COUNTY OF NEW KENT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2004

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

James H. Burrell, Chairman

Mark E. Hill
D. M. "Marty" Sparks
Stran L. Trout
W. R. "Ray" Davis

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

Gene Adkins
Celia Craft
Faye Patterson
Rose Williams
D. M. "Marty" Sparks

OTHER OFFICIALS

Clerk of the Circuit Count	Karen A. Butler
County Administrator	Gary F. Christie
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	Marianne D. Powell

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Directory of Principal Officers	i
Table of Contents	ii-iv
Organization Chart	v
Transmittal letter	vi-xi
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3a-m
Government-wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	10-16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Notes to Financial Statements	21-35
Required Supplementary Information:	
Schedule of Funding Progress – Defined Benefit Plans	36

TABLE OF CONTENTS

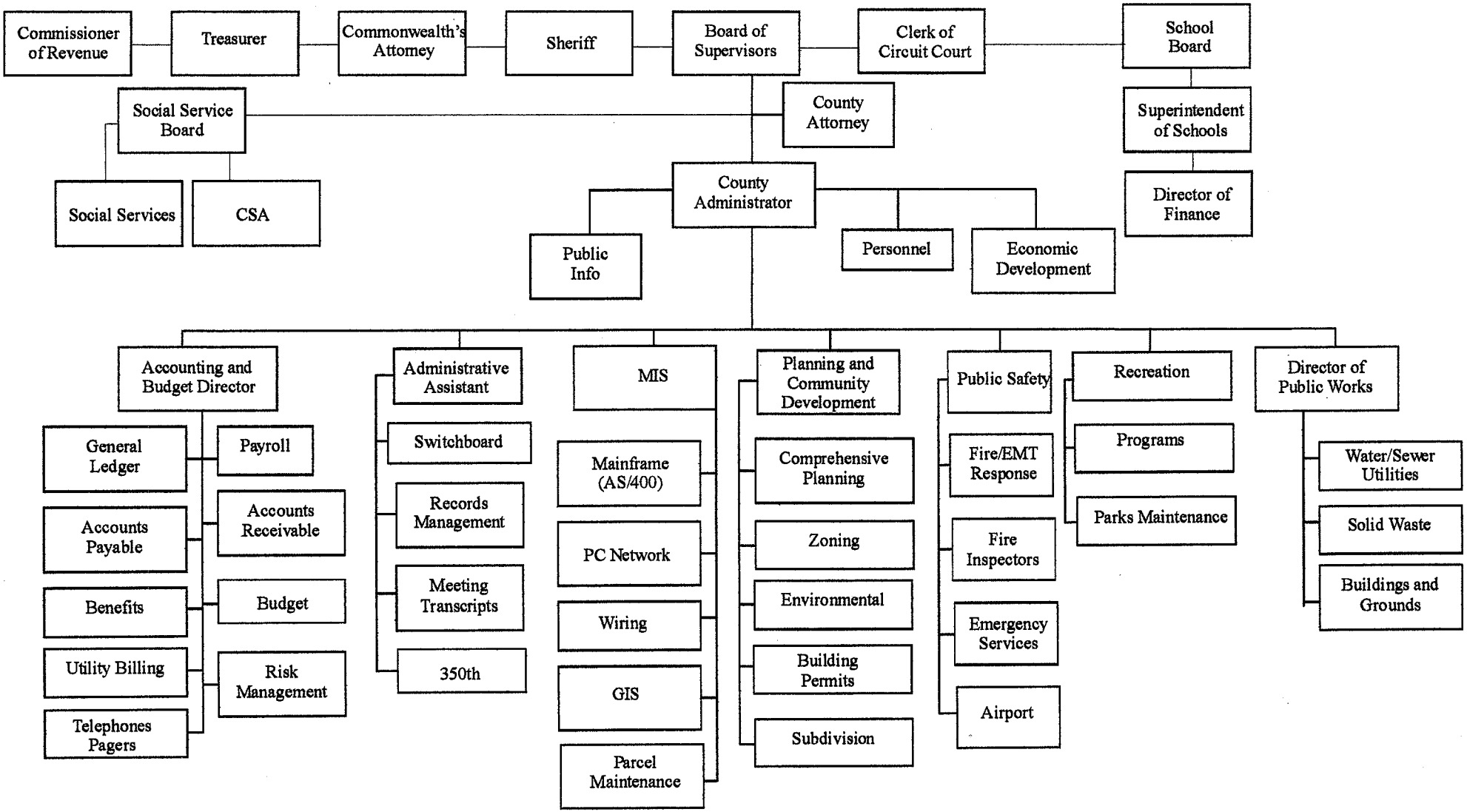
	PAGE
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Special Revenue Funds	37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	39-40
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	41
Statement of Changes in Assets and Liabilities – Fiduciary Funds	42
Balance Sheet - Discretely Presented Component Unit - School Board	43
Reconciliation of the Balance Sheet of the Discretely Presented School Board Component Unit to the Statement of Net Assets	44
Statement of Revenues, Expenditures, and Changes in Fund Balances – Discretely Presented Component Unit – School Board	45
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	46
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Discretely Presented Component Unit – School Board	47-48
Statement of Revenues, Expenditures, and Changes in Fund Balance – School Operating Fund - Budget and Actual	49-50
Discretely Presented Component Unit – Economic Development Authority – Balance Sheet	51
Reconciliation of the Balance Sheet of the Discretely Presented Economic Development Authority Component Unit to the Statement of Net Assets	52
Discretely Presented Component Unit – Economic Development Authority – Statement of Revenues, Expenditures and Changes in Fund Balance	53
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	54
Schedule of Expenditures of Federal Awards	55-56

TABLE OF CONTENTS

	PAGE
STATISTICAL SECTION	
Governmental Revenues by Source - Last Ten Fiscal Years	57
Governmental Expenditures by Function - Last Ten Fiscal Years	58
Property Tax Levies and Collections - Last Ten Fiscal Years	59
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	60
Property Tax Rates - Last Ten Fiscal Years	61
Principal Property Taxpayers	62
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	63
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years	64
Demographic Statistics – Last Ten Fiscal Years	65
Property Values, Construction Activity and Bank Deposits – Last Ten Fiscal Years	66
Miscellaneous Statistics	67
COMPLIANCE AND SINGLE AUDIT	
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*	68
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	69-70
Schedule of Findings and Questioned Costs	71

COUNTY OF NEW KENT, VIRGINIA

Organization of General Government Administrative Functions as of June 30, 2004



NEW KENT COUNTY, VIRGINIA

November 22, 2004

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, 2004.

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, LLP, 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, 2004, 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, 2004, 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 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 County Administrator each year. The County Administrator 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 grew by 28.6 percent from 1990 to 2000, making it the third fastest-growing community in the Richmond metropolitan area on a percentage basis. The estimated population changes between 2000 to 2003 indicate that New Kent is the fastest growing county in the Richmond metropolitan areas having grown by 10.3% during that period. The county enjoys the sixth-highest median adjusted gross income on Married Couples 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 44 percent between 1990 and 1999. (Source: U.S. Department of Commerce, Bureau of Economic Analysis)

Residential building permit activity in the County has been increasing in recent years. New home permits averaged 196 units for Fiscal Years 1999-2004, with FY04 showing 260 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 recent 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 and Commercial Carrier, Brockwell Septic & Service, Inc., Henderson Cold Storage, Mead Holdings, and Virginia Biodiesel Refinery, LLC.

- The New Kent County Economic Development Authority is presently developing the 151.795 acre Weir Creek Commerce Park located along the Route 33 corridor to provide further business location opportunities in this area.

