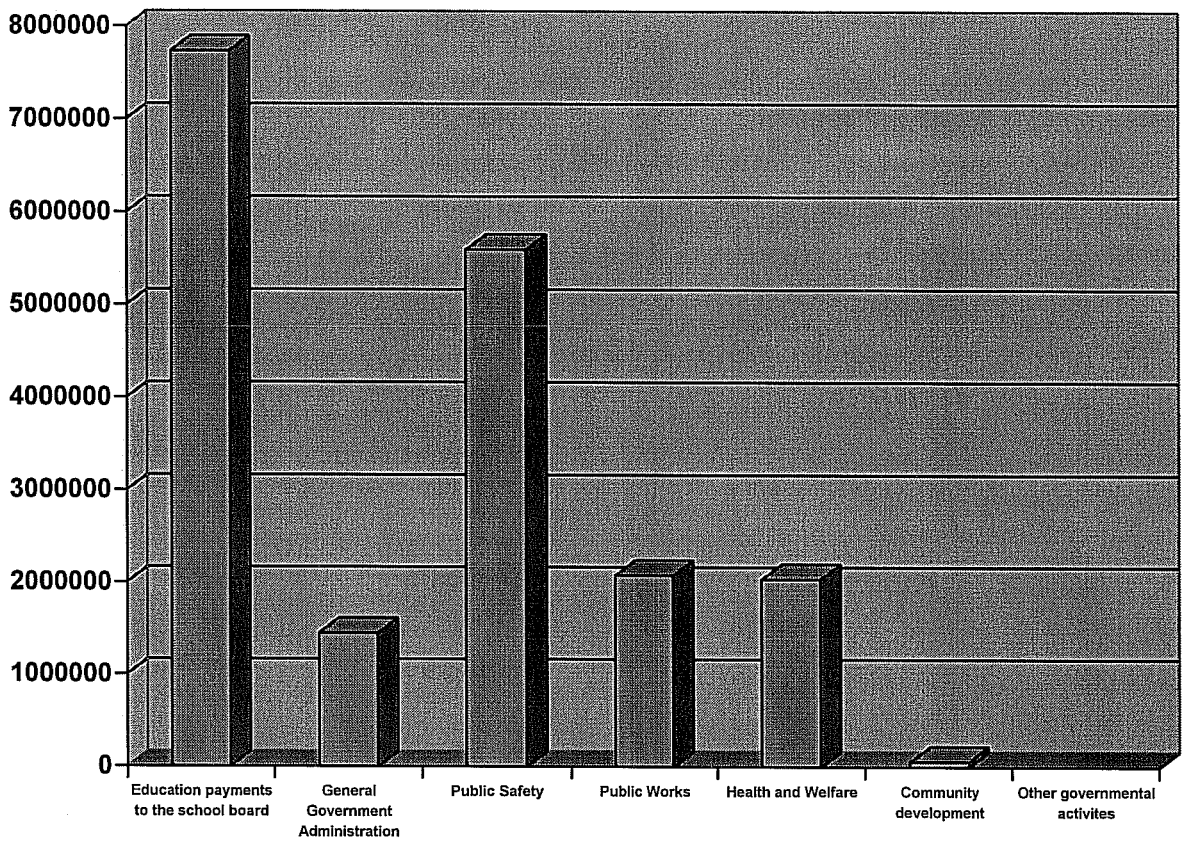


For FY 2005, revenues from governmental activities totaled $24,646,997. Property taxes are the largest components of revenues. Real estate tax revenues, the County's largest single source of property taxes amounted to $9,812,220, which is approximately 40% of the total governmental activities revenues. The County received a total of $2,107,641 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. Of the total amount of personal property taxes collected the County received a reimbursement from the Commonwealth of Virginia for $2,091,437 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 $782,306 made up the largest source of other taxes for FY 2005. In spite of the economic uncertainties, sales tax, business license and consumer utility tax revenue increased during the current year. The combination of these revenue sources resulted in a slight overall increase in revenue from other taxes for FY 2005.

During FY 2005, the County received $6,242,311 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 were for the PPTRA reimbursement from the Commonwealth of Virginia mentioned above and a grant from the Federal government for categorical aid for welfare from the Department of Health and Human Services for $455,030.

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

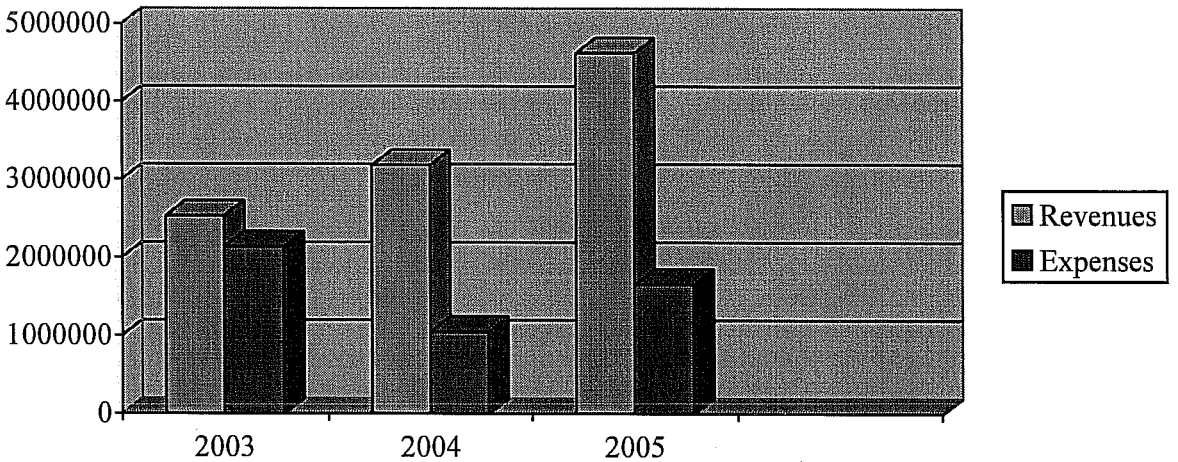


For FY2005, expenses for governmental activities totaled $21,894,039, which included budgeted increases for employee compensation and payments for education to the New Kent County School Board (transfers). As a result of the GASB34 financial reporting requirements, depreciation expense is allocated to governmental activities.

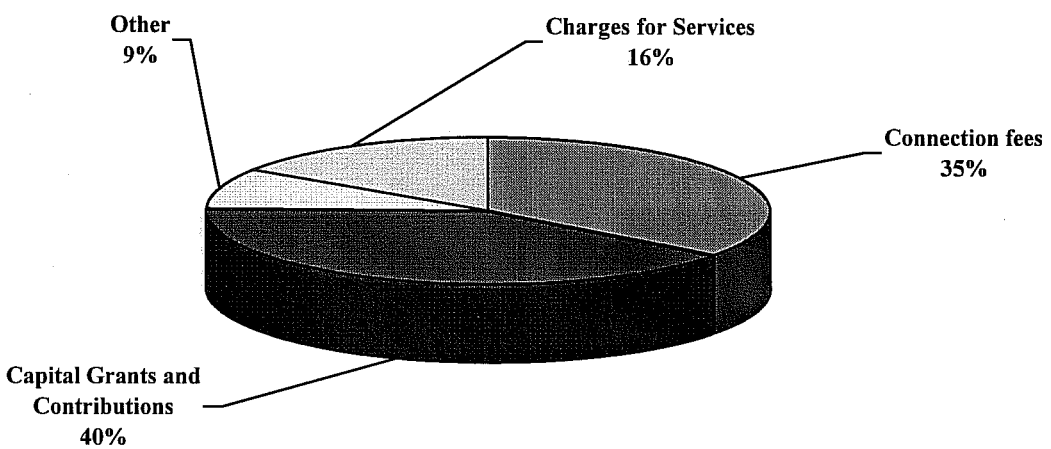
The County's largest funded programs are local support for education, public safety, public works, health and human services and Capital projects (under general government administration). Education continues to be one of the County's highest priorities and commitments. The County's operating subsidy to the Schools totaled $7,461,707. 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 $1,221,062 was financed by those receiving services, $5,290,164 from operating grants and contributions, $952,147 from capital grants and contributions, with the County's general revenues financing $17,183,624 of the remaining program expenses.

Business-Type Activities: Business-type activities increased the County's net assets by $2,968,346, accounting for 47% 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 $4,597,034 while $27,918 was for Bottoms Bridge for FY2005. Connection fees make up the largest portion of the total revenues. The following chart summarizes business type activities revenues for FY2005 as a percentage to the total revenues.



For FY 2005 Charges for services were $232,891 higher than the prior year primarily due to increase in customers and connection fees. Expenses were $1,142,041, which were $347,551 higher than the prior year, excluding depreciation expense.

Component Unit – School Board: For FY 2005, revenues for the School Board (School Operating, School Cafeteria and School Capital Projects) totaled $21,234,647, which includes the transfer from the County. Operating Grants and Contributions are the largest component of revenues for the School Board totaling $11,465,667, or 54% of the total revenues recorded for the School Board. The School Board received $10,545,010 from the Commonwealth and $1,051,432 from the Federal government. The Transfer from the County represents 35% 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 $114,662 from the prior year. The revenues for the EDA are made up almost entirely of financing fees from Christopher Newport University and revenues from investments held by the EDA. 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 2005, the County's governmental funds reported a combined fund balance of $12,541,702
- Of the combined fund balance, $12,171,717 constitutes unreserved, undesignated fund balance, $4,649,809 for the General Fund and $7,521,908 for Other Governmental Funds, which is available for spending at the government's discretion.
- The $7,521,908 unreserved balance for Other Governmental Funds was comprised of the balances in the Human Services, Airport and Capital Projects Funds, the details of which can be found on page 6 of this report.
- Of the combined fund balances, $369,985 is designated to indicate that it has been committed for specific spending for E-911, asset forfeiture and the Clean County Committee/Litter Control.

General Fund: The General Fund is the chief operating fund of the County. At the end of FY 2005, the undesignated fund balance was $4,649,809. Because the budget revenues were conservative and expenditures were monitored tightly, there have been funds transferred to the capital projects account over the past five years. Because of less conservative budgeting for revenues, there is less money to transfer to the Capital Fund.

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, 2005 and the amount and percentage of increases and decreases in relation to prior year revenues.

	2005 Amount	Percent of total	2004 Amount	Increase (Decreases) from 2004	Percent Increase (Decreases)
Revenues					
General property taxes	$ 12,705,548	51.9%	$ 11,552,349	$ 1,153,199	10.0%
Other local taxes	2,861,365	11.7%	2,746,469	114,896	4.2%
Permits, fees and licenses	671,713	2.7%	504,554	167,159	33.1%
Fines and forfeitures	180,150	0.7%	154,322	25,828	16.7%
Revenue from use of money and property	360,183	1.5%	217,099	143,084	65.9%
Charges for services	312,774	1.3%	277,290	35,484	12.8%
Miscellaneous	1,131,483	4.6%	1,003,548	127,935	12.7%
Recovered costs	16,864	0.1%	4,493	12,371	275.3%
Commonwealth	4,526,958	18.5%	4,141,660	385,298	9.3%
Federal	1,715,353	7.0%	956,368	758,985	79.4%
Total Revenues	$ 24,482,391	100.0%	$ 21,558,152	$ 2,924,239	13.6%

Revenues in total came in at a level substantially higher than the previous year. Classification changes between categories have been made to more accurately reflect Auditor of Public Accounts guidelines and for that reason comparisons between fiscal years are skewed in some instances. General property taxes increased due to a reassessment and an increase in the effective tax rate. Other revenues increased due to the significant growth the County is experiencing.

The following schedule presents a summary of expenditures of the major funds for the county for the fiscal year ended June 30, 2005 and the amount and percentage of increases and decreases in relation to prior year expenditures.

