

COUNTY OF NEW KENT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2003
FILE COPY

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

Julian T. Lipscomb, Chairman

Rebecca M. Ringley
Dean E. Raynes

James H. Burrell
W.R. "Ray" Davis

COUNTY SCHOOL BOARD

Cynthia Gaines, Chairman

Terry Lawler
Dr. Gail B. Hardinge

Van McPherson
Teresa D. Lindsay

SOCIAL SERVICES BOARD

Janet Salmon, Chairman

Dean E. Raynes
Celia Craft
Faye Patterson

Alma Randolph
Gene Adkins

OTHER OFFICIALS

Clerk of the Circuit Court.....	Barbara U. Gregory
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

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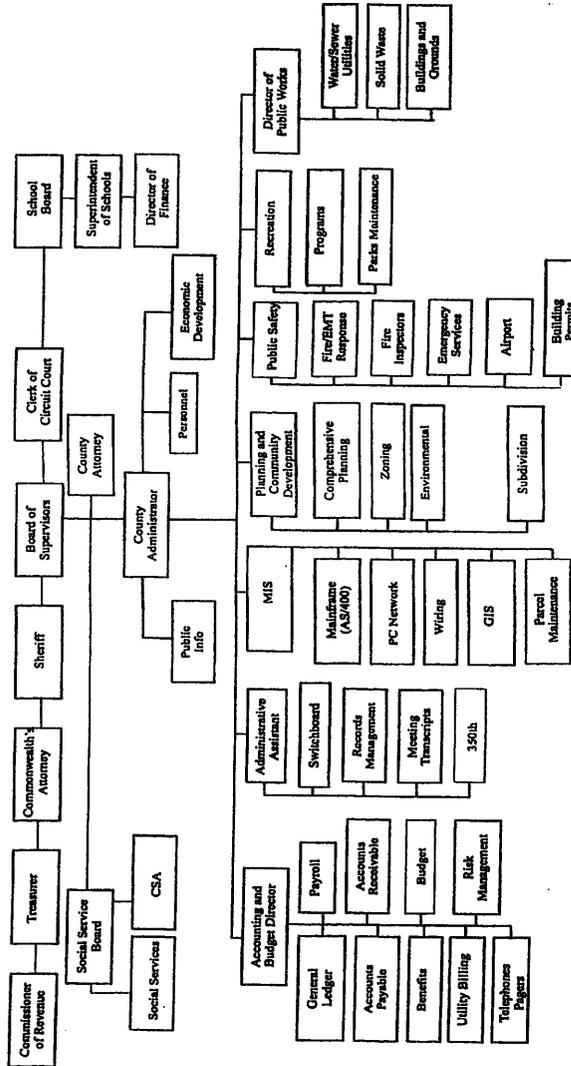
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COUNTY OF NEW KENT, VIRGINIA

Organization of General Government Administrative Functions as of June 30, 2003





Board of Supervisors

Julian T. Lipscomb	Dist. 1
Rebecca M. Ringley	Dist. 2
James H. Burrell	Dist. 3
Dean E. Raynes	Dist. 4
W. R. "Ray" Davis, Jr.	Dist. 5

Gary F. Christie
County Administrator

November 22, 2003

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, 2003.

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, 2003, 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, 2003, 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 21 through 27 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 county enjoys the fourth-highest median income and the third-lowest poverty rate of the thirteen jurisdictions in the Metropolitan Statistical Area. (Source: U.S. Bureau of the Census)

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 153 units annually for the period 1995-2001, with 2001 showing 192 single-family permits issued. However, non-residential construction in the County has not kept pace with residential activity. (Source: New Kent County Comprehensive Plan)

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 three new industries in the County: Basic Construction, Curtis Contracting and Commercial Carrier.
- 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 is working with private property owners in the Bottoms Bridge area to develop a financing mechanism to provide public water and sewer to this interchange, which is both closest to the City of Richmond and has the strongest demographic base of any of the County's four interchanges. This area represents the most immediate opportunity for the County to increase its share of regional retail sales, one percent of which reverts to the jurisdiction in which such sales are generated.
- The County has commissioned studies of public utility needs of other economic priority areas, including the historic village of Providence Forge which is located along the CSX rail line.
- 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.

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. The recession of the State can be summarized by income and sales tax growth far below growth levels experienced over the prior five years.

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

- The tax base grew by 4.2% last year, the largest growth due to an increase in real estate assessments due to subdivision growth. Taxes collected were 95.1% of levy in 2002-03.

- 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 price of a home for 2002 was \$157,000. In 2003, the average price of a home was \$172,000, an increase of 10% over 2002.
- Net Bonded Debt per Capita is \$345.

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 County of New Kent does not have a written Capital Improvements Program (CIP) at this time but is moving forward in its plan to implement a formal Capital Improvements Program. Decisions on what will be funded as a Capital Improvement Project occur during the budget process. 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 (VMI) 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.

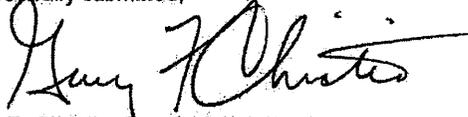
Pension and other post-employment benefits: The County is a participant in the Virginia Retirement System ("VRS") a defined benefits plan pension system, for which the County contributes a percentage of a qualifying County employee's salary towards the VRS. The VRS is responsible for administering the 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

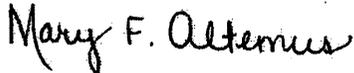
The County utilizes its Website www.co.new-kent.state.va.us for a variety of purposes, which include presentation of the proposed budget document. The budget document serves as the best source for the variety of accomplishments of County functions, new initiatives and changes in service levels. In addition, 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. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. 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,



Gary F. Christie, County Administrator



Mary F. Altemus, Director of Accounting and Budget

FINANCIAL SECTION

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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, 2003, 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 an opinion on these financial statements based on our audit.

We conducted our audits 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 audits provides a reasonable basis for our opinion.

In our opinion, based on our audits, 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, 2003, 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.

As described in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement Number 34 during the year ended June 30, 2003.

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

Our audit was conducted for the purpose of forming 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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, Bekart & Holland, L.P.

Richmond, Virginia
November 22, 2003

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, 2003. The information presented here should be considered in conjunction with additional information provided in the letter of transmittal.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$31,477,274. Of this amount, \$13,645,191 may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$2,846,427, which was due to governmental activities. While analysis of net assets for this particular fiscal year is more difficult as comparable statements did not exist in the prior year due to the implementation of GASB 34 this year, this 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 \$12,055,228, a decrease of \$427,163 in comparison with the prior year. Approximately \$11,838,001 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 \$3,792,534. The fund balance policy is to leave fifteen percent of the current years operating expenditures in the general fund and to move the remainder to the capital account. This year the capital account decreased by \$598,942.
- The County's total debt decreased by \$718,828 during the fiscal year. There were no new debt issuances for the County in fiscal year 2003.

Overview of the Financial Statements

The Management Discussion and Analysis are 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 has 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 15-16 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 17-29 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 25-27 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 28-29 and 49 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 30-44 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 45 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, 2003

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit	
				School Board	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 \$31,477,274 at the close of the most recent fiscal year. 57% of the County's net assets reflects 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).