- 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 will be financed through the Virginia Resource Authority. The financing would 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 is host to Colonial Downs, the only pari-mutuel 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 six such facilities statewide, with a bill pending in the General Assembly to increase that number to ten. The revenues from horseracing alone, contribute the equivalent of approximately five cent on the real property tax rate.

- The County accepted the DragonsRidge PUD application. 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. The rezoning of the over 600 acres of land is very compatible with the rural land designation in the current Comprehensive Plan.

As state support of localities continues to decline, even in the face of public service mandates passed down by the General Assembly, the County has recognized and is taking positive action to address these fiscal threats in order to continue to maintain the lowest property tax rates possible for its citizens. The County's position of moderate taxes, financial stability and quality service delivery has been and remains under fiscal pressure.

Certainly some of this fiscal pressure results from the general economic problems seen throughout the country. What creates a vulnerable position for the County is the unbalanced system of sharing revenues and service delivery with the State. Unfortunately, there is now an overwhelming disconnect on the part of the State regarding their commitment of revenues to localities and the State mandated services those State revenues were supposed to fund.

Nowhere is this more obvious than in those direct local services where the State has been a primary funding source. This includes schools, law enforcement, social services, mental health/mental retardation services, courts and general revenues. In the provision of local services such as these, it may not be readily apparent which services are directly and/or indirectly funded through State revenues. There are, however, many County services that were either initiated and/or expanded directly as a result of a State initiative and the continuation of those services depend on the continuation of State support at a rate that will maintain the increasing cost of that service. When a level of funding is just maintained over several years, particularly in a growing County like New Kent, this maintenance is in fact a cut. It is not realistic to expect that a locality can, over several years, maintain services at the same or less cost in the face of population growth, inflation and increases in calls for service.

More than ever, it is now also apparent that the County can't depend on State funding. What makes this difficult is that local service recipients become dependent upon or expect that such service is now locally provided and should be continued undiminished. The State can and does, however, unilaterally withdraw support without any change in that service expectation. This all boils down to one inescapable reality as the County struggles to maintain stability in the relative tax burden for citizens and keep up with the increasing cost of services. This new reality is that regardless of how well priorities are set, how efficiently plans are made for service delivery and how conservatively financial operations are handled, the County cannot do so while funding more and more of what has traditionally been the States' share of local services.

In preparing long-range plans that previously were based upon State commitments to continued funding and strong local revenue growth, additional conservative assumptions are now recognized. The constraints of both of these funding sources and the impact of such reduced funding in providing services in the same manner as previously provided will be a great challenge.

During periods of national and state recessions, much attention is given to indicators of unemployment income levels, new housing starts and taxable sales. Income and sales taxes tend to be more elastic; that is they change in proportion to changes in economic activity whereas property taxes are considered more inelastic. .

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

- The tax base grew by 6.2% 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. Reassessment by Tri-County Appraisals is in progress and will be effective for the December 2004 tax collections.

- The County has homes 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. (Information provided by Assessor and Commissioner of the Revenue.)

- Net Bonded Debt per Capita is $293.

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.

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. For FY04, the continued non-debt funding strategy for the CIP helped to further strengthen the County's debt ratios. 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 is making efforts to develop a Five Year Capital Improvements Plan. It will represent the County's attempt to quantify the impacts of future needs matched with a projection of available resources. Each year this plan will be adopted by the Board of Supervisors, thereby indicating the priority of projects, etc.

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.

Risk Management: The County and School Board are participating members 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 and the School is experiencing only a good loss ratio at this time. In addition, the County provides various surety bond coverage as required under regulations and at industry recommended desired levels.

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 and School Board are 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.

Pension and other post-employment benefits: The County is a participant in the Virginia Retirement System ("VRS") a defined benefits plan pension system, for which the County contributes 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 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 and to the Office of the Commissioner of the Revenue and the Community Development Department for the statistical information they provided. Credit also must be given to the Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of the County finances.

Respectfully submitted,

Mary F. Altemus

Mary F. Altemus, Director of Accounting and Budget

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, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of New Kent'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 of New Kent, Virginia as of June 30, 2004, 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.

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.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 22, 2004 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the County of New Kent, Virginia. The combining and individual nonmajor fund statements and schedules, as well as the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical section of this report 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
November 22, 2004

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

The Management Discussion and Analysis (MD&A) offers the readers of the County of New Kent's financial statements a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004. 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 $37,338,289. Of this amount, $15,616,562 may be used to meet the Primary Government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by $4,501,919. 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.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $12,315,958, an increase of $260,729 in comparison with the prior year. Approximately $11,902,331 of this total amount is available for spending at the county's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $4,494,567. 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 decreased by $743,896 during the fiscal year. There were no new debt issuances for the Primary Government in fiscal year 2004.

Overview of the Financial Statements

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

For the past 20 years, the primary focus of local government financial statements have been summarized fund type information on a current financial resource basis to provide short-term information about the County's overall financial status. This approach has been modified with issuance of the Governmental Accounting Standards Board (GASB) Statement 34. 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, 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 21-35 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 36 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, 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

Summary of Statement of Net Assets
As of June 30, 2003

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit EDA
Current and other assets	$ 13,813,569	$ 2,055,674	$ 15,869,243	$ 1,282,533	$ 147,286
Capital assets	13,405,295	9,444,454	22,849,749	6,499,968	86,666
Total assets	27,218,864	11,500,128	38,718,992	7,782,501	233,952
Current and other liabilities	2,504,403	68,436	2,572,839	1,460,963	7,192
Long Term Liabilities	4,644,843	24,036	4,668,879	687,261	-
Total liabilities	7,149,246	92,472	7,241,718	2,148,224	7,192
Invested in capital assets, net of related debt	8,387,629	9,444,454	17,832,083	6,056,433	93,333
Unrestricted net assets	11,681,989	1,963,202	13,645,191	(422,156)	133,427
Total net assets	$ 20,069,618	$ 11,407,656	$ 31,477,274	$ 5,634,277	$ 226,760

As noted earlier, 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 $43,930,879 at the close of the most recent fiscal year. Approximately 65% 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, less than 1percent is restricted, and unrestricted net assets (34% of total) may be used to meet the County's ongoing obligations to citizens and creditors.

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

As noted previously, the County's net assets increased by $4,501,919 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
As of 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	-
Transfers	-	-	-	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 authority	-	-	-	-	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

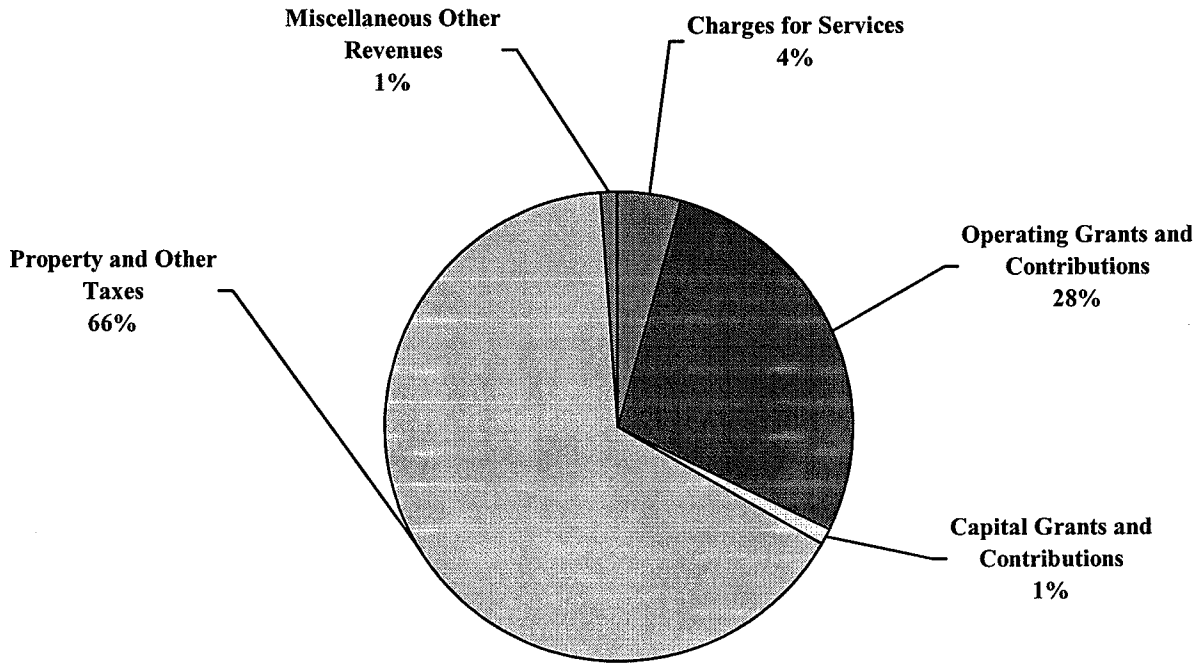
Summary of Statement of Activities
As of June 30, 2003