Expenditures	2005 Amount	Percent of total	2004 Amount	Increases (Decreases) from 2004	Percent Increases (Decreases)
General government administration	$ 1,931,326	8.3%	$ 1,742,309	$ 189,017	10.8%
Judicial administration	594,240	2.5%	517,043	77,197	14.9%
Public safety	4,828,251	20.7%	3,988,242	840,009	21.1%
Public works	2,334,661	10.0%	1,537,519	797,142	51.8%
Health and welfare	2,066,373	8.9%	1,983,080	83,293	4.2%
Education	7,465,110	32.0%	7,327,368	137,742	1.9%
Community development	752,097	3.2%	1,007,176	(255,079)	-25.3%
Parks, recreation and cultural	387,751	1.7%	100,140	287,611	287.2%
Capital projects	2,057,913	8.8%	1,530,016	527,897	34.5%
Principal retirement	774,354	3.3%	750,069	24,285	3.2%
Interest and other fiscal charges	138,490	0.6%	123,893	14,597	11.8%
Total expenses	$ 23,330,566	100.0%	$ 20,606,855	$ 2,723,711	13.2%

Expenditures were increased mainly from the prior year due to increases in general government administration and public safety. The remainder of the expenditures came in at a level comparable to the previous year. Classification changes between categories have been made to more accurately reflect Auditor of Public Accounts guidelines and for that reason comparisons between fiscal years are skewed in some instances.

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

Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to $5,176,254. Growth in net assets was $3,212,831, resulting mainly from connection fees in the amount of $1,565,652 as well as capital contributions of $1,769,979.

The Bottoms Bridge fund had $27,917 in unrestricted net assets at June 30, 2005.

General Fund Budgetary Highlights

	Original Budget	Amended Budget	Actual	Amended Vs. Actual
Revenues				
Taxes	$ 15,013,180	$ 15,013,180	$ 15,566,913	$ 553,733
Intergovernmental	4,523,192	4,990,514	4,764,887	(225,627)
Other	1,475,473	1,659,633	2,239,476	579,843
Total	21,011,845	21,663,327	22,571,276	907,949
Expenditures and Transfers				
Expenditures	19,644,718	20,930,075	19,207,658	1,722,417
Transfers	1,367,127	1,403,131	2,838,392	(1,435,261)
Total	$ 21,011,845	$ 22,333,206	$ 22,046,050	$ 287,156

The $907,949 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
- Business License Taxes
- Tax on Recordation and Wills
- Meal/Restaurant Food Tax
- Investment Income
- Permits and Licenses
- Court Fines and Forfeitures
- Help American Vote Grant

Expenditures and transfers were $287,156 less than the FY05 amended budget. This was attributable to specific budgets where expenditures were substantially less than the County appropriation:

- County Administrator
- Clerk of the Circuit Court
- Refuse Collection

Each year the Board of Supervisors appropriates funds for a contingency reserve. For FY05, $313,775 was appropriated. The Board of Supervisors appropriated $313,566 from the contingency reserve for Part-time Parks & Recreation Wages ($12,641), High School Weight Room ($25,000), court case involving Animal Control ($14,237), Telecommunications for the Radio System Upgrade ($8,132), Rt. 647 Refuse Site Entrance Road Repaving ($2,597), Rt. 612 Refuse Site Asphalt Repair ($21,039), New Deputy Clerk of the Board position ($2,785), Part-time Accounting Wages ($6,777), Operation Uplift Club Donation ($2,500), Recreational Supplies ($890), Jamestown 2007 Committee ($15,900), Repair to Administration Building HVAC ($4,000), Printer for Voter Registration System ($2,200), Administration Building Security System ($22,726), Co. Administrator Relocation Expenses ($7,100), Reduced V-Stop Grant Funding ($6,482), New Social Services Vehicle ($14,700), Board of Equalization Wages ($3,100), Secure and Non-Secure Detention for Court Services ($66,760) and Legal Services ($74,000). The balance of $209 was returned to fund balance as unexpended funds for FY05.

During FY05, the Board of Supervisors approved budget amendments of $1,267,230 to the original budget of $11,369,083, resulting in an amended budget of $12,636,313 for the following purposes:

▪ Carry Forward's for various projects	$ 555,479
▪ Sheriff's Grants	$ 38,620
▪ Sheriff/Courts	$ 135,687
▪ Social Services Programs	$ 122,068
▪ Fire, Emergency Management & Safety	$ 146,197
▪ CDBG – Plum Point Housing Rehabilitation	$ 20,818
▪ Community Development	$ 141,472
▪ Parks & Recreation	$ 10,985
▪ Legal Services	$ 93,500
▪ Misc. Grants and Other	$ 2,404

Proprietary Funds: The County's proprietary fund is comprised of the Utility Fund and the Bottoms Bridge Fund. The fund expenses are separated into the following funds: Water and Sewer and Bottoms Bridge.

Capital Assets and Debt Administration

Capital Assets: The primary government investment in capital assets as of June 30, 2005 for its governmental and business-type activities was $34,633,035 as reflected in the schedule below.

Capital Assets June 30, 2005

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit 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)
Total	$ 18,318,642	$ 16,314,393	$ 34,633,035	$ 7,348,203	$ 73,332

Capital Assets June 30, 2004

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit EDA
Land	$ 2,849,920	$ 756,300	$ 3,606,220	$ 694,500	$ -
Construction in progress	189,089	309,466	498,555	691,104	-
Infrastructure	-	4,201,969	4,201,969	-	-
Building and improvements	10,450,894	5,285,700	15,736,594	10,587,422	-
Machinery and equipment	4,516,186	3,012,311	7,528,497	3,190,345	100,000
Less accumulated depreciation	(3,918,297)	(1,950,727)	(5,869,024)	(7,915,251)	(20,001)
Total	$ 14,087,792	$ 11,615,019	$ 25,702,811	$ 7,248,120	$ 79,999

The Primary Government added $10,177,091, in assets for FY 2005. Major additions to capital assets during the current fiscal year included the following:

- Two Ambulances
- E-911 Mapping System
- HVAC System for the Courthouse
- Economic Development Property

Construction in progress includs sidewalk improvements, runway design & construction, Airport T-hangars, a radio system for Fire Station #1, telephone upgrades, concrete pad for the Rt. 618 Refuse site, Criminal Justice records system improvements, courthouse utilities, Parham Forcemain Phase II, Parham Landing wastewater treatment plant expansion and the Bottoms Bridge sewer district.

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 2005, the Primary Government's total outstanding debt was $24,211,858. Capital leases are included in outstanding debt.

	June 30, 2005			June 30, 2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	$ 1,501,663	$ -	$ 1,501,663	$ 1,878,850	$ -	$ 1,878,850
Accrued vacation/sick	425,494	21,607	447,101	379,413	19,421	398,834
Lease Revenue Bonds	1,340,000	17,675,000	19,015,000	1,565,000	-	1,565,000
Literary Loans	400,000	-	400,000	500,000	-	500,000
Notes Payable	2,596,515	-	2,596,515	31,576	-	31,576
Capital Leases	251,579	-	251,579	292,170	-	292,170
Total	$ 6,515,251	$ 17,696,607	$ 24,211,858	$ 4,647,009	$ 19,421	$ 4,666,430

During FY 2005, the County retired $774,354 of outstanding principal.

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 3.2%, which is a decrease from a rate of 3.3% a year ago. This compares favorably to the State's average unemployment rate of 3.8% and the national average rate of 5.2%. 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 FY04. Property assessments went up approximately eighteen percent. The equalized rate calculation was $0.66. The County adopted a real estate tax rate of $0.76 for FY05. Personal property taxes remained unchanged at $3.75.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional finance information should be addressed to the Director of Accounting and Budget, County of New Kent, P. O. Box 50, New Kent, VA 23184 or via e-mail at mfaltemus@co.newkent.state.va.us.

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Government-wide Financial Statements

COUNTY OF NEW KENT, VIRGINIA

Statement of Net Assets

June 30, 2005

	Primary Government			Component Units		
	Governmental Activities	Business Type Activities	Total Primary Government	School Board	EDA	Total Reporting Unit
Assets						
Cash and cash equivalents	$ 10,964,993	$ 19,928,865	$ 30,893,858	$ 2,344,305	$ 332,553	$ 33,570,716
Restricted cash and cash equivalents	742,003	-	742,003	-	-	742,003
Accounts receivable, net	1,736,750	318,884	2,055,634	4,816	-	2,060,450
Prepaid assets	1,338	-	1,338	-	-	1,338
Due from other governments	1,464,423	-	1,464,423	475,631	-	1,940,054
Captial assets:						
Land	3,559,491	1,242,651	4,802,142	694,500	-	5,496,642
Construction in progress	3,334,283	3,172,637	6,506,920	736,608	-	7,243,528
Infrastructure	-	5,261,636	5,261,636	-	-	5,261,636
Buildings and improvements	10,511,042	5,313,200	15,824,242	10,690,034	-	26,514,276
Machinery and equipment	5,608,206	3,656,607	9,264,813	3,504,219	100,000	12,869,032
Less accumulated depreciation	(4,694,380)	(2,332,338)	(7,026,718)	(8,277,158)	(26,668)	(15,330,544)
Total assets	33,228,149	36,562,142	69,790,291	10,172,955	405,885	80,369,131
Liabilities						
Accounts payable and other current liabilities	704,337	611,642	1,315,979	237,538	-	1,553,517
Deposits	216,976	45,100	262,076	-	-	262,076
Due to component units	635,047	-	635,047	-	-	635,047
Unearned revenue	37,966	-	37,966	-	-	37,966
Accrued expenses	53,445	-	53,445	1,155,188	-	1,208,633
Non-current liabilities:						
Due within one year	762,357	-	762,357	50,467	-	812,824
Due in more than one year	5,752,894	17,696,607	23,449,501	966,088	-	24,415,589
Total liabilities	8,163,022	18,353,349	26,516,371	2,409,281	-	28,925,652
Net assets						
Invested in capital assets, net of related debt	12,228,885	13,004,622	25,233,507	7,010,088	73,332	32,316,927
Restricted for capital improvements	529,641	-	529,641	-	-	529,641
Unrestricted net assets	12,306,601	5,204,171	17,510,772	753,586	332,553	18,596,911
Total net assets	$ 25,065,127	$ 18,208,793	$ 43,273,920	$ 7,763,674	$ 405,885	$ 51,443,479

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

COUNTY OF NEW KENT, VIRGINIA

Statement of Activities
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: School Board	Component Units: EDA	Total Reporting Unit
Primary government:										
Governmental activities:										
General government administration	$ 1,447,448	$ 854,141	$ 2,613,451	$ 59,701	$ 2,079,845	$ -	$ 2,079,845	$ -	$ -	$ 2,079,845
Judicial administration	573,244	100,630	303,258	-	(169,356)	-	(169,356)	-	-	(169,356)
Public safety	5,939,781	14,638	1,083,236	-	(4,841,907)	-	(4,841,907)	-	-	(4,841,907)
Public works	2,079,328	131,431	-	892,446	(1,055,451)	-	(1,055,451)	-	-	(1,055,451)
Health and welfare	2,035,533	-	1,175,719	-	(859,814)	-	(859,814)	-	-	(859,814)
Community development	58,215	-	-	-	(58,215)	-	(58,215)	-	-	(58,215)
Parks, recreation and cultural	404,051	64,347	114,500	-	(225,204)	-	(225,204)	-	-	(225,204)
Education	9,216,426	55,875	-	-	(9,160,551)	-	(9,160,551)	-	-	(9,160,551)
Interest and other fiscal charges	138,407	-	-	-	(138,407)	-	(138,407)	-	-	(138,407)
Total governmental activities	21,892,433	1,221,062	5,290,164	952,147	(14,429,060)	-	(14,429,060)	-	-	(14,429,060)
Business-type activities:										
Water	929,116	555,832	-	1,769,979	-	1,396,695	1,396,695	-	-	1,396,695
Sewer	583,505	2,073,662	-	-	-	1,490,157	1,490,157	-	-	1,490,157
Bottoms Bridge	143,985	27,918	-	-	-	(116,067)	(116,067)	-	-	(116,067)
Total business-type activities	1,656,606	2,657,412	-	1,769,979	-	2,770,785	2,770,785	-	-	2,770,785
Total primary government	$ 23,549,039	$ 3,878,474	$ 5,290,164	$ 2,722,126	(14,429,060)	2,770,785	(11,658,275)	-	-	(11,658,275)
Component units:										
Education	$ 19,772,422	$ 569,939	$ 11,465,667	$ 130,775	-	-	-	(7,606,041)	-	(7,606,041)
EDA	86,309	17,181	-	-	-	-	-	-	(69,128)	(69,128)
Total component units	$ 19,858,731	$ 587,120	$ 11,465,667	$ 130,775	-	-	-	(7,606,041)	(69,128)	(7,675,169)
General revenues:										
Property taxes					12,870,154	-	12,870,154	-	-	12,870,154
Other local taxes					2,861,365	-	2,861,365	-	-	2,861,365
Proffer revenues					243,902	-	243,902	-	-	243,902
Investment earnings					322,551	195,955	518,506	-	183,790	702,296
Miscellaneous					885,652	-	885,652	122,981	-	1,008,633
Transfers					(1,606)	1,606	-	-	-	-
County appropriation					-	-	-	8,945,368	-	8,945,368
Total general revenues					17,182,018	197,561	17,379,579	9,068,349	183,790	26,631,718
Change in net assets					2,752,958	2,968,346	5,721,304	1,462,308	114,662	7,298,274
Net assets - beginning					22,312,169	15,240,447	37,552,616	6,301,366	291,223	44,145,205
Net assets - ending					$ 25,065,127	$ 18,208,793	$ 43,273,920	$ 7,763,674	$ 405,885	$ 51,443,479