The remaining balance of unrestricted net assets (43% 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 County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate 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 \$2,846,427 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, 2003**

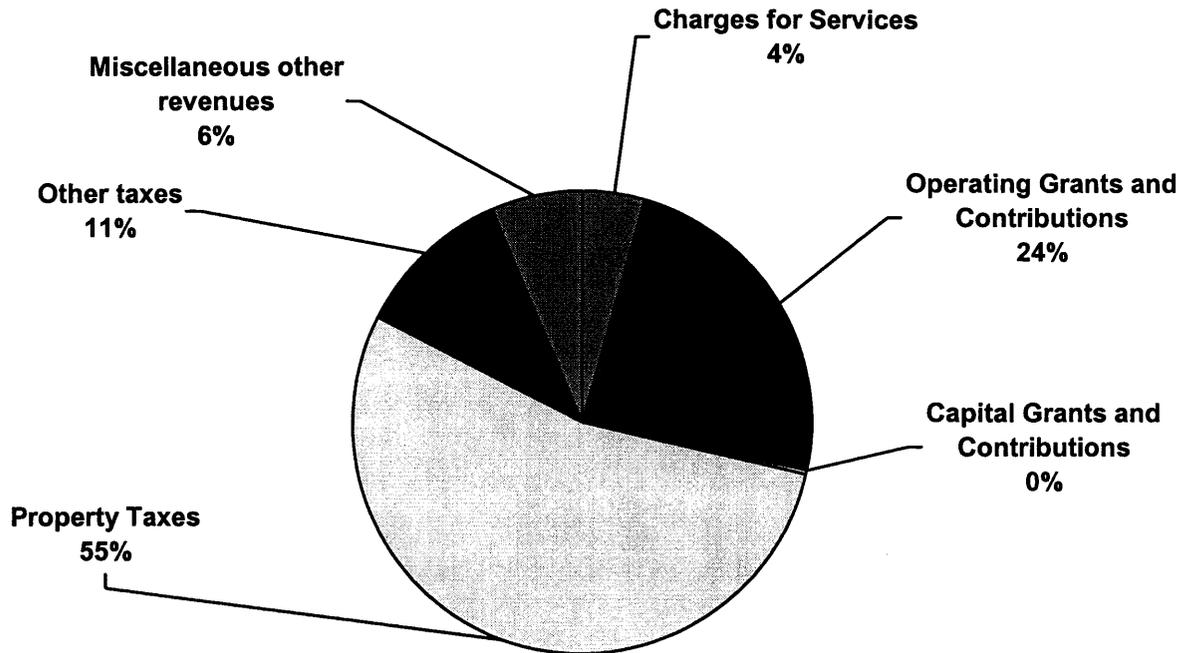
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>	<u>EDA</u>
Revenues:					
Program revenues:					
Charges for services	\$ 827,852	\$ 1,286,095	\$ 2,113,947	\$ 545,134	\$ 38,754
Operating grants and contributions	4,639,646	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	<u>19,205,063</u>	<u>2,532,516</u>	<u>21,737,579</u>	<u>17,024,865</u>	<u>112,985</u>
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	<u>17,032,420</u>	<u>1,858,732</u>	<u>18,891,152</u>	<u>16,552,251</u>	<u>108,841</u>
Increase in net assets	2,172,643	673,784	2,846,427	472,614	4,144
Beginning of year	<u>17,896,975</u>	<u>10,733,872</u>	<u>28,630,847</u>	<u>5,161,663</u>	<u>222,616</u>
End of year	<u>\$ 20,069,618</u>	<u>\$ 11,407,656</u>	<u>\$ 31,477,274</u>	<u>\$ 5,634,277</u>	<u>\$ 226,760</u>

Governmental Activities

Governmental Activities increased the County's net assets by \$2,172,643, thereby accounting for 85% 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.



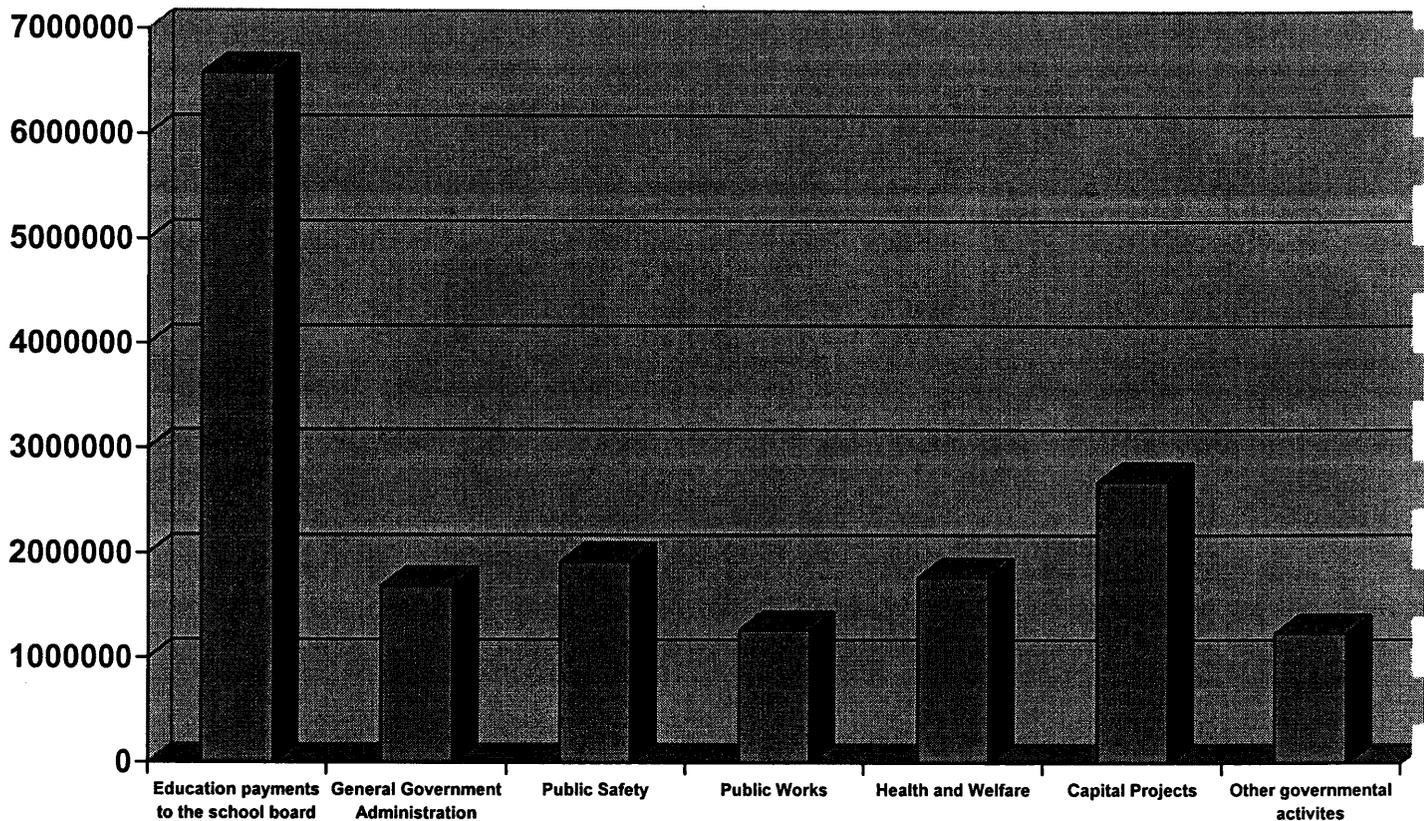
For FY 2003, revenues from governmental activities totaled \$19,205,063. Property taxes are the largest components of revenues. Real estate tax revenues, the County's largest single source of property taxes amounted to \$7,821,297, which is approximately 41% of the total governmental activities revenues. The County received a total of \$1,753,891 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 \$1,746,939 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 \$645,845 made up the largest source of other taxes for FY 2003. 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 2003.

During FY 2003, the County received \$4,639,646 in operating 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 \$476,095.

Expenses

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



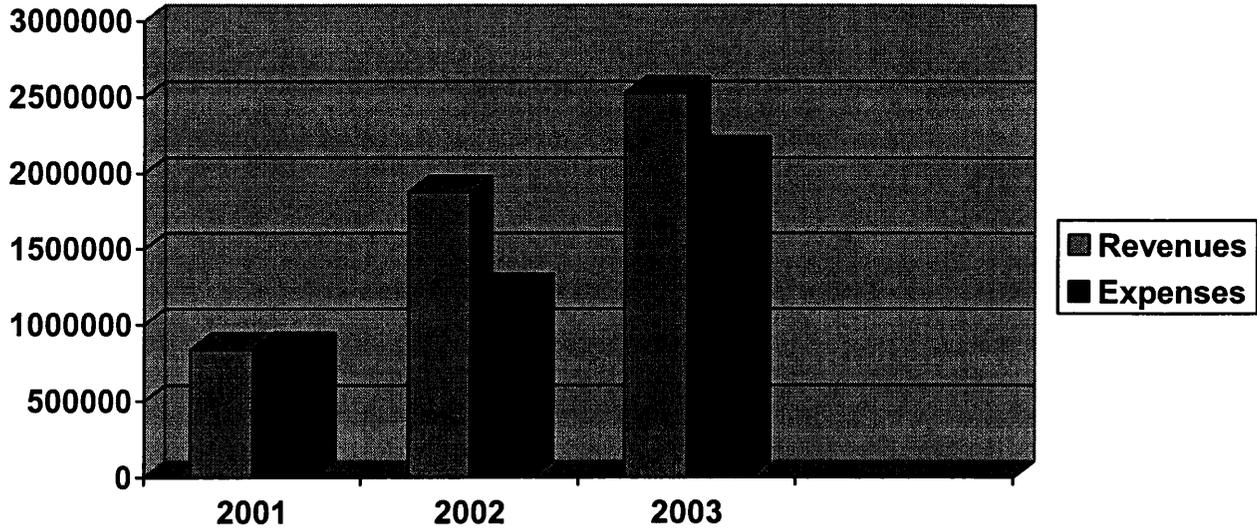
For FY2003, expenses for governmental activities totaled \$17,032,420, which included budgeted increases for employee compensation and payments for education to the New Kent County School Board (transfers). As a result of the GASB34 financial reporting requirements, depreciation expense is allocated to governmental activities and retirement of principal on long-term debt is not shown as an expenditure.