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit EDA
Revenues:					
Program revenues:					
Charges for services	$ 827,852	$ 1,286,095	$ 2,113,947	$ 545,134	$ 38,754
Operating grants and contributions	4,639,646	1,188,870	5,828,516	9,662,090	-
Capital grants and contributions	39,060	44,375	83,435	129,458	-
General revenues:					
Property taxes	10,328,886	-	10,328,886	-	-
Other taxes	2,134,966	-	2,134,966	-	-
Other revenues	1,016,236	-	1,016,236	-	-
Interest	203,020	3,176	206,196	-	74,231
Miscellaneous	15,397	10,000	25,397	105,741	-
Transfers	-	-	-	6,582,442	-
Total revenues	19,205,063	2,532,516	21,737,579	17,024,865	112,985
Expenses:					
General government admininstration	1,772,644	-	1,772,644	-	-
Public safety	1,035,630	-	1,035,630	-	-
Public works	1,347,566	-	1,347,566	-	-
Health and welfare	1,775,012	-	1,775,012	-	-
Capital projects	2,688,742	-	2,688,742	-	-
Other governmental activities	1,543,518	-	1,543,518	-	-
Business type activities:					
Water & Sewer	-	1,858,732	1,858,732	-	-
Education	6,869,308	-	6,869,308	16,552,251	-
Economic development authority:					
Community development	-	-	-	-	108,841
Total expenses	17,032,420	1,858,732	18,891,152	16,552,251	108,841
Increase in net assets	2,172,643	673,784	2,846,427	472,614	4,144
Beginning of year	17,896,975	10,733,872	28,630,847	5,161,663	222,616
End of year	$ 20,069,618	$ 11,407,656	$ 31,477,274	$ 5,634,277	$ 226,760

Governmental Activities: Governmental Activities increased the County's net assets by $1,636,537, thereby accounting for 36% 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

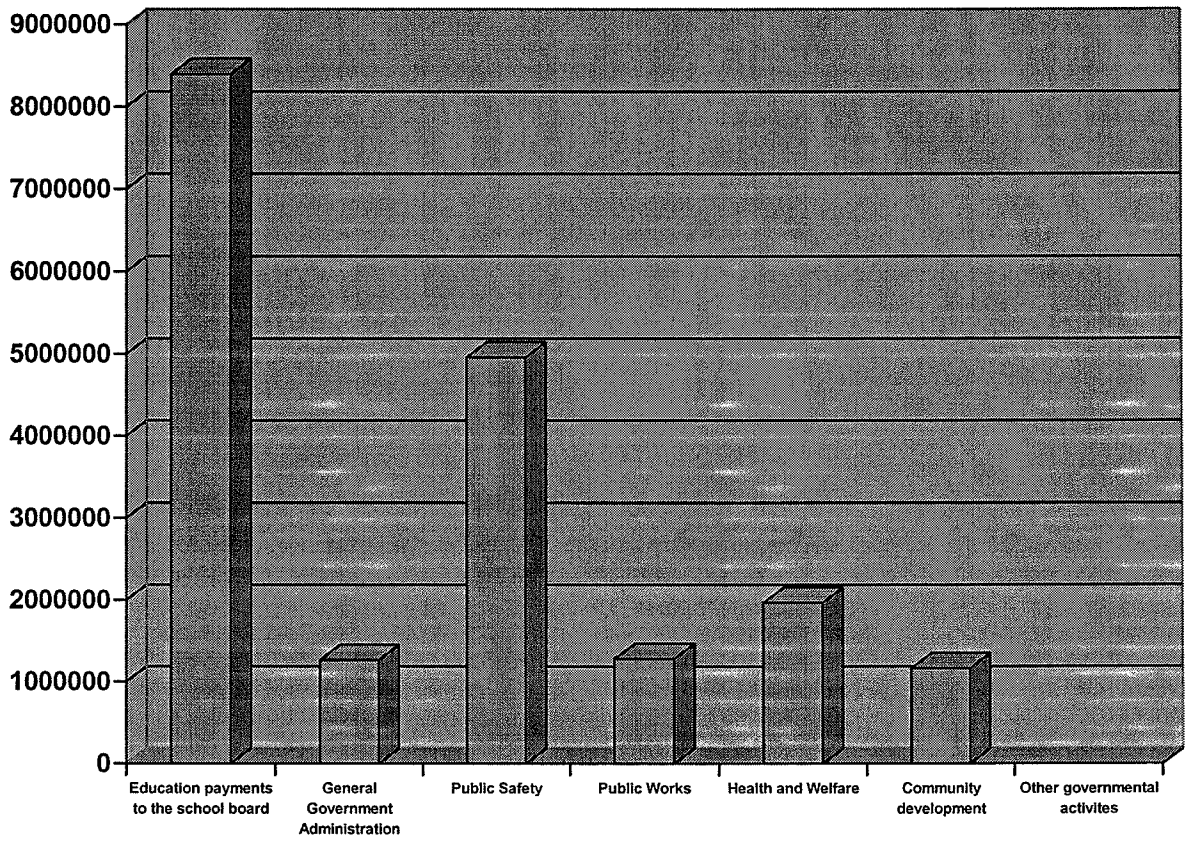


For FY 2004, revenues from governmental activities totaled $21,507,568. Property taxes are the largest components of revenues. Real estate tax revenues, the County's largest single source of property taxes amounted to $8,838,311, which is approximately 41% of the total governmental activities revenues. The County received a total of $1,970,893 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 $1,915,443 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 $771,722 made up the largest source of other taxes for FY 2004. In spite of the economic downturn, 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 2004.

During FY 2004, the County received $5,098,028 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 $476,504.