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

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Fund Financial Statements

COUNTY OF NEW KENT, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2005

	General	Capital Projects	Airport	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,946,947	$ 7,018,046	$ -	$ -	$ 10,964,993
Restricted cash	-	742,003	-	-	742,003
Receivables (net of allowance for uncollectibles):					
Taxes including penalties	714,278	-	-	-	714,278
Accounts receivable	376,909	-	10,516	-	387,425
Prepaid assets	1,338	-	-	-	1,338
Due from other funds	635,047	-	-	-	635,047
Due from other governments	492,694	41,898	832,074	97,757	1,464,423
Total assets	$ 6,167,213	$ 7,801,947	$ 842,590	$ 97,757	$ 14,909,507
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 328,155	$ 77,263	$ 249,948	$ 48,971	$ 704,337
Due to other funds	3,219	-	583,042	48,786	635,047
Deposits	4,600	212,376	-	-	216,976
Deferred revenue	758,000	-	-	-	758,000
Accrued expenses	53,445	-	-	-	53,445
Total liabilities	1,147,419	289,639	832,990	97,757	2,367,805
Fund balances:					
Unreserved:					
Designated	369,985	-	-	-	369,985
Undesignated	4,649,809	7,512,308	9,600	-	12,171,717
Total fund balances	5,019,794	7,512,308	9,600	-	12,541,702
Total liabilities and fund balances	$ 6,167,213	$ 7,801,947	$ 842,590	$ 97,757	$ 14,909,507

COUNTY OF NEW KENT, VIRGINIA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2005

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

Ending fund balance		$ 12,541,702
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated:		
Land	$ 3,559,491	
Construction in progress	3,334,283	
Capital assets, being depreciated:		
Buildings and improvements	10,511,042	
Machinery and equipment	5,608,206	
Total capital assets	23,013,022	
Less accumulated depreciation	(4,694,380)	18,318,642
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		720,034
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	$ 1,340,000	
Capital lease obligations	251,579	
Compensated absences	425,494	
School bonds	4,498,178	
Total long-term liabilities		(6,515,251)
Net assets of governmental activities		$ 25,065,127

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	General	Capital Projects	Airport	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	$ 12,705,548	$ -	$ -	$ -	$ 12,705,548
Other local taxes	2,861,365	-	-	-	2,861,365
Permits, fees and licenses	671,713	-	-	-	671,713
Fines and forfeitures	180,150	-	-	-	180,150
Revenue from use of money and property	359,865	318	-	-	360,183
Charges for services	181,343	-	131,431	-	312,774
Miscellaneous	829,541	300,327	-	1,615	1,131,483
Recovered costs	16,864	-	-	-	16,864
Commonwealth	3,858,636	59,701	83,344	525,277	4,526,958
Federal	906,251	-	809,102	-	1,715,353
Total revenues	22,571,276	360,346	1,023,877	526,892	24,482,391
Expenditures					
Current:					
General government administration	1,931,326	-	-	-	1,931,326
Judicial administration	594,240	-	-	-	594,240
Public safety	4,828,250	-	-	-	4,828,250
Public works	1,266,385	-	1,068,276	-	2,334,661
Health and welfare	1,069,654	-	-	996,719	2,066,373
Education	8,266,518	123,150	-	-	8,389,668
Community development	752,097	-	-	-	752,097
Parks, recreation and cultural	387,751	-	-	-	387,751
Capital projects	-	2,057,914	-	-	2,057,914
Debt service:					
Principal retirement	774,354	-	-	-	774,354
Interest and other fiscal charges	138,407	-	-	-	138,407
Total expenditures	20,008,982	2,181,064	1,068,276	996,719	24,255,041
Excess (deficiency) of revenues over (under) expenditures	2,562,294	(1,820,718)	(44,399)	(469,827)	227,350
Other financing sources (uses)					
Interfund transfers in	45,218	1,610,852	44,399	469,827	2,170,296
Interfund transfers out	(2,082,285)	(89,617)	-	-	(2,171,902)
Total other financing sources (uses)	(2,037,067)	1,521,235	44,399	469,827	(1,606)
Net change in fund balances	525,227	(299,483)	-	-	225,744
Fund balance - beginning	4,494,567	7,811,791	9,600	-	12,315,958
Fund balance - ending	$ 5,019,794	$ 7,512,308	$ 9,600	$ -	$ 12,541,702

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

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, 2005

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

Net change in fund balances		$ 225,744
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	$ 2,969,521	
Transfer of assets to the County as a result of tenancy in common	2,037,412	
Depreciation expense	(776,083)	4,230,850
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		164,606
Repayment of principal amounts of long-term debt is reported as an expenditure or as an other financing use when debt is refunded in governmental funds. This reduces fund balance. However, the principal payments reduce liabilities in the statement of net assets and do not result in an expense in the statement of activities.		
Principal payment of bonds and notes payable	$ 733,763	
Transfer of debt to the County as a result of tenancy in common	(2,596,515)	
Principal payment of capital leases	40,591	(1,822,161)
Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they mature. In the statement of activities, they are reported as expenses and liabilities as they accrue. The timing differences are as follows:		
Compensated absences		(46,081)
Change in net assets of governmental activities		$ 2,752,958

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Revenue from local sources:				
General Property Taxes:				
Real property taxes	$ 9,801,808	$ 9,801,808	$ 9,812,220	$ 10,412
Personal property taxes	2,138,873	2,138,873	2,107,641	(31,232)
Public service corporation property taxes	445,766	445,766	540,699	94,933
Mobile home taxes	17,562	17,562	17,221	(341)
Machinery and tools taxes	61,627	61,627	950	(60,677)
Airplane taxes	3,117	3,117	4,190	1,073
Penalties	95,000	95,000	146,037	51,037
Interest	60,000	60,000	76,590	16,590
Total general property taxes	12,623,753	12,623,753	12,705,548	81,795
Other local taxes				
Meals tax	-	-	65,428	65,428
Local sales and use taxes	754,927	754,927	782,306	27,379
Consumers' utility taxes	331,500	331,500	349,053	17,553
Business license taxes	500,000	500,000	652,313	152,313
Motor vehicle licenses	318,000	318,000	358,774	40,774
Bank stock taxes	42,000	42,000	29,865	(12,135)
Taxes on recordation and wills	200,000	200,000	370,701	170,701
Admissions tax	4,500	4,500	5,406	906
Cable TV Fees	28,500	28,500	31,708	3,208
Emergency telephone service taxes	210,000	210,000	215,811	5,811
Total other local taxes	2,389,427	2,389,427	2,861,365	471,938
Permits, fees and licences				
Animal licenses	13,500	13,500	13,247	(253)
Building permits	167,000	167,000	217,383	50,383
Permits and other licenses	107,350	237,200	441,083	203,883
Total permits, fees and licenses	287,850	417,700	671,713	254,013
Fines and forfeitures:				
Court fines and forfeitures	110,000	110,000	180,150	70,150
Revenue from use of money and property:				
Revenue from use of money	170,250	170,250	322,355	152,105
Revenue from use of property	32,600	39,100	37,510	(1,590)
Total revenue from use of money and property	$ 202,850	$ 209,350	$ 359,865	$ 150,515

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Charges for services:				
Charges for Sheriff	$ 1,678	$ 1,678	$ 1,902	$ 224
Charges for Circuit Court	99,416	99,416	102,664	3,248
Charges for Commonwealth Attorney	500	500	785	285
Charges for boarding of dogs	1,200	1,200	1,391	191
Charges for recreation	76,000	85,985	73,753	(12,232)
Charges for planning	500	500	848	348
Total charges for services	179,294	189,279	181,343	(7,936)
Miscellaneous revenue:				
Miscellaneous	685,541	726,366	829,460	103,094
Street sign repair and replacement	-	-	81	81
Total miscellaneous revenue	685,541	726,366	829,541	103,175
Recovered costs	9,938	9,938	16,864	6,926
Total revenue from local sources	16,488,653	16,675,813	17,806,389	1,130,576
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	7,892	7,892	7,892	-
Wine taxes	8,272	8,272	11,560	3,288
Mobile home titling taxes	15,000	15,000	9,015	(5,985)
Tax on deeds	73,225	73,225	68,564	(4,661)
Vehicle rental tax	1,000	1,000	1,827	827
Medical examiner fee	-	-	150	150
Rolling stock tax	30,000	30,000	41,767	11,767
Personal property tax reimbursement	2,155,781	2,155,781	2,091,437	(64,344)
Total non-categorical aid	2,291,170	2,291,170	2,232,212	(58,958)
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	209,132	211,287	214,271	2,984
Sheriff	667,820	674,416	673,982	(434)
Commissioner of the Revenue	87,482	87,482	86,405	(1,077)
Treasurer	87,968	87,968	87,724	(244)
Registrar/Electoral Board	32,083	32,083	42,879	10,796
Hanover health district	-	-	1,035	1,035
Clerk of the Circuit Court	154,868	154,868	162,296	7,428
Total shared expenses	1,239,353	1,248,104	1,268,592	20,488
Categorical aid:				
Welfare administration and assistance	$ 755,305	$ 385,281	$ 190,893	$ (194,388)

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Other categorical aid:				
Two for life funds	$ 6,500	$ 8,061	$ 8,061	$ -
VDEM - FEMA relief - hurricane Isabel	-	-	248	248
Virginia Commission for the Arts	5,000	5,000	-	(5,000)
Criminal Justice record system improvement grant	-	39,763	31,328	(8,435)
VDH-OEMS grant	-	17,936	17,628	(308)
Fire program funds	22,000	26,512	26,512	-
Victim & witness assistance grant	57,733	57,733	38,649	(19,084)
DMV animal friendly	-	375	372	(3)
Sheriff forfeited assets	-	-	2,331	2,331
E911 wireless upgrade program	38,686	37,435	37,435	-
Litter control	-	4,375	4,375	-
Total other categorical aid	129,919	197,190	166,939	(30,251)
Total categorical aid	2,124,577	1,830,575	1,626,424	(204,151)
Total revenue from the Commonwealth	4,415,747	4,121,745	3,858,636	(263,109)
Revenue from the Federal Government:				
Categorical Aid				
Welfare	40,000	495,030	455,030	(40,000)
Other categorical aid:				
VDH-Get Alarmed Virginia	-	1,804	1,804	-
Plum Point grant	-	14,250	3,484	(10,766)
VDEM Grant	47,500	155,900	156,892	992
Byrne Formula Grant Program	-	152,299	126,201	(26,098)
Help America Vote Act	-	-	114,500	114,500
Local Law Enforcement Block Grant	-	3,006	1,955	(1,051)
Violence Against Women Formula Grant	19,945	13,463	13,464	1
COPS Grant	-	1,488	1,454	(34)
DMV - State and Community Highway Safety Grant	-	19,029	18,977	(52)
DMV - Occupant Protection	-	1,000	500	(500)
DMV - DUI Strike Force	-	6,000	5,228	(772)
DMV - Operation Buckle Up	-	1,000	997	(3)
DMV - Alcohol and Records Management	-	3,000	3,000	-
DMV - Alcohol Enforcement Summer Blitz	-	1,500	1,494	(6)
Emergency Managmeent Preparedness Grant	-	-	1,271	1,271
Total revenue from the Federal Government	107,445	868,769	906,251	37,482
Total revenues	$ 21,011,845	$ 21,666,327	$ 22,571,276	$ 904,949