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 \$6,869,308. 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.

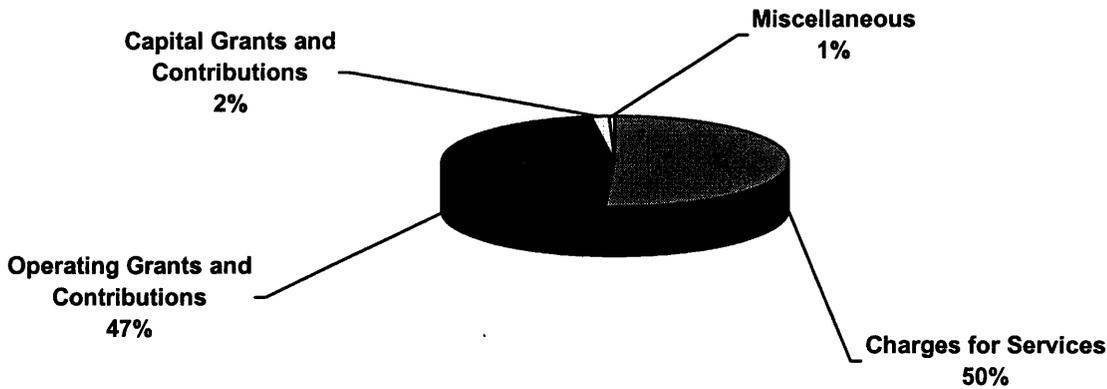
For governmental activities, the Statement of Activities on page 16 shows that \$827,852 was financed by those receiving services, \$4,639,646 from operating grants and contributions, \$39,060 from capital grants and contributions, with the County's general revenues financing \$13,698,505 of the remaining program expenses.

Business-Type Activities

Business-type activities increased the County's net assets by \$673,784, accounting for 15% 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 \$2,532,516 for FY2003. The charges for services and operating grants and contributions make up the largest portion of the total revenues. The following chart summarizes water and sewer revenues for FY2003 as a percentage to the total revenues.



For FY 2003 Charges for services were \$818,400 higher than the prior year primarily due to increase in customers and connection fees. Expenses were \$1,858,732, which were \$629,689 higher 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 2003, revenues for the School Board totaled \$17,024,865, which includes the transfer from the County. Operating Grants and Contributions are the largest component of revenues for the School Board totaling \$9,662,090, or 57% of the total revenues recorded for the School Board. The School Board received \$9,001,169 from the Commonwealth and \$886,795 from the federal government. The Transfer from the County represents 39% 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 \$4,144 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 2003, the County's governmental funds reported a combined fund balance of \$12,055,228.
- Of the combined fund balance, \$11,838,001 constitutes unreserved fund balance, \$3,822,962 for the General Fund and \$8,015,039 for Other Governmental Funds, which is available for spending at the government's discretion.
- The \$84,192 unreserved balance for Other Governmental Funds was comprised of the balances in the Special Revenue Funds, the details of which can be found on pages 46-48 of this report.
- Of the combined fund balances, \$217,227 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 2003, the undesignated fund balance was \$3,792,534. The undesignated fund balance represents 98% 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 Project Fund is used to account for financial resources to be used for construction of major capital facilities (other than projects financed or constructed by Proprietary Funds), vehicles, 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, of the County for the fiscal year ended June 30, 2003 and the amount and percentage of increases and decreases in relation to prior year revenues.

	2003	Percent	2002	Increase	Percent
	Amount	of total	Amount	(Decreases)	Increase
				from 2002	(Decreases)
Revenues					
General property taxes	\$ 10,287,896	55.2%	\$ 9,905,449	\$ 382,447	3.9%
Other local taxes	2,410,149	12.9%	2,239,287	170,862	7.6%
Permits, fees and licenses	426,524	2.3%	298,615	127,909	42.8%
Fines and forfeitures	98,588	0.5%	91,536	7,052	7.7%
Revenue from use of money and property	233,428	1.3%	358,395	(124,967)	-34.9%
Charges for services	125,283	0.7%	79,697	45,586	57.2%
Miscellaneous	819,148	4.4%	731,174	87,974	12.0%
Recovered costs	3,475	0.0%	16,046	(12,571)	-78.3%
Commonwealth	3,469,817	18.6%	3,590,797	(120,980)	-3.4%
Federal	771,133	4.1%	834,361	(63,228)	-7.6%
Total Revenues	\$ 18,645,441	100.0%	\$ 18,145,357	\$ 500,084	2.8%

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

The following schedule presents a summary of expenses of the major funds for the county for the fiscal year ended June 30, 2003 and the amount and percentage of increases and decreases in relation to prior year expenses.

	2003	Percent	2002	Increases	Percent
	Amount	of total	Amount	(Decreases)	Increases
				from 2002	(Decreases)
Expenses					
General government administration	\$ 1,695,880	14.6%	\$ 1,599,955	\$ 95,925	6.0%
Judicial administration	484,227	4.2%	494,673	(10,446)	-2.1%
Public safety	3,258,851	28.0%	3,032,609	226,242	7.5%
Public works	1,134,266	9.8%	1,112,197	22,069	2.0%
Health and welfare	1,031,001	8.9%	933,945	97,056	10.4%
Education	3,340	0.0%	4,666	(1,326)	-28.4%
Community development	820,170	7.1%	1,001,532	(181,362)	-18.1%
Parks, recreation and cultural	98,811	0.8%	90,350	8,461	9.4%
Capital projects	2,688,742	23.1%	1,156,145	1,532,597	132.6%
Principal retirement	271,867	2.3%	254,482	17,385	6.8%
Interest and other fiscal charges	138,065	1.2%	151,786	(13,721)	-9.0%
Total expenses	\$ 11,625,220	100.0%	\$ 9,832,340	\$ 1,792,880	18.2%

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

FY 2003 General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended Vs. Actual</u>
<u>Revenues</u>				
Taxes	\$ 14,017,598	\$ 14,059,987	\$ 12,698,045	\$ (1,361,942)
Intergovernmental	2,103,209	2,701,092	4,240,950	1,539,858
Other	1,272,926	1,283,228	1,646,642	363,414
Total	17,393,733	18,044,307	18,585,637	541,330
<u>Expenditures and Transfers</u>				
Expenditures	9,558,063	10,184,279	8,936,478	(1,247,801)
Transfers	7,835,670	8,019,435	9,477,380	1,457,945
Total	\$ 17,393,733	\$ 18,203,714	\$ 18,413,858	\$ 210,144

The \$363,414 revenue increase over the amended budget is attributable primarily to higher than anticipated:

- Real property taxes \$269,325
- Permits and Licenses \$188,749

Expenditures were \$1,247,801 less than the FY03 amended budget. These expenditure savings were attributable primarily to unexpended appropriations for:

- Law enforcement and traffic control \$ 114,013
- Fire and rescue \$ 115,856
- Other Protection \$ 356,403
- Refuse Collection \$ 53,272
- Community Development \$ 383,548

Each year the Board of Supervisors appropriates funds for a contingency reserve. For FY03, \$297,469 was appropriated. The Board of Supervisors appropriated \$289,936 from the contingency reserve primarily for Route 618 Refuse Site Paving (\$50,840), Compactor (\$32,000), Planning Dept. Part-Time Wages (\$39,577), Assessor – Professional Services (\$81,022) and Legal Services (\$52,500). The remaining \$7,533 was returned to fund balance as unexpended funds for FY03.