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

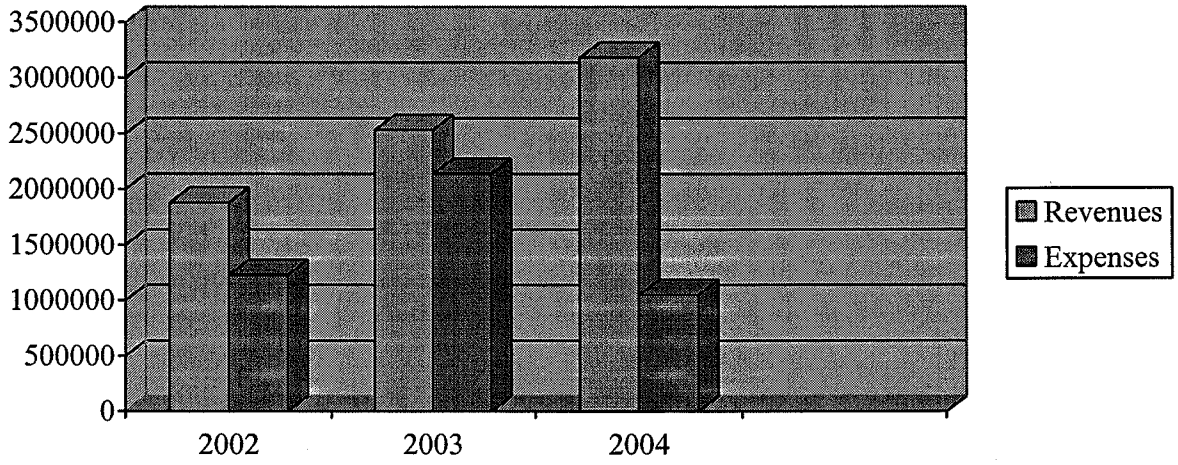


For FY2004, expenses for governmental activities totaled $19,871,031, which included budgeted increases for employee compensation and payments for education to the New Kent County School Board (transfers). As a result of the GASB34 financial reporting requirements, depreciation expense is allocated to governmental activities.

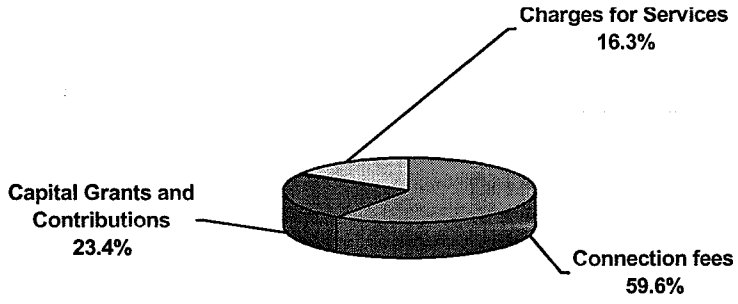
The County's largest funded programs are local support for education, public safety, public works, health and human services and Capital projects. Education continues to be one of the County's highest priorities and commitments. The County's operating subsidy to the Schools totaled $7,324,028. In addition, 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 $781,844 was financed by those receiving services, $4,858,074 from operating grants and contributions, $239,954 from capital grants and contributions, with the County's general revenues financing $15,627,696 of the remaining program expenses.

Business-Type Activities: Business-type activities increased the County's net assets by $2,133,829, 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 $3,184,304 for FY2004. Connection fees make up the largest portion of the total revenues. The following chart summarizes water and sewer revenues for FY2004 as a percentage to the total revenues.



For FY 2004 Charges for services were $1,225,121 higher than the prior year primarily due to increase in customers and connection fees. Expenses were $1,050,475 which were $808,257 lower than the prior year, excluding depreciation expense. The water and sewer rates have not changed since fiscal year 2000.

Component Unit – School Board: For FY 2004, revenues for the School Board totaled $19,146,490, which includes the transfer from the County. Operating Grants and Contributions are the largest component of revenues for the School Board totaling $10,383,558, or 54% of the total revenues recorded for the School Board. The School Board received $9,515,099 from the Commonwealth and $998,933 from the federal government. The Transfer from the County represents 42% 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 $64,463 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 2004, the County's governmental funds reported a combined fund balance of $12,315,958.
- Of the combined fund balance, $11,902,331 constitutes unreserved, undesignated fund balance, $4,080,940 for the General Fund and $7,821,391 for Other Governmental Funds, which is available for spending at the government's discretion.
- The $7,821,391 unreserved balance for Other Governmental Funds was comprised of the balances in the Special Revenue and Capital Projects Funds, the details of which can be found on pages 37-41 of this report.
- Of the combined fund balances, $413,627 is designated to indicate that it has been committed for new 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 2004, the undesignated fund balance was $4,080,940. The undesignated fund balance represents 91% of the total operating budget expenditures after the end of year transfer of all undesignated funds to the capital projects account. 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, 2004 and the amount and percentage of increases and decreases in relation to prior year revenues.

	2004 Amount	Percent of total	2003 Amount	Increase (Decreases) from 2003	Percent Increase (Decreases)
Revenues					
General property taxes	$ 11,552,349	53.6%	$ 10,287,896	$ 1,264,453	12.3%
Other local taxes	2,746,469	12.7%	2,410,149	336,320	14.0%
Permits, fees and licenses	504,554	2.3%	426,524	78,030	18.3%
Fines and forfeitures	154,322	0.7%	98,588	55,734	56.5%
Revenue from use of money and property	217,099	1.0%	233,428	(16,329)	-7.0%
Charges for services	277,290	1.3%	253,542	23,748	9.4%
Miscellaneous	1,003,548	4.7%	826,341	177,207	21.4%
Recovered costs	4,493	0.0%	3,475	1,018	29.3%
Commonwealth	4,141,660	19.2%	3,845,155	296,505	7.7%
Federal	956,368	4.4%	808,688	147,680	18.3%
Total Revenues	$ 21,558,152	100.0%	$ 19,193,786	$ 2,364,366	12.3%

Revenues in total came in at a level comparable to the previous year.

The following schedule presents a summary of expenditure of the major funds for the county for the fiscal year ended June 30, 2004 and the amount and percentage of increases and decreases in relation to prior year expenses.

	2004 Amount	Percent of total	2003 Amount	Increases (Decreases) from 2003	Percent Increases (Decreases)
Expenses					
General government administration	$ 1,742,309	8.5%	$ 1,695,880	$ 46,429	2.7%
Judicial administration	517,043	2.5%	484,227	32,816	6.8%
Public safety	3,988,242	19.4%	3,258,851	729,391	22.4%
Public works	1,537,519	7.5%	1,322,235	215,284	16.3%
Health and welfare	1,983,080	9.6%	1,782,126	200,954	11.3%
Education	7,327,368	35.6%	6,872,648	454,720	6.6%
Community development	1,007,176	4.9%	820,170	187,006	22.8%
Parks, recreation and cultural	100,140	0.5%	98,811	1,329	1.3%
Capital projects	1,530,016	7.4%	2,688,742	(1,158,726)	-43.1%
Principal retirement	750,069	3.6%	271,867	478,202	175.9%
Interest and other fiscal charges	123,893	0.6%	138,065	(14,172)	-10.3%
Total expenses	$ 20,606,855	100.0%	$ 19,433,622	$ 1,173,233	6.0%

Expenses were increased mainly from the prior year due to an increase in public safety. The remainder of the expenditures came in at a level comparable to the previous year.

General Fund Budgetary Highlights

	Original Budget	Amended Budget	Actual	Amended Vs. Actual
Revenues				
Taxes	$ 13,282,386	$ 13,382,386	$ 14,298,818	$ 916,432
Intergovernmental	3,904,320	4,481,689	4,390,673	(91,016)
Other	1,363,390	1,519,071	1,872,009	352,938
Total	18,550,096	19,383,146	20,561,500	1,178,354
Expenditures and Transfers				
Expenditures	18,385,007	19,604,490	17,832,126	1,772,364
Transfers	166,056	670,779	2,262,367	(1,591,588)
Total	$ 18,551,063	$ 20,275,269	$ 20,094,493	$ 180,776

The $1,178,354 revenue increase over the amended budget is attributable primarily to higher than anticipated:

- Real Property Taxes
- Local Sales and Use Taxes
- Business License Taxes
- Tax on Recordation and Wills
- Rolling Stock Tax
- Emergency Telephone Services Tax
- Permits and Licenses
- Court Fines and Forfeitures

Expenditures and transfers were $180,776 less than the FY04 amended budget.