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Expenditures:				
General Government Administration:				
Legislative:				
Board of supervisors	$ 128,345	$ 143,743	$ 115,579	$ 28,164
General and Financial Administration:				
Accounting	329,281	339,833	304,933	34,900
Central purchasing/stores	144,815	144,815	117,358	27,457
Central switchboard	22,499	29,999	19,350	10,649
Commissioner of the Revenue	229,465	243,816	221,358	22,458
County administrator	297,860	311,914	221,751	90,163
Legal services	182,400	349,900	346,249	3,651
MIS	229,198	229,198	201,862	27,336
Reserved for contingency	320,781	43,518	-	43,518
Merit pay county employees	41,000	35,896	-	35,896
Treasurer	239,079	245,910	245,765	145
Total general and financial administration	2,036,378	1,974,799	1,678,626	296,173
Board of Elections:				
Electoral board and officials	7,170	7,170	6,154	1,016
Registrar	132,836	135,036	130,967	4,069
Total board of elections	140,006	142,206	137,121	5,085
Total general government administration	2,304,729	2,260,748	1,931,326	329,422
Judicial Administration:				
Courts:				
Circuit court	58,661	58,661	53,935	4,726
General district court	13,830	13,830	10,300	3,530
Special magistrates	11,350	11,600	11,584	16
Juvenile and domestic relations district court	8,350	8,350	3,116	5,234
Victim witness	44,641	43,519	41,645	1,874
Clerk of the circuit court	270,233	356,249	272,352	83,897
Total courts	407,065	492,209	392,932	99,277
Commonwealth's Attorney:				
Commonwealth's Attorney	196,628	202,941	201,308	1,633
Total judicial administration	$ 603,693	$ 695,150	$ 594,240	$ 100,910

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Public Safety:				
Law enforcement and traffic control:				
Sheriff	$ 368,888	$ 354,494	$ 344,691	$ 9,803
Grants programs	43,140	281,264	238,035	43,229
Law enforcement	1,556,262	1,580,405	1,569,078	11,327
Total law enforcement and traffic control	1,968,290	2,216,163	2,151,804	64,359
Fire and Rescue Services:				
Volunteer fire department	399,250	445,988	397,362	48,626
Ambulance and rescue service	508,678	684,123	671,017	13,106
E-911 system	248,686	342,103	294,830	47,273
Forest fire service	4,694	4,694	4,694	-
Total fire and rescue services	1,161,308	1,476,908	1,367,903	109,005
Correction and detention:				
Confinement of prisoners	481,250	610,250	600,485	9,765
Probation office	107,949	174,709	163,398	11,311
Total correction and detention	589,199	784,959	763,883	21,076
Inspections:				
Administration of public safety	325,898	328,319	314,021	14,298
Other Protection:				
Animal control	130,378	142,140	123,986	18,154
School resource officers	108,538	109,020	106,653	2,367
Emergency services	-	900	-	900
Total other protection	238,916	252,060	230,639	21,421
Total public safety	4,283,611	5,058,409	4,828,250	230,159
Public Works:				
Sanitation and waste removal:				
Refuse collection	874,980	873,339	774,491	98,848
Litter control	50	4,375	2,098	2,277
Total sanitation and waste removal	$ 875,030	$ 877,714	$ 776,589	$ 101,125

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Maintenance of Buildings and Grounds:				
General properties	$ 528,013	$ 525,565	$ 489,796	$ 35,769
Total maintenance of buildings and grounds	528,013	525,565	489,796	35,769
Total public works	1,403,043	1,403,279	1,266,385	136,894
Health and Welfare:				
Health:				
Local health department	144,641	144,641	144,641	-
Mental Health/Mental Retardation:				
Henrico Community Services Board	94,559	94,559	94,559	-
Welfare/Social Services:				
Public assistance and administration	953,679	1,075,749	784,312	291,437
Social service agency donations	32,474	34,974	34,974	-
Welfare Board	4,533	4,533	2,961	1,572
Area Agency on Aging	2,997	2,997	2,997	-
Meals on wheels	3,000	3,000	3,000	-
Transportation for the elderly	2,500	2,500	2,210	290
Total welfare/social services	999,183	1,123,753	830,454	293,299
Total health and welfare	1,238,383	1,362,953	1,069,654	293,299
Education:				
County appropriations including projects	9,076,960	9,101,960	8,263,115	838,845
Contributions to community colleges	3,403	3,403	3,403	-
Total education	8,279,038	9,105,363	8,266,518	838,845
Cultural	406,179	505,143	387,751	117,392
Community Development:				
Planning and Community Development:				
Planning	377,276	540,205	527,533	12,672
Historic commission	16,450	16,421	269	16,152
Zoning board	3,325	2,924	2,789	135
Economic development	76,242	79,099	73,538	5,561
Drywell	-	20,818	10,051	10,767
Planning commission	38,097	38,717	37,389	1,328
Total planning and community development	$ 511,390	$ 698,184	$ 651,569	$ 46,615

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Environmental Management:				
Wetlands Board	$ 11,350	$ 12,209	$ 12,209	$ -
Soil and water districts	12,600	12,600	12,600	-
Cooperative forestry and reforestation	3,020	4,380	4,374	6
Total environmental management	26,970	29,189	29,183	6
Cooperative Extension Program:				
Cooperative extension program - horticulture	61,733	85,942	71,345	14,597
Total community development	600,093	813,315	752,097	61,218
Debt Service:				
Principal retirement	170,000	180,279	774,354	(594,075)
Interest and fiscal charges	355,949	346,761	138,407	208,354
Total debt service	525,949	527,040	912,761	(385,721)
Total expenditures	20,446,043	21,731,400	20,008,982	1,722,418
Total revenues over expenditures	565,802	(65,073)	2,562,294	2,627,367
Other financing sources (uses):				
Operating transfer out - water fund	-	(1,606)	(1,606)	-
Operating transfers out - human services fund	(505,623)	(505,623)	(469,827)	35,796
Operating transfers out - litter fund	-	(50)	-	50
Operating transfers in/out - capital projects fund	(26,904)	(51,302)	(1,536,263)	(1,484,961)
Operating transfers out - airport fund	(33,275)	(43,275)	(29,371)	13,904
Total other financing sources (uses)	(565,802)	(601,856)	(2,037,067)	(1,435,211)
Revenues and other financing sources over(under) expenditures and other financing uses	-	(666,929)	525,227	1,192,156
Fund balance at beginning of year	-	666,929	4,494,567	3,827,638
Fund balance at end of year	$ -	$ -	$ 5,019,794	$ 5,019,794

COUNTY OF NEW KENT, VIRGINIA

Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities		
ASSETS			
	Water & Sewer	**Bottoms Bridge**	**Totals**
Current assets:			
Cash and cash equivalents	$ 5,060,685	$ 14,868,180	$ 19,928,865
Receivables	318,884	-	318,884
Total current assets	5,379,569	14,868,180	20,247,749
Noncurrent assets:			
Land	792,900	449,751	1,242,651
Construction in progress	312,617	2,860,020	3,172,637
Buildings	5,313,200	-	5,313,200
Equipment	3,656,607	-	3,656,607
Infrastructure	5,261,636	-	5,261,636
Less accumulated depreciation	(2,332,338)	-	(2,332,338)
Total noncurrent assets	13,004,622	3,309,771	16,314,393
Total assets	18,384,191	18,177,951	36,562,142
LIABILITIES			
Current liabilities:			
Accounts payable	136,608	475,034	611,642
Customer deposits	45,100	-	45,100
Total current liabilities	181,708	475,034	656,742
Noncurrent liabilities:			
Bonds payable	-	17,675,000	17,675,000
Compensated absences	21,607	-	21,607
Total noncurrent liabilities	21,607	17,675,000	17,696,607
Total liabilities	203,315	18,150,034	18,353,349
NET ASSETS			
Net assets:			
Invested in capital assets, net of related debt	13,004,622	-	13,004,622
Unrestricted	5,176,254	27,917	5,204,171
Total net assets	$ 18,180,876	$ 27,917	$ 18,208,793

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2005

	Business-type Activities		
	Water & Sewer	Bottoms Bridge	Totals
Operating revenues:			
Charges for services	$ 674,329	$ 27,918	$ 702,247
Parham landing fees	382,884	-	382,884
Connection fees	1,565,652	-	1,565,652
Miscellaneous	6,629	-	6,629
Total operating revenues	2,629,494	27,918	$ 2,657,412
Operating expenses:			
Personell services	280,472	-	280,472
Fringe benefits	72,018	-	72,018
Contractual services	432,783	-	432,783
Other charges	356,768	-	356,768
Depreciation	323,536	-	323,536
Total expenses	1,465,577	-	1,465,577
Net operating income	1,163,917	27,918	1,191,835
Nonoperating income (expense):			
Interest expense	(47,044)	(143,985)	(191,029)
Investment income	4,927	191,028	195,955
Total nonoperating income (expense)	(42,117)	47,043	4,926
Net income before capital contributions	1,121,800	74,961	1,196,761
Capital contributions	1,769,979	-	1,769,979
Transfer in	321,052	-	321,052
Transfer out	-	(319,446)	(319,446)
Net income/(loss)	3,212,831	(244,485)	2,968,346
Net assets at beginning of year, restated	14,968,045	272,402	15,240,447
Net assets at end of year	$ 18,180,876	$ 27,917	$ 18,208,793

COUNTY OF NEW KENT, VIRGINIA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005

	Business-type Activities		
	Water & Sewer	Bottoms Bridge	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 2,618,261	$ 27,918	$ 2,646,179
Payments to suppliers	(726,914)	-	(726,914)
Payments to employees	(350,304)	-	(350,304)
Net cash provided by operating activities	1,541,043	27,918	1,568,961
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	17,675,000	17,675,000
Acquisition of capital assets	-	(2,658,666)	(2,658,666)
Transfer to/from related fund	321,052	(319,446)	1,606
Net cash provided by capital and related financing activities	321,052	14,696,888	15,017,940
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest paid	(47,044)	(143,985)	(191,029)
Interest received	4,927	191,028	195,955
Net cash (used by)/provided by investing activities	(42,117)	47,043	4,926
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,819,978	14,771,849	16,591,827
CASH AND CASH EQUIVALENTS, JULY 1, 2004	3,240,707	96,331	3,337,038
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	$ 5,060,685	$ 14,868,180	$ 19,928,865
Reconciliation of Operating Activities:			
Operating income	$ 1,163,917	$ 27,918	$ 1,191,835
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	323,536	-	323,536
Increase in accounts receivable	(15,633)	-	(15,633)
Increase in accounts payable	62,637	-	62,637
Increase in customer deposits	4,400	-	4,400
Increase in accrued vacation payable	2,186	-	2,186
Total adjustments	377,126	-	377,126
Net cash provided by operating activities	$ 1,541,043	$ 27,918	$ 1,568,961
Noncash Investing, Capital, and Financing Activities:			
Capital asset contributions from developers	$ 1,769,979	$ -	$ 1,769,979
Interest expense	$ 47,044	$ 143,985	$ 191,029

COUNTY OF NEW KENT, VIRGINIA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 7,193
Prepaid expenses	1,200
Total assets	8,393
LIABILITIES	
Amounts held for social service client	8,393
Total liabilities	$ 8,393

Notes to the Financial Statements

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 New Kent County Economic Development Authority (EDA) promotes economic development throughout the County. Although the EDA's board members are elected, 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.

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*.

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 project 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, fire equipment, and other equipment.

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.

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.

Note 1 - Summary of significant accounting policies (continued)

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 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, 2005 was $515,669.

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.

Note 1 - Summary of significant accounting policies (continued)

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, 2005, the allowances approximated $342,861 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.

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 (amount not rounded) 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.

Note 1 - Summary of significant accounting policies (continued)

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 statue. 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.

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, 2005, the Authority implemented Governmental Accounting Standards Board (GASB) Statement 40 *Deposit and Investment Risk Disclosures.* This new statement is an amendment to the previous GASB No. 3. GASB No. 40 requires additional disclosures for risks such as custodial, credit, concentration, interest rate and foreign currency.

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, 2005. 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. For the year ended June 30, 2005 budgets were as follows:

Total budgeted expenditures and other financing uses (only includes General and Special Revenue Fund types)	$	23,401,046

The operating budgets are maintained on the modified accrual basis.