During FY03, the Board of Supervisors approved budget amendments of \$626,215 to the original budget of \$9,558,063, resulting in an amended budget of \$10,184,278 for the following purposes:

- Additional Funds Received from Comp Board for COR \$18,827
- Carry forward's for various projects \$28,571
- Sheriff's Grants \$22,615
- Social Services Programs \$99,815
- Chesapeake Bay Grants \$38,030
- Dry Well CDBG Grant \$16,475
- VDEM Grant \$38,049
- Basic Construction Project \$349,847
- AED Grant \$13,986

Proprietary Funds The County's proprietary fund is comprised of the Utility 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, 2003 for its governmental and business-type activities was \$29,363,543 as reflected in the schedule below.

Capital Assets June 30, 2003

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit EDA
Land	\$ 2,830,400	\$ 756,300	\$ 3,586,700	\$ 694,500	\$ -
Building	7,335,367	4,201,969	11,537,336	8,883,910	-
Capital Improvements	1,440,826	-	1,440,826	1,603,206	-
Machinery and equipment	4,001,917	2,415,862	6,417,779	2,915,115	100,000
Construction in Progress	1,131,202	-	1,131,202	-	-
Infrastructure	-	4,781,894	4,781,894	-	-
Total	\$ 16,739,712	\$ 12,156,025	\$ 28,895,737	\$ 14,096,731	\$ 100,000

Capital Assets June 30, 2002

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit School Board	Component Unit EDA
Land	\$ 1,966,800	\$ 756,300	\$ 2,723,100	\$ 694,500	\$ -
Building	4,128,438	7,757,190	11,885,628	11,738,405	-
Capital Improvements	105,646	-	105,646	1,603,206	-
Machinery and equipment	3,201,221	2,415,862	5,617,083	2,573,621	100,000
Infrastructure	-	465,893	465,893	-	-
Total	\$ 9,402,105	\$ 11,395,245	\$ 20,797,350	\$ 16,609,732	\$ 100,000

The County added \$4,501,809, in assets for FY 2003. Major additions to capital assets during the current fiscal year included the following:

- A water distribution system for the Quinton Park subdivision
- Several new fire engines
- Three new generators

Construction in progress included the new firehouse and the Quinton Park water structures.

Additional information on the County's capital assets can be found in note 7 on page 38 and 39 of this report.

Long-term Debt At the end of FY 2003, the County's total outstanding debt was \$5,390,904. Capital leases are included in outstanding debt while liabilities for vacation pay are excluded for the governmental activities.

**County of New Kent's Outstanding Debt
General Obligation and Revenue Bonds**

	June 30, 2003			June 30, 2002		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
General Obligation Bonds	\$ 2,254,495	\$ -	\$ 2,254,495	\$ 2,628,690	\$ -	\$ 2,628,690
Accrued vacation/sick	-	24,036	24,036	-	17,904	17,904
Lease Revenue Bonds	1,770,000	-	1,770,000	1,975,000	-	1,975,000
Literary Loans	600,000	-	600,000	700,000	-	700,000
Notes Payable	63,153	-	63,153	94,729	-	94,729
Capital Leases	330,019	-	330,019	365,309	-	365,309
Total	\$ 5,017,667	\$ 24,036	\$ 5,041,703	\$ 5,763,728	\$ 17,904	\$ 5,781,632

During FY 2003, the County retired \$271,867 of outstanding principal.

Additional information on the County's long-term liabilities can be found in note 8 on page 40 and 41 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the County is currently 3.4%, which is a decrease from a rate of 3.7% a year ago. This compares favorably to the State's average unemployment rate of 4.3% and the national average rate of 6.5%. 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.

County real estate tax rate increased from \$0.77 to \$0.79 for FY 2004, while 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.

Government-wide Financial Statements

COUNTY OF NEW KENT, VIRGINIA
Statement of Net Assets
June 30, 2003

	Primary Government			Component Units			Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	School Board	EDA		
Assets							
Cash and cash equivalents	\$ 11,949,932	\$ 1,865,821	\$ 13,815,753	\$ 727,529	\$ 144,057	\$	\$ 14,687,339
Accounts receivable, net	778,051	189,778	967,829	1,090	3,229	-	972,148
Prepaid assets	122,420	75	122,495	-	-	-	122,495
Due from other governments	753,859	-	753,859	553,914	-	-	1,307,773
Restricted cash and cash equivalents	209,307	-	209,307	-	-	-	209,307
Capital assets:							
Land	2,830,400	756,300	3,586,700	694,500	-	-	4,281,200
Buildings and improvements	8,776,193	4,201,969	12,978,162	10,487,116	-	-	23,465,278
Machinery and equipment	4,001,917	2,415,862	6,417,779	2,915,115	100,000	-	9,432,894
Accumulated depreciation	(3,334,417)	(2,711,571)	(6,045,988)	(7,596,763)	(13,334)	-	(13,656,085)
Infrastructure	-	4,781,894	4,781,894	-	-	-	4,781,894
Construction in progress	1,131,202	-	1,131,202	-	-	-	1,131,202
Total assets	27,218,864	11,500,128	38,718,992	7,782,501	233,952	-	46,735,445
Liabilities							
Accounts payable and other current liabilities	972,419	33,511	1,005,930	49,091	7,192	-	1,062,213
Deposits	85,258	34,925	120,183	-	-	-	120,183
Unearned revenue	647,957	-	647,957	-	-	-	647,957
Accrued expenses-current	52,707	-	52,707	979,594	-	-	1,032,301
Early retirement program	-	-	-	365,925	-	-	365,925
Due within one year	750,069	-	750,069	69,790	-	-	819,859
Due in more than one year	4,640,836	24,036	4,664,872	683,824	-	-	5,348,696
Total liabilities	7,149,246	92,472	7,241,718	2,148,224	7,192	-	9,397,134
Net assets							
Invested in capital assets, net of related debt	8,387,629	9,444,454	17,832,083	6,056,433	93,333	-	23,981,849
Net assets - restricted for	124,409	-	124,409	-	-	-	124,409
Unrestricted net assets	11,557,580	1,963,202	13,520,782	(422,156)	133,427	-	13,232,053
Total net assets	20,069,618	11,407,656	31,477,274	5,634,277	226,760	\$	\$ 37,338,311

COUNTY OF NEW KENT, VIRGINIA

Statement of Activities

Year Ended June 30, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Capital		Governmental Activities	Primary Business-type Activities	Component Units		Total Reporting Unit
			Operating Grants and Contributions	Grants and Contributions			School Board	EDA	
Primary government:									
Governmental activities:									
General government administration	\$ 1,772,644	\$ 459,965	\$ 2,375,915	\$ -	\$ 1,063,236	\$ -	\$ -	\$ -	\$ 1,063,236
Judicial administration	542,644	96,268	320,136	-	(126,240)	-	-	-	(126,240)
Public safety	3,724,372	69,306	835,412	-	(2,819,654)	-	-	-	(2,819,654)
Public works	1,347,566	141,390	6,414	-	(1,199,762)	-	-	-	(1,199,762)
Health and welfare	1,775,012	982	1,085,294	-	(688,736)	-	-	-	(688,736)
Community development	721,495	-	-	-	(721,495)	-	-	-	(721,495)
Parks, recreation and cultural	141,314	59,941	16,475	39,060	(25,838)	-	-	-	(25,838)
Education	6,869,308	-	-	-	(6,869,308)	-	-	-	(6,869,308)
Interest and other fiscal charges	138,065	-	-	-	(138,065)	-	-	-	(138,065)
Total governmental activities	17,032,420	827,852	4,639,646	39,060	(11,525,862)	-	-	-	(11,525,862)
Business-type activities:									
Water	1,516,475	775,774	441,000	44,375	-	(255,326)	-	-	(255,326)
Sewer	342,257	510,321	-	-	168,064	-	-	-	168,064
Total business-type activities	1,858,732	1,286,095	441,000	44,375	(87,262)	-	-	-	(87,262)
Total primary government	\$ 18,891,152	\$ 2,113,947	\$ 5,080,646	\$ 83,435	(11,525,862)	(87,262)	-	-	(11,613,124)
Component units:									
Education	\$ 16,552,251	\$ 514,841	\$ 9,758,506	\$ 129,458	-	-	(6,149,446)	-	(6,149,446)
EDA	108,841	38,754	-	-	-	-	(70,087)	-	(70,087)
Total component units	\$ 16,661,092	\$ 553,595	\$ 9,758,506	\$ 129,458	-	-	(6,149,446)	(70,087)	(6,219,533)
General revenues:									
Property taxes					10,328,886				10,328,886
Other local taxes					2,134,966				2,134,966
E911 taxes - restricted					275,183				275,183
Fines and forfeitures					98,588				98,588
Colonial Downs revenue proceeds					583,260				583,260
Proffer revenues - restricted					59,205				59,205
Unrestricted investment earnings					203,020	3,176		74,231	280,427
Miscellaneous					15,397	10,000			25,397
County appropriation					-	-		39,618	39,618
Total general revenues					13,698,505	13,176		6,582,442	20,407,972
Change in net assets					2,172,643	(74,086)		4,144	2,575,315
Net assets - beginning					17,896,975	11,481,742		5,161,663	34,762,996
Net assets - ending					20,069,618	11,407,656		5,634,277	37,338,311