Each year the Board of Supervisors appropriates funds for a contingency reserve. For FY04, $145,000 was appropriated. The Board of Supervisors appropriated $57,889 from the contingency reserve for Animal Shelter Improvements ($11,650), Equipping the New Fire House ($25,239), Engineering Services for the Eltham Bridge Fishing Pier ($6,000), Telecommunications System Upgrade ($5,000), Maintenance on Commissioner of the Revenue Software for Assessing Property ($4,500) Additional Appropriation for VJCCCA ($3,000), Plum Point Housing Rehabilitation ($1,500), and an Actuarial Study to Evaluate the Cost of LEOS ($1,000). The balance of $87,111.36 was returned to fund balance as unexpended funds for FY04.

During FY04, the Board of Supervisors approved budget amendments of $1,218,602 to the original budget of $10,296,175, resulting in an amended budget of $11,514,777 for the following purposes:

Carry Forward's for various projects	$115,810
Sheriff's Grants	$239,474
Sheriff/Courts	$106,976
E-911 Wireless Upgrade	$100,000
Social Services Programs	$ 81,541
Fire, Emergency Management & Safety	$ 19,335
CDBG – Drywell Replacement	$ 9,255
Community Development	$122,814
Hurricane Isabel Relief	$181,161
Library of VA – Records Preservation	$ 50,111
Parks & Recreation	$ 26,778
Legal Services	$100,707
Misc. Grants and Other	$ 64,640

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

Capital Assets and Debt Administration

Capital Assets: The primary government investment in capital assets as of June 30, 2004 for its governmental and business-type activities was $25,702,811 as reflected in the schedule below.

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 $3,419,671, in assets for FY 2004. Major additions to capital assets during the current fiscal year included the following:

- Completion of Fire Station #1
- A Fire Engine
- An AS400 System
- Two Sewer Pump Stations

Construction in progress included a HVAC system at the courthouse, sidewalk improvements, runway design & construction, two generators 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 2004, the Primary Government's total outstanding debt was $4,666,430. Capital leases are included in outstanding debt.

General Obligation and Revenue Bonds

	June 30, 2004			June 30, 2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	$ 1,878,850	$ -	$ 1,878,850	$ 1,770,000	$ -	$ 1,770,000
Accrued vacation/sick	379,413	19,421	398,834	373,240	24,036	397,276
Lease Revenue Bonds	1,565,000	-	1,565,000	1,770,000	-	1,770,000
Literary Loans	500,000	-	500,000	600,000	-	600,000
Notes Payable	31,576	-	31,576	63,153	-	63,153
Capital Leases	292,170	-	292,170	330,018	-	330,018
Total	$ 4,647,009	$ 19,421	$ 4,666,430	$ 4,906,411	$ 24,036	$ 4,930,447

During FY 2004, the County retired $750,069 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 3.5%, which is a decrease from a rate of 3.6% a year ago. This compares favorably to the State's average unemployment rate of 3.8% and the national average rate of 5.8%. As noted previously, the greatest economic impact to the County currently is the uncertainty of how the State allocations to local governments will be adjusted, if at all, due to State budgetary issues being addressed by the State.

Local officials have been forced to raise local taxes because of the cost of K-12 education, public safety, and the cost of school construction. County properties were reassessed during 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.

This page left blank intentionally

Government-wide Financial Statements

COUNTY OF NEW KENT, VIRGINIA

Statement of Net Assets
June 30, 2004

	Primary Government			Component Units		
	Governmental Activities	Business Type Activities	Total Primary Government	School Board	EDA	Total Reporting Unit
Assets						
Cash and cash equivalents	$ 11,622,469	$ 3,337,038	$ 14,959,507	$ 1,306,371	$ 213,937	$ 16,479,815
Restricted cash and cash equivalents	415,185	-	415,185	-	-	415,185
Accounts receivable, net	1,096,848	303,251	1,400,099	2,881	3,230	1,406,210
Prepaid assets	18,876	-	18,876	-	-	18,876
Due from other governments	714,607	-	714,607	398,664	-	1,113,271
Captial assets:						
Land	2,849,920	756,300	3,606,220	694,500	-	4,300,720
Construction in progress	189,089	309,466	498,555	691,104	-	1,189,659
Infrastructure	-	4,201,969	4,201,969	-	-	4,201,969
Buildings and improvements	10,450,894	5,285,700	15,736,594	10,587,422	-	26,324,016
Machinery and equipment	4,516,186	3,012,311	7,528,497	3,190,345	100,000	10,818,842
Less accumulated depreciation	(3,918,297)	(1,950,727)	(5,869,024)	(7,915,251)	(20,001)	(13,804,276)
Total assets	27,955,777	15,255,308	43,211,085	8,956,036	297,166	52,464,287
Liabilities						
Accounts payable and other current liabilities	607,145	169,067	776,212	119,604	5,943	901,759
Deposits	130,386	40,700	171,086	-	-	171,086
Due to other funds and component units	154,854	-	154,854	-	-	154,854
Unearned revenue	49,005	-	49,005	-	-	49,005
Accrued expenses	55,209	-	55,209	1,477,189	-	1,532,398
Non-current liabilities:						
Due within one year	774,354	-	774,354	74,829	-	849,183
Due in more than one year	3,872,655	19,421	3,892,076	983,047	-	4,875,123
Total liabilities	5,643,608	229,188	5,872,796	2,654,669	5,943	8,533,408
Net assets						
Invested in capital assets, net of related debt	9,820,196	11,615,019	21,435,215	7,193,567	79,999	28,708,781
Restricted for capital improvements	286,512	-	286,512	-	-	286,512
Unrestricted net assets	12,205,461	3,411,101	15,616,562	(892,200)	211,224	14,935,586
Total net assets	$ 22,312,169	$ 15,026,120	$ 37,338,289	$ 6,301,367	$ 291,223	$ 43,930,879

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, 2004

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	$ 1,266,621	$ 515,998	$ 2,280,062	$ 34,072	$ 1,563,511	$ -	$ 1,563,511	$ -	$ -	$ 1,563,511
Judicial administration	557,455	100,828	368,776	-	(87,851)	-	(87,851)	-	-	(87,851)
Public safety	4,960,805	14,978	1,016,611	-	(3,929,216)	-	(3,929,216)	-	-	(3,929,216)
Public works	1,389,480	150,040	-	205,882	(1,033,558)	-	(1,033,558)	-	-	(1,033,558)
Health and welfare	1,967,934	-	1,152,832	-	(815,102)	-	(815,102)	-	-	(815,102)
Community development	1,060,039	-	-	-	(1,060,039)	-	(1,060,039)	-	-	(1,060,039)
Parks, recreation and cultural	146,726	-	39,793	-	(106,933)	-	(106,933)	-	-	(106,933)
Education	8,398,078	-	-	-	(8,398,078)	-	(8,398,078)	-	-	(8,398,078)
Interest and other fiscal charges	123,893	-	-	-	(123,893)	-	(123,893)	-	-	(123,893)
Total governmental activities	19,871,031	781,844	4,858,074	239,954	(13,991,159)	-	(13,991,159)	-	-	(13,991,159)
Business-type activities:										
Water	610,722	705,262	-	670,748	-	765,288	765,288	-	-	765,288
Sewer	439,753	1,805,954	-	-	-	1,366,201	1,366,201	-	-	1,366,201
Total business-type activities	1,050,475	2,511,216	-	670,748	-	2,131,489	2,131,489	-	-	2,131,489
Total primary government	$ 20,921,506	$ 3,293,060	$ 4,858,074	$ 910,702	(13,991,159)	2,131,489	(11,859,670)	-	-	(11,859,670)
Component units:										
Education	$ 18,479,400	$ 563,840	$ 10,383,558	$ 130,474	-	-	-	(7,401,528)	-	(7,401,528)
EDA	75,074	38,754	-	-	-	-	-	-	(36,320)	(36,320)
Total component units	$ 18,554,474	$ 602,594	$ 10,383,558	$ 130,474	-	-	-	(7,401,528)	(36,320)	(7,437,848)
General revenues:										
Property taxes					11,501,765	-	11,501,765	-	-	11,501,765
Other local taxes					2,396,763	-	2,396,763	-	-	2,396,763
E911 taxes					349,706	-	349,706	-	-	349,706
Fines and forfeitures					154,322	-	154,322	-	-	154,322
Colonial Downs revenue proceeds					719,729	-	719,729	-	-	719,729
Proffer revenues					128,789	-	128,789	-	-	128,789
Investment earnings					189,284	2,340	191,624	-	100,783	292,407
Miscellaneous					187,338	-	187,338	54,022	-	241,360
County appropriation					-	-	-	8,014,596	-	8,014,596
Total general revenues					15,627,696	2,340	15,630,036	8,068,618	100,783	23,799,437
Change in net assets					1,636,537	2,133,829	3,770,366	667,090	64,463	4,501,919
Net assets - beginning					20,675,632	12,892,291	33,567,923	5,634,277	226,760	39,428,960
Net assets - ending					$ 22,312,169	$ 15,026,120	$ 37,338,289	$ 6,301,367	$ 291,223	$ 43,930,879