Note 3 - Deposits and investments

Deposits - At June 30, 2005, the carrying value of the County's deposits, were $7,057,107, $2,344,305 and $9,110, for the primary government, School Board, and EDA respectively, and the bank balance was $10,862,207. The carrying value of the Fiduciary funds at June 30, 2005 was $7,193. 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).

	Fair Value	Credit Rating
Investments not subject to categorization:		
Money Market Mutual Funds	$ 205,010	
US Government Money Market Mutual Funds	2,722,006	N/A
SNAP	15,925,525	AAAm
Local Government Investment Pool	6,049,656	AAAm
Total investments	24,902,197	
Total deposits	8,667,869	N/A
Cash in office	650	N/A
Restricted cash	742,003	N/A
Total cash, cash equivalents and investments per Statement of Net Assets	$ 34,312,719	

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.

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, 2005 were as follows: real estate taxes were $0.76 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 $0.50 per $100 of the reported value.

Note 5 - Interfund receivables, payables and transfers

The County's interfund receivable and payable balances at June 30, 2005 are presented below:

	Receivables	Payables
Interfunds		
General Fund	$ 635,047	$ 3,219
Human Services Fund	-	48,786
Airport Fund	-	583,042
	$ 635,047	$ 635,047

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 and payments to component units for the year ended June 30, 2005 were as follows:

	To	From
Major funds		
General Fund	$ 2,082,285	$ 45,218
Capital Fund	89,617	1,610,852
Airport Fund	-	44,399
Water and Sewer Fund	-	321,052
Bottoms Bridge Fund	319,446	-
Nonmajor funds		
Human Service Fund	-	469,827
	$ 2,491,348	$ 2,491,348

Transfers are used to provide funding for operating and capital costs. A $1.3 million dollar transfer is included, which is in accordance with the County's fund balance policy.

Note 6 - Due from other governmental units

At June 30, 2005, the General Fund and the Human Services Fund are due $353,519 and $97,757, respectively, from the Commonwealth of Virginia. The School Board Component Unit is due $237,674 from the Commonwealth of Virginia. The Capital Improvement Fund and Airport Fund are due $41,898 and $65,322, respectively, from the Commonwealth of Virginia. The Airport Fund is also due $766,752 from the Federal government. At June 30, 2005, the General Fund and the School Board Component Unit are due $139,175 and $237,957, 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, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	$ 2,849,920	$ 709,571	$ -	$ 3,559,491
Construction in progress	189,089	3,235,602	90,408	3,334,283
Total capital assets, not being depreciated	3,039,009	3,945,173	90,408	6,893,774
Capital assets, being depreciated:				
Buildings	8,787,838	14,012	-	8,801,850
Machinery and equipment	4,516,186	1,092,020	-	5,608,206
Capital improvements	1,663,056	46,136	-	1,709,192
Total capital assets, being depreciated	14,967,080	1,152,168	-	16,119,248
Less accumulated depreciation for:				
Buildings	(1,827,607)	(258,119)	-	(2,085,726)
Machinery and equipment	(2,040,062)	(480,150)	-	(2,520,212)
Capital improvements	(50,628)	(37,814)	-	(88,442)
Total accumulated depreciation	(3,918,297)	(776,083)	-	(4,694,380)
Total capital assets, being depreciated, net	11,048,783	376,085	-	11,424,868
Governmental activities capital assets, net	$ 14,087,792	$ 4,321,258	$ 90,408	$ 18,318,642

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, 2004	Additions	Deletions	Balance June 30, 2005
Assets not subject to depreciaton:				
Land	$ 756,300	$ 486,351	$ -	$ 1,242,651
Construction in progress	581,868	2,590,769	-	3,172,637
Water production and distribution facilities	8,298,011	671,796	-	8,969,807
Infrastructure	4,201,969	1,059,667	-	5,261,636
Total capital assets	13,838,148	4,808,583	-	18,646,731
Less accumulated depreciation for:				
Water production and distribution facilities	(1,366,279)	(217,076)	-	(1,583,355)
Infrastructure	(642,523)	(106,460)	-	(748,983)
Total accumulated depreciation	(2,008,802)	(323,536)	-	(2,332,338)
Total capital assets, net	$ 11,829,346	$ 4,485,047	$ -	$ 16,314,393

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

Governmental Activities:	
General government	$ 138,399
Judicial	62,139
Public safety	389,183
Public works	8,931
Health and welfare	4,490
Community development	40,020
Education	123,066
Parks and recreation	9,855
Total governmental depreciation expense	$ 776,083
Business-Type Activities:	
Water and sewer fund	$ 323,536

Discretely presented component units:

Economic Development Authority had no additions to capital assets during the fiscal year.

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, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	$ 694,500	$ -	$ -	$ 694,500
Construction in progress	691,104	2,082,916	2,037,412	736,608
Total capital assets, not being depreciated	1,385,604	2,082,916	2,037,412	1,431,108
Capital assets, being depreciated:				
Buildings	8,984,216	71,611	-	9,055,827
Machinery and equipment	3,190,345	313,874	-	3,504,219
Capital improvements	1,603,206	31,001	-	1,634,207
Total capital assets, being depreciated	13,777,767	416,486	-	14,194,253
Total capital assets	$ 15,163,371	$ 2,499,402	$ 2,037,412	$ 15,625,361

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Less accumulated depreciation for:				
Buildings	$ (5,318,260)	$ (264,040)	$ 123,066	$ (5,459,234)
Machinery and equipment	(2,308,353)	(215,766)	-	(2,524,119)
Capital improvements	(288,638)	(5,167)	-	(293,805)
Total accumulated depreciation	(7,915,251)	(484,973)	123,066	(8,277,158)
Total capital assets being depreciated, net	5,862,516	375,536	-	5,917,095
Component units capital assets, net	$ 7,248,120	$ 1,066,640	$ -	$ 7,348,203

Construction Commitments:

The County had active construction projects as of June 30, 2005. At year end the County's commitments with contractors are as follows:

Project	Contractor	Balance Remaining on Contract	Balance Remaining on Project
Airport Runway Construction	APAC	$ 83,276	$ 83,276
Airport Runway Construction (Management)	Campbell & Paris	8,012	-
Airport T-Hangars (Design/Architecture)	Campbell & Paris	2,226	2,226
Elementary School Construction	Evans Construction	9,270,425	10,777,509
Elementary School Architecture	Shriver & Holland Associates	222,491	-
Primary School Construction	Evans Construction	397,680	676,298
Primary School Architecture	Shriver & Holland Associates	18,652	18,652
Courthouse Utilities & Forcemain/Pump Station to Chickahominy WWTP (Engineering)	R. Stuart Royer & Associates	152,664	3,292,476
Bottoms Bridge Water & Sewer	Chicago, Bridge & Iron	321,099	18,935,287
Bottoms Bridge Water & Sewer (Engineering)	R. Stuart Royer & Associates	564,753	-
		$ 11,041,278	$ 33,785,722

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, 2005 follows:

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005	Due within One Year
County - Governmental Activities					
Lease revenue bonds	$ 175,000	$ -	$ 55,000	$ 120,000	$ 60,000
Note payable	31,576	-	31,576	-	-
Capital lease obligations	292,170	-	40,591	251,579	43,532
Accrued vacation and sick leave - noncurrent portion	379,413	46,081	-	425,494	-
General obligation bonds	3,268,850	-	547,187	2,721,663	558,825
Literary loans	500,000	2,596,515	100,000	2,996,515	100,000
Total Governmental Activities	$ 4,647,009	$ 2,642,596	$ 774,354	$ 6,515,251	$ 762,357
Business-Type Activities					
Lease revenue bonds	$ -	$ 17,675,000	$ -	$ 17,675,000	$ -
Accrued vacation and sick leave - noncurrent portion	19,421	2,186	-	21,607	-
Total Business-Type Activities	$ 19,421	$ 17,677,186	$ -	$ 17,696,607	$ -

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005	Due Within One Year
Component Unit - School Board:					
Capital lease obligations	$ 392,668	$ -	$ 54,553	$ 338,115	$ 28,741
Accrued vacation and sick leave	299,283	33,508	-	332,791	-
Retirement incentive cost obligations	365,925	-	20,276	345,649	21,726
Total School Board	$ 1,057,876	$ 33,508	$ 74,829	$ 1,016,555	$ 50,467

Bonds and loans payable at June 30, 2005 for the Governmental Activities are comprised of the following individual issues:

	Year Issued	Interest Rates	Amount Outstanding
Governmental Activities			
General obligation bond:			
1997 Refunding	1997	4.20-5.65%	$ 1,220,000
1995 School Bonds	1995	6.10-6.60%	891,663
1993 School Bonds	1993	7.10-7.50%	610,000
Lease revenue bond:			
Governmental Funds:			
1997 IDA HVAC	1997	4.70-5.25%	120,000
Literary Loan:			
1989 State Literary Loan			400,000
Series 2004 Literary Loan	2004	2.56%	2,596,515
Total County bonds and loans			$ 5,838,178

Note 8 - Long-term obligations (continued)

Bonds and loans payable at June 30, 2005 for the Business-Type Activities are comprised of the following individual issues:

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

The School Board has a retirement incentive obligation of $345,649 as of June 30, 2005. 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:

	Governmental Activities		Business-Type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2006	$ 718,825	$ 207,515	$ -	$ 378,297
2007	530,567	172,281	-	378,297
2008	3,073,986	143,862	365,000	378,297
2009	489,604	83,916	370,000	374,008
2010	1,025,196	160,747	385,000	369,198
Thereafter	-	-	16,555,000	5,736,439
Total bonds, loans, and note payable	$ 5,838,178	$ 768,321	$ 17,675,000	$ 7,614,536

Note 9 - Defeased debt

On December 11, 1997 the County of New Kent issued general obligation bonds of $2,290,000. The net proceeds were deposited in an irrevocable trust with the Bank of New York to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the County's general long-term debt. At June 30, 2005 the balance due on the defeased bonds was $1,220,000.

Note 10 - Obligations under capital leases

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$ 315,846
Less: Accumulated depreciation	(201,328)
Total	$ 114,518

Note 10 - Obligations under capital leases (continued)

A summary of future minimum rental payments under capital leases of the County as of June 30, 2005 is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	$ 43,532	$ 17,151
2007	46,687	13,996
2008	50,070	10,613
2009	53,699	6,985
2010	57,591	3,093
Total	$ 251,579	$ 51,838

Note 11 - Equity balances

Unreserved - designated- Fund balance has been designated in the various funds for the following purposes:

Primary Government:	
General Fund	
E911-Wireless	$ 16,483
E911	313,930
Asset Forfeiture -Sheriff	21,895
Asset Forfeiture-Commonwealth Attorney	11,476
Clean County Committee / Litter Control	6,201
Total General Fund Designated Fund Balance	$ 369,985
Component Units:	
School Board	
Designated for school capital projects	$ 1,326,721
Designated for future cafeteria operations	105,305
Total School Board	$ 1,432,026
EDA	
Designated for future economic development	$ 332,553
Total Component Units	$ 1,869,884

Unreserved - Undesignated- Represents the remainder of the County's equity in Governmental Fund type balances.

Note 12 – 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.

Note 12 – Conduit debt (continued)

Outstanding conduit debt obligations are as follows at June 30, 2005:

Description	Original issue
Industrial Development Revenue Bond Series 2001	$ 10,000,000
Economic Development Revenue Bond Series 2003	$ 8,500,000

Note 13 - Defined benefit pension plan

A. Plan Description

The County contributes to the Virginia Retirement System (VRS), an 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 1.5 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 1.65 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 may assume 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 2005. Total employer contributions made to the VRS statewide teacher pool for professional employees by the School Board for fiscal years 2005, 2004 and 2003 amounted to $1,235,387, $909,504, and $811,437, respectively, and represented 11.03%, 8.77%, and 8.55%, respectively, of the current covered payroll.

C. Annual Pension Cost

For 2005, the County's annual pension cost of $59,026 and the School Board's annual pension cost of $119,881 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, 2004 and 2003 was $34,533, $29,867 and $125,498, $29,867 respectively. The annual pension cost was equal to the required actuarial contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4%. 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 14 - Deferred compensation plan

Eligible employees of the County may participate in a deferred compensation plan in accordance with Internal Revenue Code section 457. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination of employment, retirement, death or 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.

Note 15 - 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 16 – 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 17 – Subsequent events

On August 11, 2005, the County issued $7,500,000 Series 2005 Public Facility Revenue Note to fund school projects. The interest rate on the note is 3.07 percent with a maturity date of February 1, 2008.