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Fund Financial Statements

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COUNTY OF NEW KENT, VIRGINIA

**Balance Sheet
Governmental Funds
June 30, 2003**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,429,025	\$ 8,495,348	\$ 25,559	\$ 11,949,932
Restricted cash	-	209,307	-	209,307
Receivables (net of allowance for uncollectibles):				
Taxes including penalties	614,321	-	-	614,321
Accounts receivable	162,742	-	988	163,730
Prepaid assets	118,704	-	3,716	122,420
Due from other funds and component units	131,150	-	-	131,150
Due from other governments	646,423	-	107,436	753,859
Total assets	<u>\$ 5,102,365</u>	<u>\$ 8,704,655</u>	<u>\$ 137,699</u>	<u>\$ 13,944,719</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 374,141	\$ 461,213	\$ 137,065	\$ 972,419
Due to other funds and component units	-	130,516	634	131,150
Deposits	-	85,258	-	85,258
Deferred revenue	647,957	-	-	647,957
Accrued expenses	52,707	-	-	52,707
Total liabilities	<u>1,074,805</u>	<u>676,987</u>	<u>137,699</u>	<u>1,889,491</u>
Fund balances:				
Unreserved:				
Designated	235,026	-	-	235,026
Undesignated	3,792,534	8,027,668	-	11,820,202
Total fund balances	<u>4,027,560</u>	<u>8,027,668</u>	<u>-</u>	<u>12,055,228</u>
Total liabilities and fund balances	<u>\$ 5,102,365</u>	<u>\$ 8,704,655</u>	<u>\$ 137,699</u>	<u>\$ 13,944,719</u>

COUNTY OF NEW KENT, VIRGINIA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2003**

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

Ending fund balance		\$	12,055,228
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, not being depreciated:			
Land	\$	2,830,400	
Construction in progress		1,131,202	
Capital assets, being depreciated:			
Buildings and improvements		8,776,193	
Machinery and equipment		4,001,917	
Total capital assets		16,739,712	
Less accumulated depreciation		(3,334,417)	13,405,295
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	\$	1,833,153	
Capital lease obligations		330,018	
Compensated absences		373,239	
School bonds		2,854,495	
Total long-term liabilities			(5,390,905)
Net assets of governmental activities		\$	<u>20,069,618</u>

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2003

	General	Capital Projects	Nonmajor Governmental Funds	Governmental Funds
Revenues				
General property taxes	\$ 10,287,896	\$ -	\$ -	\$ 10,287,896
Other local taxes	2,410,149	-	-	2,410,149
Permits, fees and licenses	426,524	-	-	426,524
Fines and forfeitures	98,588	-	-	98,588
Revenue from use of money and property	233,279	149	-	233,428
Charges for services	125,283	-	128,259	253,542
Miscellaneous	759,493	59,655	7,193	826,341
Recovered costs	3,475	-	-	3,475
Commonwealth	3,469,817	-	375,338	3,845,155
Federal	771,133	-	37,555	808,688
Total revenues	<u>18,585,637</u>	<u>59,804</u>	<u>548,345</u>	<u>19,193,786</u>
Expenditures				
Current:				
General government administration	1,695,880	-	-	1,695,880
Judicial administration	484,227	-	-	484,227
Public safety	3,258,851	-	-	3,258,851
Public works	1,134,266	-	187,969	1,322,235
Health and welfare	1,031,001	-	751,125	1,782,126
Education	3,340	-	-	3,340
Community development	820,170	-	-	820,170
Parks, recreation and cultural	98,811	-	-	98,811
Capital projects	-	2,688,742	-	2,688,742
Debt service:				
Principal retirement	271,867	-	-	271,867
Interest and other fiscal charges	138,065	-	-	138,065
Total expenditures	<u>8,936,478</u>	<u>2,688,742</u>	<u>939,094</u>	<u>12,564,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,649,159</u>	<u>(2,628,938)</u>	<u>(390,749)</u>	<u>6,629,472</u>
Other financing sources (uses)				
Operating transfers in/(out)	(2,420,743)	2,029,994	390,749	-
Transfer to Component Unit	(7,056,637)	-	-	(7,056,637)
Total other financing sources (uses)	<u>(9,477,380)</u>	<u>2,029,994</u>	<u>390,749</u>	<u>(7,056,637)</u>
Net change in fund balances	171,779	(598,944)	-	(427,165)
Fund balance - beginning	<u>3,855,781</u>	<u>8,626,612</u>	<u>-</u>	<u>12,482,393</u>
Fund balance - ending	<u>\$ 4,027,560</u>	<u>\$ 8,027,668</u>	<u>\$ -</u>	<u>\$ 12,055,228</u>

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, 2003**

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

Net change in fund balances \$ (427,165)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 2,488,027	
Depreciation expense	<u>(618,325)</u>	1,869,702

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 11,279

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	\$ 710,771	
Principal payment of capital leases	<u>35,291</u>	746,062

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

Compensated absences	<u>(27,235)</u>
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Change in net assets of governmental activities \$ 2,172,643

COUNTY OF NEW KENT, VIRGINIA

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

General Fund

Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenue from local sources:				
General Property Taxes:				
Real property taxes	\$ 7,711,096	\$ 7,711,096	\$ 7,821,297	\$ 110,201
Personal property taxes	3,537,506	3,537,506	1,753,891	(1,783,615)
Public service corporation property taxes	482,463	482,463	457,291	(25,172)
Mobile home taxes	18,088	18,088	16,057	(2,031)
Machinery and tools taxes	1,112	1,112	70,873	69,761
Airplane taxes	3,490	3,490	3,112	(378)
Penalties	95,000	95,000	107,973	12,973
Interest	55,000	55,000	57,402	2,402
Total general property taxes	<u>11,903,755</u>	<u>11,903,755</u>	<u>10,287,896</u>	<u>(1,615,859)</u>
Other local taxes				
Local sales and use taxes	626,000	626,000	645,845	19,845
Consumers' utility taxes	295,000	295,000	330,188	35,188
Business license taxes	495,000	495,000	548,225	53,225
Motor vehicle licenses	285,000	285,000	327,504	42,504
Bank stock taxes	35,000	35,000	42,400	7,400
Taxes on recordation and wills	150,000	150,000	191,917	41,917
Admissions tax	-	-	4,480	4,480
Rolling stock tax	32,843	32,843	44,407	11,564
Emergency telephone service taxes	195,000	237,389	275,183	37,794
Total other local taxes	<u>2,113,843</u>	<u>2,156,232</u>	<u>2,410,149</u>	<u>253,917</u>
Permits, fees and licences				
Animal licenses	12,000	12,000	13,621	1,621
Building permits	106,300	106,300	161,154	54,854
Permits and other licences	63,000	63,000	251,749	188,749
Total permits, fees and licences	<u>181,300</u>	<u>181,300</u>	<u>426,524</u>	<u>245,224</u>
Fines and forfeitures:				
Court fines and forfeitures	85,000	85,000	98,588	13,588
Revenue from use of money and property:				
Revenue from use of money	315,000	315,000	202,871	(112,129)
Revenue from use of property	21,200	21,200	30,408	9,208
Total revenue from use of money and property	<u>\$ 336,200</u>	<u>\$ 336,200</u>	<u>\$ 233,279</u>	<u>\$ (102,921)</u>