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

This page left blank intentionally

Fund Financial Statements

COUNTY OF NEW KENT, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2004

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,927,785	$ 7,694,684	$ -	$ 11,622,469
Restricted cash	-	415,185	-	415,185
Receivables (net of allowance for uncollectibles):				
Taxes including penalties	628,630	-	-	628,630
Accounts receivable	297,201	-	16,163	313,364
Prepaid assets	18,876	-	-	18,876
Due from other funds and component units	209,879	-	24,327	234,206
Due from other governments	445,403	34,072	235,132	714,607
Total assets	$ 5,527,774	$ 8,143,941	$ 275,622	$ 13,947,337
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 347,729	$ 72,948	$ 186,468	$ 607,145
Due to other funds and component units	24,338	130,516	79,352	234,206
Deposits	1,700	128,686	-	130,386
Deferred revenue	604,231	-	202	604,433
Accrued expenses	55,209	-	-	55,209
Total liabilities	1,033,207	332,150	266,022	1,631,379
Fund balances:				
Unreserved:				
Designated	413,627	-	-	413,627
Undesignated	4,080,940	7,811,791	9,600	11,902,331
Total fund balances	4,494,567	7,811,791	9,600	12,315,958
Total liabilities and fund balances	$ 5,527,774	$ 8,143,941	$ 275,622	$ 13,947,337

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

COUNTY OF NEW KENT, VIRGINIA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:				
Ending fund balance			$	12,315,958
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital assets, not being depreciated:				
Land	$	2,849,920		
Construction in progress		189,089		
Capital assets, being depreciated:				
Buildings and improvements		10,450,894		
Machinery and equipment		4,516,186		
Total capital assets		18,006,089		
Less accumulated depreciation		(3,918,297)		14,087,792
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				555,427
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	$	1,596,576		
Capital lease obligations		292,169		
Compensated absences		379,413		
School bonds		2,378,850		
Total long-term liabilities				(4,647,008)
Net assets of governmental activities			$	22,312,169

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	$ 11,552,349	$ -	$ -	$ 11,552,349
Other local taxes	2,746,469	-	-	2,746,469
Permits, fees and licenses	504,554	-	-	504,554
Fines and forfeitures	154,322	-	-	154,322
Revenue from use of money and property	216,981	118	-	217,099
Charges for services	127,250	-	150,040	277,290
Miscellaneous	864,409	128,789	10,350	1,003,548
Recovered costs	4,493	-	-	4,493
Commonwealth	3,610,444	34,072	497,144	4,141,660
Federal	780,229	-	176,139	956,368
Total revenues	20,561,500	162,979	833,673	21,558,152
Expenditures				
Current:				
General government administration	1,742,309	-	-	1,742,309
Judicial administration	517,043	-	-	517,043
Public safety	3,988,242	-	-	3,988,242
Public works	1,181,899	-	355,620	1,537,519
Health and welfare	1,093,987	-	889,093	1,983,080
Education	7,327,368	-	-	7,327,368
Community development	1,007,176	-	-	1,007,176
Parks, recreation and cultural	100,140	-	-	100,140
Capital projects	-	1,530,016	-	1,530,016
Debt service:				
Principal retirement	750,069	-	-	750,069
Interest and other fiscal charges	123,893	-	-	123,893
Total expenditures	17,832,126	1,530,016	1,244,713	20,606,855
Excess (deficiency) of revenues over (under) expenditures	2,729,374	(1,367,037)	(411,040)	951,297
Other financing sources (uses)				
Transfer to/from funds	(2,388,343)	1,967,703	420,640	-
Transfer to Component Unit	125,976	(816,544)	-	(690,568)
Total other financing sources (uses)	(2,262,367)	1,151,159	420,640	(690,568)
Net change in fund balances	467,007	(215,878)	9,600	260,729
Fund balance - beginning	4,027,560	8,027,669	-	12,055,229
Fund balance - ending	$ 4,494,567	$ 7,811,791	$ 9,600	$ 12,315,958

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, 2004

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

Net change in fund balances		$ 260,729
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	$ 1,346,554	
Depreciation expense	(652,385)	694,169
The net effect of various miscellaneous transactions involving capital assets (i.e., sales) is to decrease net assets.		(11,672)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(50,584)
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	$ 712,221	
Principal payment of capital leases	37,848	750,069
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		(6,174)
Change in net assets of governmental activities		$ 1,636,537

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2004

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Revenue from local sources:				
General Property Taxes:				
Real property taxes	$ 8,325,000	$ 8,325,000	$ 8,838,311	$ 513,311
Personal property taxes	1,896,933	1,896,933	1,970,893	73,960
Public service corporation property taxes	458,584	458,584	478,133	19,549
Mobile home taxes	14,774	14,774	16,947	2,173
Machinery and tools taxes	70,000	70,000	63,533	(6,467)
Airplane taxes	3,242	3,242	2,781	(461)
Penalties	95,000	95,000	112,501	17,501
Interest	65,000	65,000	69,250	4,250
Total general property taxes	10,928,533	10,928,533	11,552,349	623,816
Other local taxes				
Local sales and use taxes	685,737	685,737	771,722	85,985
Consumers' utility taxes	311,500	311,500	338,902	27,402
Business license taxes	520,000	520,000	608,391	88,391
Motor vehicle licenses	315,000	315,000	342,307	27,307
Bank stock taxes	42,000	42,000	34,608	(7,392)
Taxes on recordation and wills	185,000	185,000	222,577	37,577
Admissions tax	4,000	4,000	5,277	1,277
Rolling stock tax	31,762	31,762	42,361	10,599
Cable TV Fees	28,500	28,500	30,618	2,118
Emergency telephone service taxes	230,354	330,354	349,706	19,352
Total other local taxes	2,353,853	2,453,853	2,746,469	292,616
Permits, fees and licences				
Animal licenses	13,000	13,000	13,225	225
Building permits	187,300	187,300	182,312	(4,988)
Medical examiner fees	-	-	240	240
Permits and other licenses	68,200	171,889	308,777	136,888
Total permits, fees and licenses	268,500	372,189	504,554	132,365
Fines and forfeitures:				
Court fines and forfeitures	85,000	85,000	154,322	69,322
Revenue from use of money and property:				
Revenue from use of money	224,000	224,000	189,098	(34,902)
Revenue from use of property	20,850	20,850	27,883	7,033
Total revenue from use of money and property	$ 244,850	$ 244,850	$ 216,981	$ (27,869)