Note 18 – Prior Period Adjustment

	Business Type Activites Water & Sewer
Net Assets June 30, 2004	$ 15,026,120
Prior period adjustments	214,327
Net Assets, June 30, 2004	$ 15,240,447

A prior period adjustment was made to the Water and Sewer's net assets to correctly state capital assets.

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Required Supplementary Information

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COUNTY OF NEW KENT, VIRGINIA

Required Supplementary Information
Schedule of Funding Progress – Defined Benefit Plans
June 30, 2005

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, 2002	7,249,123	6,158,740	(1,090,383)	117.70%	3,105,178	(35.1%)
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%)
School Board - Component Unit:						
June 30, 2002	2,175,620	2,047,545	(128,075)	106.26%	1,236,401	(10.36%)
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%)

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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

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
School Capital Projects Fund

Economic Development Authority

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

COUNTY OF NEW KENT, VIRGINIA

Balance Sheet
Nonmajor Special Revenue Fund
June 30, 2005

	Human Services Fund
ASSETS	
Due from other governmental units	$ 97,757
LIABILITIES	
Accounts payable	$ 48,971
Due to other funds	48,786
Total liabilities	97,757
FUND EQUITY	
Fund balance:	
Unreserved:	
Undesignated	-
Total fund balances	-
Total liabilities and fund equity	$ 97,757

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Fund Year Ended June 30, 2005

	Human Services Fund
Revenues:	
Revenue from local sources:	
Miscellaneous	$ 1,615
Intergovernmental	
Commonwealth	525,277
Total revenues	526,892
Expenditures:	
Current:	
Health and welfare	996,719
Excess (deficiency) of revenues over expenditures	(469,827)
Other financing sources:	
Transfers in	469,827
Total other financing sources	469,827
Fund balance at beginning of year	-
Fund balance at end of year	$ -

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Nonmajor Special Revenue Fund
Year Ended June 30, 2005

	HUMAN SERVICES FUND			
	Budgeted Amounts			Variance With Final Positive (Negative)
	Original	Final	Actual	
Revenues:				
Revenue from local sources:				
Miscellaneous	$ -	$ -	$ 1,615	$ 1,615
Revenue from the Commonwealth:				
Comprehensive Services Act Grants	604,721	604,721	525,277	(79,444)
Total revenue	604,721	604,721	526,892	(77,829)
Expenditures:				
Current:				
Health and welfare				
Welfare/Social services -				
Comprehensive Services Act	1,110,344	1,110,344	996,719	113,625
Excess (deficiency) of revenues over expenditures	(505,623)	(505,623)	(469,827)	35,796
Other financing sources (uses):				
Transfers in	505,623	505,623	469,827	(35,796)
Total other financing sources (uses)	505,623	505,623	469,827	(35,796)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	-	-
Fund balances at beginning of year	-	-	-	-
Fund balance at end of year	$ -	$ -	$ -	$ -

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Airport Fund
Year Ended June 30, 2005

	AIRPORT FUND			
	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue from local sources:				
Charges for Services	$ 143,352	$ 143,352	$ 131,431	$ (11,921)
Revenue from the Commonwealth:				
Other categorical aid	145,154	145,154	83,344	(61,810)
Revenue from the Federal Government				
Other categorical aid	979,670	979,670	809,102	(170,568)
Total revenue	1,268,176	1,268,176	1,023,877	(244,299)
Expenditures:				
Current:				
Public works				
Salaries	53,361	53,361	51,757	1,604
Repairs and maintenance	21,500	21,500	10,258	11,242
Electricity	5,600	5,600	5,018	582
Miscellaneous	1,280,166	1,280,166	1,001,243	278,923
Total expenditures	1,360,627	1,360,627	1,068,276	292,351
Excess (deficiency) of revenues over expenditures	(92,451)	(92,451)	(44,399)	48,052
Other financing sources (uses):				
Transfers in	92,451	92,451	44,399	(48,052)
Total other financing sources (uses)	92,451	92,451	44,399	(48,052)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	-	-
Fund balances at beginning of year	-	-	9,600	9,600
Fund balance at end of year	$ -	$ -	$ 9,600	$ 9,600

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Revenues:				
Reveues from the use of money and property	$ -	$ -	$ 318	$ 318
Miscellaneous	-	56,425	300,327	243,902
Intergovernmental:				
Commonwealth	100,000	210,288	59,701	(150,587)
Total revenue	100,000	266,713	360,346	93,633
Expenditures:				
Capital projects:				
General goveernment and administration	1,130,000	1,725,840	362,963	1,362,877
Public safety	125,000	590,298	433,492	156,806
Public works	125,000	975,363	714,125	261,238
Education	900,634	1,281,491	660,832	620,659
Parks, recreation and culture	77,500	127,005	9,652	117,353
Total expenditures	2,234,984	4,699,997	2,181,064	2,518,933
Excess (deficiency) of revenues over expenditures	(2,134,984)	(4,433,284)	(1,820,718)	2,612,566
Other financing sources (uses):				
Interfund transfers in	133,354	159,043	1,610,852	1,451,809
Interfund transfers out	(11,800)	(156,917)	(89,617)	67,300
Total other financing sources (uses)	121,554	2,126	1,521,235	1,519,109
Excess (deficiency) of revenues & other sources over expenditures & other uses	(2,013,430)	(4,431,158)	(299,483)	4,131,675
Fund balances at beginning of year	2,136,580	4,431,158	7,811,791	3,380,633
Fund balance at end of year	$ -	$ -	$ 7,512,308	$ 7,512,308

COUNTY OF NEW KENT, VIRGINIA

Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Special Welfare Fund:				
Asset:				
Cash and cash equivalents	$ 10,315	$ -	$ 3,122	$ 7,193
Prepaid expenses	-	1,200	-	1,200
	10,315	1,200	3,122	8,393
Liability:				
Amounts held for social service clients	$ 10,315	$ -	$ 1,922	$ 8,393

COUNTY OF NEW KENT, VIRGINIA

Balance Sheet
Discretely Presented Component Unit-School Board
June 30, 2005

	Governmental Funds			
	School Fund	School Cafeteria Fund	School Capital Projects	Totals
ASSETS AND OTHER DEBITS				
Cash and cash equivalents	$ 752,023	$ 142,044	$ 1,450,238	$ 2,344,305
Due from other governmental units	466,985	8,646	-	475,631
Accounts Receivable	4,816	-	-	4,816
Total assets	$ 1,223,824	$ 150,690	$ 1,450,238	$ 2,824,752
LIABILITIES				
Liabilities:				
Accounts payable	$ 114,021	$ -	$ 123,517	$ 237,538
Accrued Expenses	1,109,803	45,385	-	1,155,188
Total liabilities	1,223,824	45,385	123,517	1,392,726
FUND EQUITY				
Fund equity:				
Fund balance:				
Designated:				
School food operations and capital projects	-	105,305	1,326,721	1,432,026
Total fund equity	-	105,305	1,326,721	1,432,026
Total liabilities and fund equity	$ 1,223,824	$ 150,690	$ 1,450,238	$ 2,824,752

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, 2005

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

Ending fund balance		$ 1,432,026
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated:		
Land	$ 694,500	
Construction in progress	736,608	
Capital assets, being depreciated:		
Buildings and improvements	10,690,034	
Machinery and equipment	3,504,219	
Total capital assets	15,625,361	
Less accumulated depreciation	(8,277,158)	7,348,203
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
VRS early retirement	$ 345,649	
Capital lease obligations	338,115	
Compensated absences	332,791	
Total long-term liabilities		(1,016,555)
Net assets of governmental activities		$ 7,763,674

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - School Board
Year Ended June 30, 2005

	Governmental Fund Types			
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Totals
Revenues:				
Charges for services	$ 73,054	$ 496,885	$ -	$ 569,939
Revenue from use of money and property	-	-	29,997	29,997
Miscellaneous	91,303	1,681	-	92,984
Intergovernmental:				
County appropriation	7,584,940	-	801,325	8,386,265
Commonwealth	10,529,638	15,372	-	10,545,010
Federal	834,778	216,654	-	1,051,432
Total revenue	19,113,713	730,592	831,322	20,675,627
Expenditures:				
Current:				
Education	18,853,586	736,409	2,101,116	21,691,111
Debt service:				
Principal retirement	74,829	-	-	74,829
Interest and other fiscal charges	185,298	-	-	185,298
Total expenditures	19,113,713	736,409	2,101,116	21,951,238
Excess (deficiency) of revenues over expenditures	-	(5,817)	(1,269,794)	(1,275,611)
Other financing sources:				
Literary loan proceeds	-	-	2,596,515	2,596,515
Total other financing sources	-	-	2,596,515	2,596,515
Excess (deficiency) of revenues & other sources over expenditures & other uses	-	(5,817)	1,326,721	1,320,904
Fund balances at beginning of year	-	111,122	-	111,122
Fund balance at end of year	$ -	$ 105,305	$ 1,326,721	$ 1,432,026

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, 2005

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance		$ 1,320,904
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	$ 2,499,402	
Transfer of assets to the County as a result of tenancy in common	(2,037,412)	
Depreciation expense	(361,907)	100,083
Repayment of principal amounts of long-term debt is reported as an expenditure or as an other financing use when debt is refunded in governmental funds. This reduces fund balance. However, the principal payments reduce liabilities in the statement of net assets.		
Payment of early retirement incentive program	20,276	
Principal payment of capital leases	54,553	74,829
Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they mature. In the statement of activities, they are reported as expenses and liabilities as they accrue.		
Compensated absences		(33,508)
Change in net assets of governmental activities		$ 1,462,308

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Year Ended June 30, 2005

	School Fund				School Cafeteria Fund			
	Budgeted Amounts			Variance Favorable	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
Revenues:								
Charges for services	$ 89,500	$ 89,500	$ 73,054	$ (16,446)	$ -	$ 135,000	$ 496,885	$ 361,885
Revenue from use of money and property	-	-	-	-	-	-	-	-
Miscellaneous	500	73,500	91,303	17,803	300,000	300,000	1,681	(298,319)
Intergovernmental:								
County appropriation	8,275,635	8,423,785	7,584,940	(838,845)	-	-	-	-
Commonwealth	10,629,000	10,629,000	10,529,638	(99,362)	8,000	8,000	15,372	7,372
Federal	890,000	916,338	834,778	(81,560)	150,000	150,000	216,654	66,654
Total revenue	19,884,635	20,132,123	19,113,713	(1,018,410)	458,000	593,000	730,592	137,592
Expenditures:								
Current:								
Education	19,147,393	19,394,881	18,853,586	541,295	458,000	593,000	736,409	(143,409)
Debt service:								
Principal retirement	503,351	503,351	74,829	428,522	-	-	-	-
Interest and other fiscal charges	233,891	233,891	185,298	48,593	-	-	-	-
Total expenditures	19,884,635	20,132,123	19,113,713	1,018,410	458,000	593,000	736,409	(143,409)
Excess (deficiency) of revenues over expenditures	-	-	-	-	-	-	(5,817)	(5,817)
Other financing sources (uses):								
Literary loan	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues & other sources over expenditures & other uses	-	-	-	-	-	-	(5,817)	(5,817)
Fund balances at beginning of year	-	-	-	-	-	-	111,122	111,122
Fund balance at end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ 105,305	$ 105,305

School Capital Projects Fund				Totals			
Budgeted Amounts			Variance Favorable	Budgeted Amounts			Variance Favorable
Original	Final	Actual	(Unfavorable)	Original	Budget	Actual	(Unfavorable)
$ -	$ -	$ -	$ -	$ 89,500	$ 224,500	$ 569,939	$ 345,439
-	-	29,997	29,997	-	-	29,997	29,997
-	-	-	-	300,500	373,500	92,984	(280,516)
801,325	801,325	801,325	-	9,076,960	9,225,110	8,386,265	(838,845)
-	-	-	-	10,637,000	10,637,000	10,545,010	(91,990)
-	-	-	-	1,040,000	1,066,338	1,051,432	(14,906)
-	801,325	831,322	29,997	21,143,960	21,526,448	20,675,627	(850,821)
3,801,325	3,801,325	2,101,116	1,700,209	23,406,718	23,789,206	21,691,111	2,098,095
-	-	-	-	503,351	503,351	74,829	428,522
-	-	-	-	233,891	233,891	185,298	48,593
3,801,325	3,801,325	2,101,116	1,700,209	24,143,960	24,526,448	21,951,238	2,575,210
(3,801,325)	(3,000,000)	(1,269,794)	1,730,206	(3,000,000)	(3,000,000)	(1,275,611)	1,724,389
3,000,000	3,000,000	2,596,515	(403,485)	3,000,000	3,000,000	2,596,515	(403,485)
3,801,325	3,000,000	2,596,515	(403,485)	3,000,000	3,000,000	2,596,515	(403,485)
-	-	1,326,721	1,326,721	-	-	1,320,904	1,320,904
-	-	-	-	-	-	111,122	111,122
$ -	$ -	$ 1,326,721	$ 1,326,721	$ -	$ -	$ 1,432,026	$ 1,432,026