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Charges for services:				
Charges for Sheriff	\$ 1,878	\$ 1,878	\$ 1,368	\$ (510)
Charges for Circuit Court	58,969	58,969	117,978	59,009
Charges for Commonwealth Attorney	400	400	751	351
Charges for boarding of dogs	1,000	1,000	1,940	940
Charges for planning	1,900	1,900	3,246	1,346
Total charges for services	64,147	64,147	125,283	61,136
Miscellaneous revenue:				
Miscellaneous	75,739	76,043	116,742	40,699
Off-track betting proceeds	485,540	485,540	583,260	97,720
Parks and recreation fees and theme park totals	45,000	55,000	59,491	4,491
Total miscellaneous revenue	606,279	616,583	759,493	142,910
Recovered costs	-	-	3,475	3,475
Total revenue from local sources	15,290,524	15,343,217	14,344,687	(998,530)
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	16,308	16,308	16,013	(295)
Wine taxes	18,448	18,448	11,264	(7,184)
Mobile home titling taxes	25,000	25,000	15,959	(9,041)
Tax on deeds	72,770	72,770	74,676	1,906
Vehicle rental tax	800	800	1,423	623
Personal property tax reimbursement	-	-	1,746,939	1,746,939
Total non-categorical aid	133,326	133,326	1,866,274	1,732,948
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	139,833	139,833	141,317	1,484
Sheriff	680,435	680,435	683,093	2,658
Commissioner of the Revenue	79,334	98,161	85,837	(12,324)
Treasurer	84,271	84,271	81,343	(2,928)
Registrar/Electoral Board	40,643	40,643	37,209	(3,434)
Clerk of the Circuit Court	149,160	149,160	143,803	(5,357)
Total shared expenses	1,173,676	1,192,503	1,172,602	(19,901)
Categorical aid:				
Welfare administration and assistance	\$ 623,324	\$ 721,859	\$ 177,857	\$ (544,002)

COUNTY OF NEW KENT, VIRGINIA

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Other categorical aid:				
Two for life funds	\$ 5,600	\$ 6,901	\$ 6,901	\$ -
Fire program funds	17,000	18,042	18,042	-
VDOT grant revenue	-	298,748	214,155	(84,593)
AED Grant - defibrillators	-	13,986	13,986	-
Litter control	5,500	5,500	-	(5,500)
Total other categorical aid	28,100	343,177	253,084	(90,093)
Total categorical aid	1,825,100	2,257,539	1,603,543	(653,996)
Total revenue from the Commonwealth	1,958,426	2,390,865	3,469,817	1,078,952
Revenue from the Federal Government:				
Categorical Aid				
Welfare	12,000	12,000	476,095	464,095
Other categorical aid:				
Emergency services grant	39,674	39,674	35,016	(4,658)
Chesapeake Bay grant	-	38,027	39,062	1,035
Victim & witness assistance grant	43,901	43,922	39,397	(4,525)
VDEM Grant	-	38,049	38,049	-
DMV child safety seat grant	-	500	989	489
Local law enforcement block grant	-	7,507	7,508	1
Violence against women formula grant	12,634	13,898	13,898	-
CDBG grant	-	51,099	39,060	(12,039)
Drywell	-	16,475	16,475	-
DMV - radar speed enhancement grant	-	1,500	-	(1,500)
DMV - highway safety equipment	-	-	12,000	12,000
DMV - New Kent bike safety program	-	1,500	3,000	1,500
DMV - speed awareness program	-	8,000	3,000	(5,000)
DMV - DUI strike force	-	1,500	1,500	-
COPS grant	36,574	36,574	36,574	-
Universal hiring grant	-	-	9,510	9,510
Total revenue from the Federal Government	144,783	310,225	771,133	460,908
Total revenues	\$ 17,393,733	\$ 18,044,307	\$ 18,585,637	\$ 541,330

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Expenditures:				
General Government Administration:				
Legislative:				
Board of appeals	\$ 100	\$ 100	\$ -	\$ 100
Board of supervisors	163,734	182,571	153,776	28,795
Total legislative	163,834	182,671	153,776	28,895
General and Financial Administration:				
Accounting	303,574	306,874	257,090	49,784
Central purchasing/stores	130,406	130,406	105,350	25,056
Central switchboard	18,987	19,504	19,012	492
Commissioner of the Revenue	260,260	360,159	330,092	30,067
County administrator	245,171	245,171	204,763	40,408
Legal services	141,400	206,400	206,292	108
MIS	114,800	114,800	100,099	14,701
Reserved for contingency	297,469	7,532	-	7,532
Merit pay county employees	42,000	40,783	-	40,783
Treasurer	229,649	229,649	218,842	10,807
Total general and financial administration	1,783,716	1,661,278	1,441,540	219,738
Board of Elections:				
Electoral board and officials	7,256	7,256	6,263	993
Registrar	107,002	107,002	94,301	12,701
Total board of elections	114,258	114,258	100,564	13,694
Total general government administration	2,061,808	1,958,207	1,695,880	262,327
Judicial Administration:				
Courts:				
Circuit court	62,224	62,224	47,143	15,081
General district court	10,800	10,800	6,348	4,452
Special magistrates	7,050	7,850	7,821	29
Juvenile and domestic relations district court	7,400	7,400	2,281	5,119
Clerk of the circuit court	274,408	282,790	238,012	44,778
Total courts	361,882	371,064	301,605	69,459
Commonwealth's Attorney:				
Commonwealth's Attorney	187,921	187,921	182,622	5,299
Total judicial administration	\$ 549,803	\$ 558,985	\$ 484,227	\$ 74,758

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Public Safety:				
Law enforcement and traffic control:				
Sheriff	\$ 346,423	\$ 343,444	\$ 310,665	\$ 32,779
Grants programs	79,915	105,680	100,414	5,266
Law enforcement	1,422,106	1,420,674	1,344,706	75,968
Total law enforcement and traffic control	1,848,444	1,869,798	1,755,785	114,013
Fire and Rescue Services:				
Volunteer fire department	348,925	353,479	302,621	50,858
Ambulance and rescue service	99,900	101,201	101,201	-
E-911 system	195,000	289,113	241,649	47,464
Forest fire service	4,868	4,868	4,868	-
Total fire and rescue services	648,693	748,661	650,339	98,322
Correction and detention:				
Confinement of prisoners	389,950	389,950	335,092	54,858
Probation office	93,952	93,952	81,636	12,316
Total correction and detention	483,902	483,902	416,728	67,174
Inspections:				
Administration of public safety	132,489	132,489	128,766	3,723
Other Protection:				
Animal control	117,848	121,523	116,701	4,822
Game warden	1,800	1,800	-	1,800
School resource officers	60,814	60,879	59,472	1,407
Emergency services	126,633	178,668	131,060	47,608
Total other protection	307,095	362,870	307,233	55,637
Total public safety	3,420,623	3,597,720	3,258,851	338,869
Public Works:				
Sanitation and waste removal:				
Refuse collection	764,254	764,254	716,438	47,816
Litter control	5,500	5,500	44	5,456
Total sanitation and waste removal	\$ 769,754	\$ 769,754	\$ 716,482	\$ 53,272

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Maintenance of Buildings and Grounds:				
General properties	\$ 436,771	\$ 432,567	\$ 417,784	\$ 14,783
Total maintenance of buildings and grounds	436,771	432,567	417,784	14,783
Total public works	1,206,525	1,202,321	1,134,266	68,055
Health and Welfare:				
Health:				
Local health department	139,742	139,742	131,531	8,211
Mental Health/Mental Retardation:				
Henrico Community Services Board	89,132	89,132	89,132	-
Welfare/Social Services:				
Public assistance and administration	770,584	870,399	769,231	101,168
Social service agency donations	31,486	31,486	31,486	-
Welfare Board	4,492	4,492	2,467	2,025
Area Agency on Aging	2,573	2,573	2,573	-
Meals on wheels	2,500	2,500	2,500	-
Transportation for the elderly	2,800	2,800	2,081	719
Total welfare/social services	814,435	914,250	810,338	103,912
Total health and welfare	1,043,309	1,143,124	1,031,001	112,123
Education:				
Contributions to community colleges	3,340	3,340	3,340	-
Cultural - regional library	98,811	98,811	98,811	-
Community Development:				
Planning and Community Development:				
Planning	171,579	222,584	219,657	2,927
Historic commission	21,100	26,600	25,350	1,250
Zoning board	60,451	60,982	54,754	6,228
Economic development	128,739	137,339	87,668	49,671
Economic development - basic construction	-	349,847	58,981	290,866
Parks and recreation	204,196	219,196	213,825	5,371
Drywell	-	16,475	16,475	-
Planning commission	28,379	28,379	20,183	8,196
Total planning and community development	\$ 614,444	\$ 1,061,402	\$ 696,893	\$ 364,509