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

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2004

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Charges for services:				
Charges for Sheriff	$ 1,678	$ 1,678	$ 2,261	$ 583
Charges for Circuit Court	81,296	81,296	120,398	39,102
Charges for Commonwealth Attorney	500	500	720	220
Charges for boarding of dogs	1,000	1,000	1,753	753
Charges for planning	2,300	2,300	2,118	(182)
Total charges for services	86,774	86,774	127,250	40,476
Miscellaneous revenue:				
Miscellaneous	107,766	132,747	144,680	11,933
Off-track betting proceeds	510,500	510,500	638,031	127,531
Parks and recreation fees and theme park totals	60,000	87,011	81,698	(5,313)
Total miscellaneous revenue	678,266	730,258	864,409	134,151
Recovered costs	-	-	4,493	4,493
Total revenue from local sources	14,645,776	14,901,457	16,170,827	1,269,370
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	7,893	7,893	23,324	15,431
Wine taxes	8,273	8,273	17,241	8,968
Mobile home titling taxes	15,000	15,000	11,012	(3,988)
Tax on deeds	74,398	74,398	70,822	(3,576)
Vehicle rental tax	800	800	1,330	530
Personal property tax reimbursement	1,797,596	1,797,596	1,915,443	117,847
Total non-categorical aid	1,903,960	1,903,960	2,039,172	135,212
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	130,926	130,926	143,468	12,542
Sheriff	672,893	672,893	699,649	26,756
Commissioner of the Revenue	77,018	77,018	82,803	5,785
Treasurer	77,427	77,427	84,929	7,502
Registrar/Electoral Board	37,682	37,682	36,457	(1,225)
Clerk of the Circuit Court	144,805	194,916	198,935	4,019
Total shared expenses	1,140,751	1,190,862	1,246,241	55,379
Categorical aid:				
Welfare administration and assistance	$ 704,478	$ 318,012	$ 204,432	$ (113,580)

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2004

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Other categorical aid:				
Two for life funds	$ 6,000	$ 7,515	$ 7,515	$ -
VDEM - FEMA relief - hurricane Isabel	-	29,863	29,863	-
Virginia Commission for the Arts	-	5,000	5,000	-
Criminal Justice record system improvement grant	-	39,763	-	(39,763)
VHD - bike smart	-	500	500	-
VHD - Reg., Trailer, Helmets	-	500	500	-
Fire program funds	18,000	18,000	20,087	2,087
Project lifesaver	-	267	267	-
Victim & witness assistance grant	42,412	42,496	42,496	-
Sheriff forfeited assets	-	-	9,876	9,876
Litter control	-	4,495	4,495	-
Total other categorical aid	66,412	148,399	120,599	(27,800)
Total categorical aid	1,911,641	1,657,273	1,571,272	(86,001)
Total revenue from the Commonwealth	3,815,601	3,561,233	3,610,444	49,211
Revenue from the Federal Government:				
Categorical Aid				
Welfare	28,500	493,973	476,504	(17,469)
Other categorical aid:				
Emergency services grant	39,754	45,254	26,373	(18,881)
Chesapeake Bay grant	6,567	6,567	6,838	271
Criminal Justice record system improvement grant	-	149,111	-	(149,111)
Help America vote act	-	-	25,538	25,538
Violence against women formula grant	13,898	13,898	15,060	1,162
COPS grant	-	-	24,383	24,383
Byrne formula grant program	-	3,700	3,700	-
Drywell	-	9,255	9,255	-
DMV - informed public	-	15,000	15,000	-
DMV - State and community highway safety grant	-	21,900	18,170	(3,730)
DMV - occupant protection	-	3,000	2,996	(4)
DMV - DUI strike force	-	4,500	2,114	(2,386)
Emergency managmeent preparedness grant	-	154,298	154,298	-
Total revenue from the Federal Government	88,719	920,456	780,229	(140,227)
Total revenues	$ 18,550,096	$ 19,383,146	$ 20,561,500	$ 1,178,354

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2004

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Expenditures:				
General Government Administration:				
Legislative:				
Board of supervisors	$ 129,974	$ 144,418	$ 129,783	$ 14,635
Total legislative	129,974	144,418	129,783	14,635
General and Financial Administration:				
Accounting	323,989	323,989	301,407	22,582
Central purchasing/stores	139,114	139,114	116,211	22,903
Central switchboard	28,745	35,345	26,282	9,063
Commissioner of the Revenue	323,852	328,352	279,884	48,468
County administrator	207,647	207,651	187,844	19,807
Legal services	178,400	279,107	259,267	19,840
MIS	113,330	118,330	102,484	15,846
Reserved for contingency	145,000	87,111	-	87,111
Merit pay county employees	39,942	39,942	-	39,942
Treasurer	239,580	240,455	231,826	8,629
Total general and financial administration	1,739,599	1,799,396	1,505,205	294,191
Board of Elections:				
Electoral board and officials	7,156	7,156	5,628	1,528
Registrar	114,220	114,220	101,693	12,527
Total board of elections	121,376	121,376	107,321	14,055
Total general government administration	1,990,949	2,065,190	1,742,309	322,881
Judicial Administration:				
Courts:				
Circuit court	63,993	67,133	50,428	16,705
General district court	22,307	19,167	12,945	6,222
Special magistrates	9,020	9,020	8,836	184
Juvenile and domestic relations district court	8,300	8,575	3,636	4,939
Clerk of the circuit court	282,291	343,360	251,538	91,822
Total courts	385,911	447,255	327,383	119,872
Commonwealth's Attorney:				
Commonwealth's Attorney	191,158	191,158	189,660	1,498
Total judicial administration	$ 577,069	$ 638,413	$ 517,043	$ 121,370

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2004

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Public Safety:				
Law enforcement and traffic control:				
Sheriff	$ 386,867	$ 391,814	$ 338,309	$ 53,505
Grants programs	40,722	280,196	84,773	195,423
Law enforcement	1,488,537	1,504,679	1,444,224	60,455
Total law enforcement and traffic control	1,916,126	2,176,689	1,867,306	309,383
Fire and Rescue Services:				
Volunteer fire department	574,044	471,931	401,691	70,240
Ambulance and rescue service	6,000	366,048	324,484	41,564
E-911 system	231,321	331,321	161,510	169,811
Forest fire service	4,868	4,868	4,868	-
Total fire and rescue services	816,233	1,174,168	892,553	281,615
Correction and detention:				
Confinement of prisoners	487,750	507,750	501,000	6,750
Probation office	105,260	178,948	177,880	1,068
Total correction and detention	593,010	686,698	678,880	7,818
Inspections:				
Administration of public safety	199,726	220,383	206,464	13,919
Other Protection:				
Animal control	122,483	134,873	122,069	12,804
School resource officers	104,170	104,170	101,128	3,042
Emergency services	126,082	159,253	119,842	39,411
Total other protection	352,735	398,296	343,039	55,257
Total public safety	3,877,830	4,656,234	3,988,242	667,992
Public Works:				
Sanitation and waste removal:				
Refuse collection	841,112	841,112	750,977	90,135
Litter control	3,080	5,874	1,950	3,924
Total sanitation and waste removal	$ 844,192	$ 846,986	$ 752,927	$ 94,059