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - School Operating Fund - Budget and Actual

Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue from local sources:				
Charges for services:				
Charges for education	$ 89,500	$ 89,500	$ 73,054	$ (16,446)
County appropriation:	8,275,635	8,423,785	7,584,940	(838,845)
Miscellaneous revenue:				
Miscellaneous	500	73,500	91,303	17,803
Total revenue from local sources	8,365,635	8,586,785	7,749,297	(837,488)
Revenue from the Commonwealth:				
Categorical aid:				
Share of State sales tax	2,151,454	2,151,454	2,165,472	14,018
Basic school aid	7,009,207	7,009,207	6,962,059	(47,148)
Regular foster care	15,234	15,234	31,136	15,902
Special education	65,170	65,170	57,122	(8,048)
Adult education	7,859	7,859	7,859	-
Teacher incentive	2,757	2,757	1,930	(827)
At risk payments	78,563	78,563	25,911	(52,652)
Maintenance support - SOQ	-	-	3,295	3,295
Fringe benefits	555,657	555,657	562,553	6,896
Technlology	154,000	154,000	-	(154,000)
Lottery proceeds	386,386	386,386	411,767	25,381
SOL algebra readiness	7,732	7,732	-	(7,732)
School construction receipts	130,825	130,825	130,775	(50)
Remediation	64,156	64,156	61,963	(2,193)
VPSA Education Tech Grant	-	-	107,796	107,796
Total revenue from the Commonwealth	10,629,000	10,629,000	10,529,638	(99,362)
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	19,000	21,317	14,159	(7,158)
Title I	198,500	199,085	181,109	(17,976)
Title II - EESA(Eisenhower grant)	75,500	73,579	64,223	(9,356)
Sliver grant	18,000	18,309	-	(18,309)
Title VIB	450,000	519,351	495,007	(24,344)
Vocational education	32,000	31,032	27,380	(3,652)
Technology literacy challenge	-	-	5,117	5,117
Drug alcohol prevention program	10,000	9,071	-	(9,071)
Preschool	77,000	36,745	21,251	(15,494)
Special education preschool	-	-	10,062	10,062
State assessents and related activities - NCLB	-	-	8,797	8,797
Title VI	10,000	7,849	7,673	(176)
Total revenue from the Federal Government	890,000	916,338	834,778	(81,560)
Total revenues	19,884,635	20,132,123	19,113,713	(1,018,410)

COUNTY OF NEW KENT, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - School Operating Fund - Budget and Actual

Year Ended June 30, 2005

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Expenditures:				
Education:				
Administration, attendance and health	1,423,231	1,373,621	1,303,995	69,626
Instruction	14,576,452	14,775,928	14,196,637	579,291
Transportation	1,437,237	1,455,476	1,628,189	(172,713)
Operation and maintenance	1,710,473	1,789,856	1,724,765	65,091
Total education	19,147,393	19,394,881	18,853,586	541,295
Debt Service:				
Principal	503,351	503,351	74,829	428,522
Interest and fiscal charges	233,891	233,891	185,298	48,593
Total debt service	737,242	737,242	260,127	477,115
Total expenditures	19,884,635	20,132,123	19,113,713	1,018,410
Total revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	$ -	$ -	$ -	$ -

COUNTY OF NEW KENT, VIRGINIA

Discretely Presented Component Unit-
Economic Development Authority
Balance Sheet
June 30, 2005

ASSETS	
Cash and cash equivalents	$ 332,553
FUND EQUITY	
Fund equity:	
Fund balance:	
Unreserved	
Designated	332,553
Total fund equity	332,553
Total liabilities and fund equity	$ 332,553

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, 2005

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

Ending fund balance			$ 332,553
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Machinery and equipment	$	100,000	
Less accumulated depreciation		(26,668)	73,332
Net assets of governmental activities			$ 405,885

COUNTY OF NEW KENT, VIRGINIA

Discretely Presented Component Unit - Economic Development Authority
Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2005

Revenues:		
Charges for services	$	17,181
Revenue from use of money and property		183,790
Total revenue		200,971
Expenditures:		
Current:		
Community development		79,642
Total expenditures		79,642
Excess of revenues over expenditures		121,329
Fund balance at beginning of year		211,224
Fund balance at end of year	$	332,553

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, 2005

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

Net change in fund balance		$ 121,329
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.		
Depreciation expense	(6,667)	(6,667)
Change in net assets of governmental activities		$ 114,662

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Department of Agriculture:			
Department of Social Services:			
Pass Through Payments:			
State Administrative Matching Grants for Food Stamp Program	10.561	46003	$ 73,727
Department of Agriculture and Consumer Services:			
Pass Through Payments:			
National School Breakfast Program	10.553	45707	18,630
National School Lunch Program	10.555	45707	120,031
Commodities - Schools (NOTE B)	10.555	45707	31,076
Federal Emergency Management Agency:			
Department of Emergency Management:			
Pass Through Payments:			
Emergency Management and Response	97.042	72209	48,492
Public Assistance - Hurricane Isabel	97.036	72203	1,271
State Domestic Preparedness Equipment Support Program	97.004	72209	108,400
Department of Justice			
Department of Criminal Justice Services:			
Pass Through Payments:			
Byrne Formula Grant Program - TRIAD/Project Lifesaver	16.579	39002	126,201
Local Law Enforcement Block Grant	16.592	39001	1,955
Violence Against Women Grants	16.588	39001	13,464
Office of Justice Programs:			
Pass Through Payments:			
Bulletproof Vest Partnership Program	16.607		1,454
Department of Health and Human Services:			
Department of Social Services:			
Pass Through Payments:			
Temporary Assistance for Needy Families	93.558	46210	50,082
Refugee and Entrant Assistance - State Administered Program	93.566	46003	80
Low Income Home Energy Assistance	93.568	45206	1,847
Child Care and Development Block Grant	93.575	49003	80,292
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	49010	70,762
Foster Care - Title IV-E	93.658	45301	48,287
Adoption Assistance	93.659	45303	11,425
Social Services Block Grant	93.667	49005	53,578
Chafee Foster Care Independent Living	93.674	45301	913
Medical Assistance Program	93.778	46003	50,459
Promoting Safe & Stable Families	93.556	45301	12,906
Adoption Incentive Payments	93.603	45303	531
Statewide Fraud Protection	N/A	46003	142
Department of Health:			
Center for Injury and Violence:			
Prevention of Fire Related Injuries	93.136		1,804

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Department of Education:			
Department of Labor:			
Pass Through Payments:			
Quin River's Head Start Program	93.600	49003	218
Department of Education:			
Pass Through Payments:			
Title I Grants to Local Educational Agencies	84.010	17101	181,109
Innovative Education Program Strategies	84.298	17101	7,673
Special Education - Grants to States	84.027	17102	495,006
Vocational Education	84.048	17103	27,380
Special Education - Preschool Grants	84.173	17102	21,251
Title II - Teacher QUA	84.367	56045	64,223
Drug Free Schools	84.186	17105	10,062
Adult Literacy	84.002	19202	14,159
State Assessments and Related Activities-NCLB	84.369	19107	8,797
Literacy Challenge Grants	84.318	17518	5,117
Department of Housing & Urban Development:			
Department of Housing & Community Development:			
Pass Through Payments:			
Community Development Block Grants - Plum Point Housing Rehab	14.228	53305	3,484
Federal Election Commission:			
State Board of Elections:			
Pass Through Payments:			
Help America Vote Act	99.000	72308	114,500
Department of Transportation:			
Department of Aviation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	809,102
Department of Motor Vehicles:			
Pass Through Payments:			
Safety Incentives to Prevent Intoxicated Drivers - Operation Section 157 Innovative Funds (Seatbelt)	20.604	60507	997
State & Comm. Highway Safety - Open Container/Alcohol Impaired Driving 163 Funds .08 BAC Incentives	20.000	60507	9,722
	20.605	60507	2,229
State & Comm. Highway Safety (Section 402) Occupant Protection	20.600	60507	500
State & Comm. Highway Safety (Section 402) Speed Control	20.600	60507	16,748
Totals			**$ 2,720,086**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A-BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

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STATISTICAL SECTION

COUNTY OF NEW KENT, VIRGINIA

Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Fees and Licenses	Fines and Forfeitures	Revenue from Use of Money and Property	Charges for Services	Miscel-laneous	Recovered Costs	Inter-govern-mental	Total
2005	$ 12,705,548	2,861,365	671,713	180,150	390,180	882,713	1,224,467	16,864	25,300,460	$ 44,233,460
2004	11,552,349	2,746,469	504,554	154,322	217,099	841,130	337,841	4,493	15,612,060	31,970,317
2003	10,287,896	2,410,149	426,524	98,588	233,428	768,383	282,699	3,475	14,541,807	29,052,949
2002	11,634,193	2,239,287	298,615	91,536	358,395	270,125	96,883	16,046	12,368,869	27,373,949
2001	9,524,923	2,103,123	222,989	84,153	699,421	207,340	964,413	4,129	12,610,349	26,420,840
2000	9,255,094	1,873,449	153,795	82,660	644,453	172,295	427,139	634	11,447,533	24,057,052
1999	9,476,104	1,772,338	161,980	66,575	492,616	138,747	728,197	16,737	10,148,354	23,001,648
1998	9,096,626	1,811,895	137,033	87,938	366,317	144,680	719,486	13,769	9,979,777	22,357,521
1997	8,281,055	1,592,757	193,375	141,079	204,150	363,702	1,462,330	120,605	9,903,160	22,262,213
1996	7,110,920	1,270,703	139,671	78,572	158,823	318,700	1,512,435	77,894	8,190,088	18,857,806

Notes:
(1) Includes general, special revenue, capital projects funds and school board component unit.

COUNTY OF NEW KENT, VIRGINIA

Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Development	Capital Projects	Debt Service	Total
2005	$ 1,931,326	938,931	4,483,560	2,334,661	2,066,373	30,080,779	387,751	752,097	2,057,913	1,172,888	$ 46,206,279
2004	1,742,309	517,043	3,988,242	1,537,519	1,983,080	19,003,167	100,140	1,007,176	1,530,016	1,163,350	32,572,042
2003	1,695,880	484,227	3,258,851	1,322,235	1,782,126	16,664,095	98,811	820,170	2,688,742	1,208,766	30,023,903
2002	1,599,955	494,673	3,032,609	1,368,956	1,405,973	15,477,363	90,350	1,001,532	1,156,145	895,767	26,523,323
2001	1,381,150	410,121	2,736,486	1,251,745	1,405,173	14,468,974	75,240	548,715	1,464,633	1,535,122	25,277,359
2000	1,342,442	290,444	2,422,746	1,251,085	1,164,501	13,670,040	69,125	382,725	961,553	1,400,722	22,955,383
1999	1,353,007	303,589	2,191,728	1,091,958	1,063,789	12,808,436	58,764	297,774	485,462	1,428,231	21,082,738
1998	1,152,646	272,686	1,991,509	1,529,817	1,229,111	11,855,148	52,628	377,723	1,037,076	1,664,710	21,163,054
1997	1,058,412	235,750	1,801,137	1,730,912	1,328,669	11,906,366	46,920	278,109	1,381,583	1,124,617	20,892,475
1996	1,077,804	258,371	1,563,539	930,426	1,109,756	11,197,708	42,550	310,890	3,046,923	1,098,881	20,636,848

Notes:
(1) Includes general, special revenue, capital projects funds and school board component unit.