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Environmental Management:				
Wetlands Board	\$ 68,925	\$ 68,394	\$ 60,802	\$ 7,592
Soil and water districts	12,600	12,600	12,600	-
Cooperative forestry and reforestation	1,400	2,900	2,801	99
Total environmental management	<u>82,925</u>	<u>83,894</u>	<u>76,203</u>	<u>7,691</u>
Cooperative Extension Program:				
Cooperative extension program - horticulture	58,422	58,422	47,074	11,348
Total community development	<u>755,791</u>	<u>1,203,718</u>	<u>820,170</u>	<u>383,548</u>
Debt Service:				
Principal retirement	155,000	155,000	271,867	(116,867)
Interest and fiscal charges	263,053	263,053	138,065	124,988
Total debt service	<u>418,053</u>	<u>418,053</u>	<u>409,932</u>	<u>8,121</u>
Total expenditures	<u>9,558,063</u>	<u>10,184,279</u>	<u>8,936,478</u>	<u>1,247,801</u>
Total revenues over expenditures	<u>7,835,670</u>	<u>7,860,028</u>	<u>9,649,159</u>	<u>1,789,131</u>
Other financing sources (uses):				
Operating transfers in - general	-	19	-	(19)
Operating transfers in - Capital Fund	-	16,231	-	(16,231)
Operating transfers out - School Fund	(7,488,832)	(7,488,832)	(7,056,637)	432,195
Operating transfers out - Human Services Fund	(315,834)	(404,255)	(350,584)	53,671
Operating transfers out - Capital Projects Fund	-	(99,169)	(2,043,663)	(1,944,494)
Operating transfers out - Social Services Fund	-	(10,425)	-	10,425
Operating transfers out - Airport Fund	(31,004)	(33,004)	(26,496)	6,508
Total other financing sources (uses)	<u>(7,835,670)</u>	<u>(8,019,435)</u>	<u>(9,477,380)</u>	<u>(1,457,945)</u>
Revenues and other financing sources over(under) expenditures and other financing uses	<u>-</u>	<u>(159,407)</u>	<u>171,779</u>	<u>331,186</u>
Fund balance at beginning of year	<u>-</u>	<u>455,286</u>	<u>3,855,781</u>	<u>3,400,495</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 295,879</u>	<u>\$ 4,027,560</u>	<u>\$ 3,731,681</u>

COUNTY OF NEW KENT, VIRGINIA

Statement of Net Assets Proprietary Funds June 30, 2003

ASSETS	
	<u>Water & Sewer</u>
Current assets:	
Cash and cash equivalents	\$ 1,865,821
Receivables	189,778
Prepaid assets	75
Total current assets	2,055,674
Noncurrent assets:	
Land	756,300
Buildings	4,201,969
Equipment	2,415,862
Infrastructure	4,781,894
Less accumulated depreciation	<u>(2,711,571)</u>
Total noncurrent assets	9,444,454
Total assets	<u>11,500,128</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	33,511
Customer deposits	<u>34,925</u>
Total current liabilities	68,436
Noncurrent liabilities:	
Compensated absences	<u>24,036</u>
Total liabilities	<u>92,472</u>
 NET ASSETS	
Net assets:	
Invested in capital assets, net of related debt	9,444,454
Unrestricted	<u>1,963,202</u>
Total net assets	<u>\$ 11,407,656</u>

COUNTY OF NEW KENT, VIRGINIA

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

Proprietary Funds

Year Ended June 30, 2003

	<u>Water & Sewer</u>
Operating revenues:	
Charges for services	\$ 529,514
Parham landing fees	321,929
Connection fees	409,496
Miscellaneous	<u>35,156</u>
Total operating revenues	<u>1,296,095</u>
Operating expenses:	
Personell services	178,365
Fringe benefits	53,229
Contractual services	86,786
Other charges	297,552
Depreciation	<u>1,242,800</u>
Total expenses	<u>1,858,732</u>
Net operating loss	(562,637)
Nonoperating income:	
Investment income	<u>3,176</u>
Net loss before capital contributions	(559,461)
Capital contributions:	
Capital contributions	441,000
CDBG grant revenue	<u>44,375</u>
Net Loss	(74,086)
Net assets at beginning of year	<u>11,481,742</u>
Net assets at end of year	<u>\$ 11,407,656</u>

COUNTY OF NEW KENT, VIRGINIA

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 1,391,062
Payments to Suppliers	(326,434)
Payments to Employees	(312,248)
Gifts and Donations from Private Sources	10,000
Net Cash Provided by Operating Activities	<u>762,380</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(861,870)
Construction in Progress	140,806
Capital Contributions	441,000
Federal Grant Proceeds	44,375
Net Cash Provided by Capital and Related Financing Activities	<u>(235,689)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	3,176
Net Cash Provided by Investing Activities	<u>3,176</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 529,867

CASH AND CASH EQUIVALENTS, JULY 1 2002 1,335,954

CASH AND CASH EQUIVALENTS, JUNE 30 2003 \$ 1,865,821

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ (562,637)
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:	
Depreciation Expense	1,242,800
(Increase) Decrease in Accounts Receivable	(11,467)
(Increase) Decrease in Due from Other Governments	114,934
(Increase) Decrease in Prepaid Assets	(75)
Increase (Decrease) in Accounts Payable	(28,807)
Increase (Decrease) in Customer Deposits	1,500
Increase (Decrease) in Accrued Vacation Payable	6,132
Total Adjustments	<u>1,325,017</u>
Net Cash Provided by Operating Activities	<u>\$ 762,380</u>

COUNTY OF NEW KENT, VIRGINIA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 9,563
Restricted cash	464,348
Due from the State	<u>270</u>
Total assets	<u>\$ 474,181</u>
LIABILITIES	
Amounts held for social service clients	\$ 9,833
Deferred compensation payable	<u>464,348</u>
Total liabilities	<u>\$ 474,181</u>

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Notes to the Financial Statements

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COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 1 - Summary of significant accounting policies

A. Financial reporting entity

The County of New Kent, Virginia (the County) was incorporated in 1916 and its current Charter was granted in 1950. The County operates under a Board of Supervisors form of government and provides the following services; public safety (police and fire), public works, health and welfare services, education, community and economic development and judicial and general administrative services.

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

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

Discretely presented component units

The School Board of the County of New Kent (the School Board) operates the public education system in the County for grades kindergarten through twelve. The voters elect the members of the School Board. However, the County is financially accountable for the School Board because the County's council approves the School Board's budget, levies taxes (if necessary), and must approve any debt issuances. The School Board is reported in a separate column to emphasize that it is legally separate from the County.

The New Kent County Economic Development Authority (EDA) promotes economic development throughout the county. Although the EDA's board members are elected, the County is considered to be financially accountable for the EDA. The EDA is reported in a separate column to emphasize that it is legally separate from the County.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the County) and its component units (the School Board and Economic Development Authority). For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus and basis of accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary fund:

The *water and sewer authority fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. This fund accounts for the operations of the County-owned water service utility.

Additionally, the government reports the following fund types:

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

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

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

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

D. Jointly governed organization

Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the Waste Authority) was established under the provision of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Cities of Petersburg, Hopewell, Colonial Heights and Richmond, the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Town of Ashland. The 20 member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has one representative on the board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any on-going financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2003 were \$ 509,939.

Middle Peninsula Juvenile Detention Commission

The Middle Peninsula Juvenile Detention Commission (the "Commission") is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Commission was created by resolutions adopted in 1993 by its member jurisdictions. The member jurisdictions are as follows: Counties of Caroline, Charles City, Essex, Gloucester, Hanover, James City, King George, King and Queen, King William, Lancaster, Matthews, Middlesex, New Kent, Northumberland, Westmoreland, and York and the Cities of Poquoson, Richmond and Williamsburg. Each member jurisdiction appoints one member to the Commission. There are no direct or indirect liabilities borne by the County of New Kent for the operation of this organization.

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

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 1 - Summary of significant accounting policies (continued)

Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Commission. If the sum of all per diem rates paid during the fiscal year is below \$2,500, the County shall pay the Commission the amount equal to the difference. Complete financial statements for the Commission can be obtained from the fiscal agent's office at James City County, P.O. Box 8784, Williamsburg, Virginia 23187.