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Maintenance of Buildings and Grounds:				
General properties	$ 504,518	$ 504,518	$ 428,972	$ 75,546
Total maintenance of buildings and grounds	504,518	504,518	428,972	75,546
Total public works	1,348,710	1,351,504	1,181,899	169,605
Health and Welfare:				
Health:				
Local health department	144,042	144,042	142,569	1,473
Mental Health/Mental Retardation:				
Henrico Community Services Board	91,805	91,805	91,805	-
Welfare/Social Services:				
Public assistance and administration	899,148	980,693	817,848	162,845
Social service agency donations	31,486	31,486	31,486	-
Welfare Board	4,559	4,559	3,788	771
Area Agency on Aging	2,787	2,787	2,787	-
Meals on wheels	2,500	2,500	2,500	-
Transportation for the elderly	2,500	2,500	1,204	1,296
Total welfare/social services	942,980	1,024,525	859,613	164,912
Total health and welfare	1,178,827	1,260,372	1,093,987	166,385
Education:				
County appropriations	8,088,832	8,089,707	7,324,028	765,679
Contributions to community colleges	3,340	3,340	3,340	-
Cultural - regional library	100,140	100,140	100,140	-
Community Development:				
Planning and Community Development:				
Planning	377,305	489,307	496,367	(7,060)
Historic commission	1,400	1,400	1,297	103
Zoning board	5,350	5,350	1,339	4,011
Economic development	87,922	126,286	107,314	18,972
Economic development - basic construction	-	-	45	(45)
Parks and recreation	239,821	298,980	303,645	(4,665)
Drywell	-	10,755	10,181	574
Planning commission	30,413	30,413	24,666	5,747
Total planning and community development	$ 742,211	$ 962,491	$ 944,854	$ 17,637

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Variance With Final Positive
	Original	Final	Actual	(Negative)
Environmental Management:				
Wetlands Board	$ 12,050	$ 12,050	$ 4,507	$ 7,543
Soil and water districts	12,600	12,600	12,600	-
Cooperative forestry and reforestation	2,960	2,960	2,427	533
Total environmental management	27,610	27,610	19,534	8,076
Cooperative Extension Program:				
Cooperative extension program - horticulture	51,172	51,172	42,788	8,384
Total community development	820,993	1,041,273	1,007,176	34,097
Debt Service:				
Principal retirement	155,000	155,000	750,069	(595,069)
Interest and fiscal charges	243,317	243,317	123,893	119,424
Total debt service	398,317	398,317	873,962	(475,645)
Total expenditures	18,385,007	19,604,490	17,832,126	1,772,364
Total revenues over expenditures	165,089	(221,344)	2,729,374	2,950,718
Other financing sources (uses):				
Operating transfer out -component unit	-	-	125,976	125,976
Operating transfers out - human services fund	(407,550)	(438,370)	(411,342)	27,028
Operating transfers in/out - capital projects fund	260,000	(30,303)	(1,974,975)	(1,944,672)
Operating transfers out - airport fund	(18,506)	(202,106)	(2,026)	200,080
Total other financing sources (uses)	(166,056)	(670,779)	(2,262,367)	(1,591,588)
Revenues and other financing sources over(under) expenditures and other financing uses	(967)	(892,123)	467,007	1,359,130
Fund balance at beginning of year	967	892,123	4,027,560	3,135,437
Fund balance at end of year	$ -	$ -	$ 4,494,567	$ 4,494,567

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

COUNTY OF NEW KENT, VIRGINIA

Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities		
ASSETS	**Water & Sewer**	**Bottoms Bridge**	**Totals**
Current assets:			
Cash and cash equivalents	$ 3,240,707	$ 96,331	$ 3,337,038
Receivables	303,251	-	303,251
Total current assets	3,543,958	96,331	3,640,289
Noncurrent assets:			
Land	756,300	-	756,300
Construction in progress	38,299	271,167	309,466
Buildings	5,285,700	-	5,285,700
Equipment	3,012,311	-	3,012,311
Infrastructure	4,201,969	-	4,201,969
Less accumulated depreciation	(1,950,727)	-	(1,950,727)
Total noncurrent assets	11,343,852	271,167	11,615,019
Total assets	14,887,810	367,498	15,255,308
LIABILITIES			
Current liabilities:			
Accounts payable	73,971	95,096	169,067
Customer deposits	40,700	-	40,700
Total current liabilities	114,671	95,096	209,767
Noncurrent liabilities:			
Compensated absences	19,421	-	19,421
Total liabilities	134,092	95,096	229,188
NET ASSETS			
Net assets:			
Invested in capital assets, net of related debt	11,343,852	271,167	11,615,019
Unrestricted	3,409,866	1,235	3,411,101
Total net assets	$ 14,753,718	$ 272,402	$ 15,026,120

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2004

	Business-type Activities		
	Water & Sewer	Bottoms Bridge	Totals
Operating revenues:			
Charges for services	$ 469,356	$ -	$ 469,356
Parham landing fees	312,390	-	312,390
Connection fees	1,711,905	-	1,711,905
Miscellaneous	17,565	-	17,565
Total operating revenues	2,511,216	-	$ 2,511,216
Operating expenses:			
Personell services	220,763	-	220,763
Fringe benefits	56,280	-	56,280
Contractual services	143,813	-	143,813
Other charges	373,634	-	373,634
Depreciation	255,985	-	255,985
Total expenses	1,050,475	-	1,050,475
Net operating income	1,460,741	-	1,460,741
Nonoperating income:			
Investment income	2,340	-	2,340
Net income before capital contributions	1,463,081	-	1,463,081
Capital contributions	670,748	-	670,748
Transfer in	-	272,402	272,402
Transfer out	(272,402)	-	(272,402)
Net income	1,861,427	272,402	2,133,829
Net assets at beginning of year, restated	12,892,291	-	12,892,291
Net assets at end of year	$ 14,753,718	$ 272,402	$ 15,026,120

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

COUNTY OF NEW KENT, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities		
	Water & Sewer	Bottoms Bridge	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 2,403,518	$ -	$ 2,403,518
Payments to suppliers	(476,912)	95,096	(381,816)
Payments to employees	(281,658)	-	(281,658)
Net cash provided by operating activities	1,644,948	95,096	1,740,044
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(271,167)	(271,167)
Transfer to/from related fund	(272,402)	272,402	-
Capital contributions	-	-	-
Net cash used by capital and related financing activities	(272,402)	1,235	(271,167)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,340	-	2,340
Net cash provided by investing activities	2,340	-	2,340
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,374,886	96,331	1,471,217
CASH AND CASH EQUIVALENTS, JULY 1 2003	1,865,821	-	1,865,821
CASH AND CASH EQUIVALENTS, JUNE 30 2004	$ 3,240,707	$ 96,331	$ 3,337,038
Reconciliation of Operating Activities:			
Operating income (loss)	$ 1,460,741	$ -	$ 1,460,741
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	255,985	-	255,985
(Increase) decrease in accounts receivable	(113,473)	-	(113,473)
(Increase) decrease in prepaid assets	75	-	75
Increase (decrease) in accounts payable	40,460	95,096	135,556
Increase (decrease) in customer deposits	5,775	-	5,775
Increase (decrease) in accrued vacation payable	(4,615)	-	(4,615)
Total adjustments	184,207	95,096	279,303
Net cash provided by operating activities	$ 1,644,948	$ 95,096	$ 1,740,044
Noncash Investing, Capital, and Financing Activities:			
Capital asset contributions from developers	670,748	-	

COUNTY OF NEW KENT, VIRGINIA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 10,315
Total assets	10,315
LIABILITIES	
Amounts held for social service client	10,315
Total liabilities	$ 10,315

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