COUNTY OF NEW KENT, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections (2)	Percent of Levy Collected	Delinquent (1) Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent to Tax Levy
2005	14,775,781	11,608,682	78.57%	386,540	11,995,222	81.18%	631,959	4.28%
2004	13,417,025	12,969,845	96.67%	342,620	13,312,465	99.22%	1,075,862	8.02%
2003	12,146,124	11,304,708	93.07%	240,914	11,545,622	95.06%	982,541	8.09%
2002	11,680,812	11,289,556	96.65%	161,364	11,450,920	98.03%	928,116	7.95%
2001	10,722,708	10,374,028	96.75%	103,696	10,477,724	97.72%	982,396	9.16%
2000	9,779,374	9,324,260	95.35%	357,650	9,681,910	99.00%	824,516	8.43%
1999	9,498,404	9,050,882	95.29%	241,458	9,292,340	97.83%	888,346	9.35%
1998	8,885,201	8,599,187	96.78%	359,369	8,958,556	100.83%	786,424	8.85%
1997	8,368,083	8,060,349	96.32%	115,103	8,175,452	97.70%	504,277	6.03%
1996	7,028,001	6,854,578	97.53%	127,611	6,982,189	99.35%	725,091	10.32%

Notes: (1) Exclusive of penalties and interest.
(2) Includes personal property reimbursement from the Commonwealth of Virginia.

COUNTY OF NEW KENT, VIRGINIA

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Sales Ratio %	Real Estate		Personal Property		Machinery & Tools		Aircraft		Public Service		Total	
			Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2005	(2)	89.30%	$1,278,073,681	$1,141,319,797	$ 118,496,255	$ 105,817,156	$ 31,699	$ 28,307	$ 1,072,000	$ 957,296	$71,062,752	$63,459,038	$1,468,736,387	$1,311,581,594
2004	(2)	100.40%	1,068,700,613	1,072,975,415	113,096,654	113,549,041	2,117,755	2,126,226	642,600	645,170	58,674,214	58,908,911	1,243,231,836	1,248,204,763
2003	(2)	82.70%	1,006,276,490	832,190,657	99,611,366	82,378,600	38,188	31,581	719,600	595,109	66,114,328	54,676,549	1,172,759,972	969,872,497
2002	(2)	85.40%	959,690,495	819,575,683	103,628,115	88,498,410	38,188	32,613	719,600	614,538	60,897,685	52,006,623	1,124,974,083	960,727,867
2001	(3)	88.50%	923,131,600	816,971,466	97,584,495	86,362,278	3,500	3,098	778,020	688,548	66,391,934	58,756,862	1,087,889,549	962,782,251
2000	(3)	90.58%	770,996,180	698,368,340	82,268,688	74,518,978	6,825	6,182	745,800	675,546	51,888,375	47,000,490	905,905,868	820,569,535
1999	(3)	82.38%	753,558,414	620,781,421	77,092,154	63,508,516	2,126,464	1,751,781	455,800	375,488	52,605,279	43,336,229	885,838,111	729,753,436
1998	(3)	83.43%	691,584,608	576,989,038	72,004,102	60,073,022	1,845,708	1,539,874	443,525	370,033	51,812,599	43,227,251	817,690,542	682,199,219
1997	(3)	89.75%	661,691,461	593,868,086	66,849,438	59,997,371	2,488,885	2,233,774	382,280	343,096	53,260,526	47,801,322	784,672,590	704,243,650
1996	(3)	92.14%	562,050,303	517,873,149	56,406,047	51,972,532	2,308,027	2,126,616	379,375	349,556	41,390,098	38,136,836	662,533,850	610,458,689

Notes:

(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.

COUNTY OF NEW KENT, VIRGINIA

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property (1)	Machinery & Tools	Aircraft	Public Service
2005	0.76	3.76	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
1996	0.82	3.50	3.50	1.25	0.82
1995	0.82	3.50	3.50	1.25	0.82

Notes:
(1) Per $100 of assessed value

NEW KENT COUNTY, VIRGINIA

Principal Property Taxpayers

Taxpayer	Type of Business	Assessed Valuation (1)	Percentage to Total
Colonial Downs Holdings Inc	Horse Racing	$ 31,336,200	2.45%
City of Newport News	Waterworks/Dam	28,040,131	2.19%
Henrico Jail East	Jail	26,157,600	2.05%
Bluegreen Prop of VA	Developer	9,417,700	0.74%
Kentland Investments LLC	Real Estate Investments	5,645,800	0.44%
AHS Cumberland Hosp LLC	Health Care	5,579,700	0.44%
Kinney Jonathan C. Trustee	Real Estate Investments	5,454,600	0.43%
Tradition Golf Club Royal N-K	Golf Course	5,400,000	0.42%
The Stitzer - Ingo Co Etal	Investment Property	4,848,800	0.38%
Oaklawn Plaza Inc	Grocery Store	4,025,700	0.31%
Total		$ 125,906,231	
Total Assessed Valuation of Real Estate		$ 1,278,073,681	

Notes:
(1) Based on January 1, 2004 Real Estate Assessments

COUNTY OF NEW KENT, VIRGINIA

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt Assessed Value	Net Bonded Debt per Capita
2005	14,800	1,243,231,836	3,241,663	0.0026	219
2004	14,800	1,243,231,836	3,943,850	0.0032	266
2003	14,700	1,172,759,972	4,644,843	0.0040	316
2002	14,100	1,124,974,083	5,303,690	0.0047	376
2001	13,800	1,087,889,549	5,864,333	0.0054	425
2000	13,462	905,905,868	6,520,881	0.0072	484
1999	13,500	885,838,111	7,268,409	0.0082	538
1998	13,300	817,690,542	8,002,613	0.0098	602
1997	13,000	784,672,590	7,880,748	0.0100	606
1996	12,400	662,533,850	8,437,902	0.0127	680

Notes:
(1) Bureau of the Census.
(2) From table on page 61 of report.
(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.

COUNTY OF NEW KENT, VIRGINIA

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures (1) Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
2005	849,100	323,788	1,172,888	44,148,366	2.66%
2004	819,859	343,491	1,163,350	31,042,026	3.75%
2003	763,722	445,044	1,208,766	27,335,161	4.42%
2002	559,313	336,454	895,767	25,367,178	3.53%
2001	851,053	494,586	1,345,639	23,812,726	5.65%
2000	850,330	531,755	1,382,085	21,993,830	6.28%
1999	945,211	483,020	1,428,231	20,597,276	6.93%
1998	940,884	596,774	1,537,658	20,125,978	7.64%
1997	557,154	567,463	1,124,617	19,510,892	5.76%
1996	637,647	461,234	1,098,881	17,589,925	6.25%

Notes:
(1) Includes general and special revenue funds, and component unit School Board.
(2) From Table 2, less capital projects expenditures.

COUNTY OF NEW KENT, VIRGINIA

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (2)	Median Age (5)	Per Capita Income (3)	School Enrollment (4)	Unemployment Rate (3)
2005	N/A	N/A	N/A	N/A	3.2 (7)
2004	14,800	N/A	N/A	2,626	3.3
2003	14,700	N/A	29,280	2,546	3.5
2002	14,100	N/A	29,188	2,455	3.5
2001	13,800	N/A	28,983	2,403	3
2000	13,462 (1)	38.4 (1)	27,341	2,342	1.8
1999	13,500	37.5	25,839	2,351	1.9
1998	13,300	36.8	24,373	2,301	2.5
1997	13,000	36.8	23,470	2,275	2.6
1996	12,400	36.5	21,760	2,161	3.1

Notes:

(1) Source: United States Census - 2000
(2) Source: Weldon Cooper Center for Public Service, University of Virginia
(3) Source: U.S. Census Bureau - Annual Per Capita Personal Income
(4) Source: Virginia Department of Education Fall Membership Reports (Division Totals by Grade)
(5) Source: Calculated from U.S. Census Data Estimates 1990-1999
(6) Source: LAUS Unit and Bureau of Labor Statistics (Annual Not Seasonally Adjusted)
(7) Source: LAUS Unit and Bureau of Labor Statistics (Monthly (June 2005) Not Seasonally Adjusted)
N/A - Information was not available

COUNTY OF NEW KENT, VIRGINIA

Property Value, Construction Activity, and Bank Deposits
Last Ten Fiscal Years

	Property Value (1)				Commercial Construction (2)		Residential Construction		
Fiscal Year	Commercial	Residential	Exemptions	Total	Number of Units	Value	Number of Units	Value	Bank Deposits (3)*
2005	$ 118,947,531	$ 1,159,126,150	$ 126,428,300	$ 1,404,501,981	27	$ 1,663,900	323	$ 57,571,824	$ 116
2004	111,266,313	957,434,300	118,102,000	1,186,802,613	41	2,882,042	260	39,954,051	110
2003	98,381,790	908,051,400	117,105,100	1,123,538,290	46	4,193,518	230	32,320,105	99
2002	94,133,895	865,556,600	114,970,700	1,074,661,195	47	6,223,796	227	29,605,293	91
2001	91,471,100	831,660,500	114,107,700	1,037,239,300	26	2,497,854	161	20,259,025	79
2000	73,597,180	697,399,000	63,033,200	834,029,380	37	1,058,898	148	14,657,161	69
1999	72,340,514	681,217,900	63,226,600	816,785,014	N/A	N/A	N/A	N/A	65
1998	72,048,178	619,536,430	62,629,750	754,214,358	N/A	N/A	N/A	N/A	61
1997	60,888,961	600,802,500	63,502,700	725,194,161	N/A	N/A	N/A	N/A	57
1996	56,349,373	505,700,930	45,921,350	607,971,653	N/A	N/A	N/A	N/A	53

Notes:
* Amounts expressed in millions
N/A - Information not available.
(1) Source: Real Estate Assessments
(2) Source: County of New Kent Building Inspection Department
(3) Source: FDIC

COUNTY OF NEW KENT, VIRGINIA

Miscellaneous Statistics
June 30, 2005

Date of Incorporation		1654
Form of Government:		
New Kent County Public Schools	Elected School Board	
New Kent County	Board of Supervisors/County Administrator	
Area in Square Miles		221
Number of Traffic Lights		6
Number of Employees, excluding Fire & Police		128
Education:	Number of Elementary Schools/Instructors	2/92
	Number of Middle Schools/Instructors	1/56
	Number of High Schools/Instructors	1/65
	Number of Maintenance Employees	13
	Number of Transportation Employees	67
Fire & Emergency Medical Protection:	Number of Fire Stations	3
(Excludes Mutual Aid)	Number of Rescue Squads	1
	Number of Fire Personnel	
	Paid	8
	Volunteer	140
	Number of Calls Responded to	
	Fire	732
	Rescue	1,021
	Number of Inspections	112
Police Protection:	Number of Stations	1
	Number of Employees	
	Full-time	46
	Part-time	12
	Number of Patrol Units	14
	Number of Calls Dispatched	19,967
	Number of Law Violations	
	Criminal Warrants Served	1,212
	Civil Warrants and Traffic Notices	6,989
	Calls Dispatched for Traffic & Rescue	
	Traffic	2,850
	Rescue	2,776
Public Works:	Water System:	
	Daily Average Consumption (gallons)	344,568
	Number of Connections	1,384
	Sewage System:	
	Number of Connections	268
	Daily Average Treatment (gallons)	135,000
Facilities and Services not Included in the Reporting Entity or the County	Hospitals:	
	Mental Health Treatment - Children	1
	Number of Patients Beds	84
	Cable Television System:	
	Miles of Service	120
	Service Potential	4,200
	Number of Cable Customers	2,100

COMPLIANCE AND SINGLE AUDIT SECTION

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CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2005, and have issued our report thereon dated December 12, 2005. 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. 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 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

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

Richmond, Virginia
December 12, 2005

CHERRY BEKAERT& HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2005. 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, 2005.

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.

Cherry Bekaert & Holland, L.L.P.

Richmond, Virginia
December 12, 2005

COUNTY OF NEW KENT, VIRGINIA

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

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the County of New Kent.

2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, in Accordance with *Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of the County of New Kent were disclosed during the audit.

4. No reportable conditions relating to the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for the County of New Kent expresses an unqualified opinion.

6. The programs tested as major programs were:

Name of Program	CFDA #
Help America Vote	99.000
Airport Improvement Program	20.106

7. The threshold for distinguishing Types A and B programs was $300,000.

8. The County of New Kent was determined to be a low risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings and questioned costs- Major Federal Award Programs Audit

None