E. Cash, cash equivalents and investments

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

Investments are stated at fair value.

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

F. Allowances for uncollectibles

The County calculates its allowances for uncollectibles using historical collection data and, in certain cases, specific account analysis. At June 30, 2003, the allowances approximated \$368,220 in the General Fund.

G. Prepaid items

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

H. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Fixed assets for the Water Fund are stated at cost less accumulated depreciation.

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

Buildings	50 years
Buildings improvements	20 years
Equipment and machinery	5-20 years
Structures	20-40 years
Vehicles	8 years
Distribution equipment	60 years

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 1 - Summary of significant accounting policies (Continued)

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

J. Compensated absences

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

K. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Net Assets / Fund equity

Net assets in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute.

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

M. Prior period adjustment to Net Assets

	Business Type Activities <hr/> Water & Sewer
Net Assets, June 30, 2002	\$ 10,665,226
Prior period adjustment	<hr/> 816,516
Net Assets, June 30, 2002	<hr/> <hr/> \$ 11,481,742

A prior period adjustment was made to adjust capital assets as a result of an asset valuation.

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 1 - Summary of significant accounting policies (continued)

N. Retirement plan

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

O. Statement of cash flows

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

Note 2 – Stewardship, compliance, and accountability

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

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

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

All operating budgets include proposed expenditures and the means of financing them. County Board of Supervisors must approve any budget revisions at the department level once the appropriation ordinance has been adopted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2003. Appropriation control is maintained at the department level. Encumbrances and reserved fund balances outstanding at year-end are reappropriated in the succeeding year on a case by case basis. For the year ended June 30, 2003 budgets were as follows:

Total budgeted expenditures and other financing uses (only includes General and Special Revenue Fund types)	\$ <u>19,023,063</u>
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The operating budgets are maintained on the modified accrual basis. The School Board Component Unit did not adopt an annual budget for the School Capital Projects Fund.

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 3 - Deposits and investments

Deposits - At June 30, 2003, the carrying value of the County's deposits, were \$5,418,220, \$604,471 and \$1,308 for the primary government, School Board, and EDA respectively, and the bank balance was \$7,012,347. The difference is due to outstanding checks, deposits in transit and other reconciling items. All of the County's deposits were insured deposits by federal depository insurance or the provisions of the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of federal depository insurance limits. The State Treasury Board has the authority to assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of noncompliance by banks and savings and loan institutions.

Investments - Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The County's investments are categorized to give an indication of the level of custody risk assumed at June 30, 2003. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agent in the County's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty or by its trust department or safekeeping agent, but not in the County's name. The investments in the Local Government Investment Pool and the Money Market Mutual Funds are not subject to categorization as to assumed risks because, in the aggregate, they are considered pooled investments in nature and are not evidenced by securities that exist in physical or book entry form.

	Category			Reported Value	Fair Value
	1	2	3		
Investments not subject to categorization:					
Money Market Mutual Funds				\$ 202,489	\$ 202,489
Mentor Cash Management Fund - MM Mutual Funds				2,649,628	2,649,628
Local Government Investment Pool				5,697,328	5,697,328
Total Investments					8,549,445
Total deposits					6,137,494
Cash in office					400
Restricted cash					209,307
Total cash, cash equivalents and investments per Statement of Net Assets					<u>\$ 14,896,646</u>

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 4 - Property taxes

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

Real estate taxes and personal property taxes are payable in full on December 5. Property taxes are levied to finance activities of the fiscal year in which they are due from the taxpayer. The County bills and collects taxes and recognizes such as revenue when received except at year-end, when billed but uncollected amounts, net of allowances for uncollectible amounts, are recorded. Property taxes, net of allowances for uncollectible amounts, not collected within 45 days after year-end are reflected as deferred revenue. The tax rates for the year ended June 30, 2003 were as follows: real estate taxes were \$0.79 per \$100 of assessed value, personal property taxes were \$3.75 per \$100 of the NADA assessed value, machinery and tools taxes were \$3.00 per \$100 of the reported value, and aircraft taxes were \$0.50 per \$100 of the reported value.

Note 5 - Interfund receivables, payables and transfers

The County's interfund receivable and payable balances at June 30, 2003 are presented below:

	<u>Receivables</u>	<u>Payables</u>
Interfunds		
General Fund	\$ 131,150	\$ -
Human Services Fund	-	634
Capital Projects Fund	-	130,516
	<u>\$ 131,150</u>	<u>\$ 131,150</u>

Interfund transfers and payments to component units at June 30, 2003 were as follows:

	<u>To</u>	<u>From</u>
Major funds		
General Fund	\$ 29,302	\$ 9,487,047
Capital Fund	2,043,663	33,304
Nonmajor funds		
Human Service Fund	350,584	-
Airport	40,165	-
Component unit		
School Fund	<u>7,056,637</u>	<u>-</u>
	<u>\$ 9,520,351</u>	<u>\$ 9,520,351</u>

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

Note 6 - Due from other governmental units

At June 30, 2003, the General Fund and the Human Services Fund are due \$646,412 and \$107,436, respectively, from the Commonwealth of Virginia. The School Board Component Unit is due \$182,449 from the Commonwealth of Virginia. The Special Welfare fund is due \$270 from the Commonwealth of Virginia. Also, at June 30, 2003, the General Fund and the School Board Component Unit are due \$11 and \$371,465, respectively, from the Federal government.

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 7 - Capital assets

Primary Government:

The following is a summary of changes in general government fixed assets during the fiscal year:

	Restated Balances June 30, 2002	Additions	Deletions	Transfer from School Board	Balance June 30, 2003
Capital assets, not being depreciated:					
Land	\$ 1,966,800	\$ 863,600	\$ -	\$ -	\$ 2,830,400
Construction in progress	-	1,131,202	-	-	1,131,202
Total capital assets, not being depreciated	<u>1,966,800</u>	<u>1,994,802</u>	<u>-</u>	<u>-</u>	<u>3,961,602</u>
Capital assets, being depreciated:					
Buildings	4,128,438	352,434	-	2,854,495	7,335,367
Machinery and equipment	3,201,221	819,393	18,697	-	4,001,917
Capital improvements	105,646	1,335,180	-	-	1,440,826
Total capital assets, being depreciated	<u>7,435,305</u>	<u>2,507,007</u>	<u>18,697</u>	<u>2,854,495</u>	<u>12,778,110</u>
Less accumulated depreciation for:					
Buildings	(1,463,653)	(115,948)	-	-	(1,579,601)
Machinery and equipment	(1,268,935)	(485,867)	18,697	-	(1,736,105)
Capital improvements	(2,201)	(16,510)	-	-	(18,711)
Total accumulated depreciation	<u>(2,734,789)</u>	<u>(618,325)</u>	<u>18,697</u>	<u>-</u>	<u>(3,334,417)</u>
Total capital assets, being depreciated, net	<u>4,700,516</u>	<u>1,888,682</u>	<u>37,394</u>	<u>2,854,495</u>	<u>9,443,693</u>
Governmental activities capital assets, net	<u>\$ 6,667,316</u>	<u>\$ 3,883,484</u>	<u>\$ 37,394</u>	<u>\$ 2,854,495</u>	<u>\$ 13,405,295</u>

The gross cost and accumulated depreciation balances at June 30, 2002 were restated to capitalize infrastructure assets, to record school assets related to general obligation debt and to record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. The cost of assets as of June 30, 2002 were restated as follows:

	Balances June 30, 2002	Restatement		Balance June 30, 2002
		Additions	Deletions	
Land	\$ 1,840,008	\$ 126,792	\$ -	\$ 1,966,800
Buildings	5,068,366	-	939,928	4,128,438
Machinery and equipment	3,158,645	42,576	-	3,201,221
Capital improvements	1,042,187	-	936,541	105,646
Total	<u>\$ 11,109,206</u>	<u>\$ 169,368</u>	<u>\$ 1,876,469</u>	<u>\$ 9,402,105</u>

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 7 - Capital assets (continued)

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

	Balances June 30, 2002	Prior Period Adjustment	Additions	Deletions	Balance June 30, 2003
Water production and distribution facilities	\$ 10,929,352	\$ (4,417,091)	\$ 861,870	\$ -	\$ 7,374,131
Infrastructure	465,893	4,456,807	327,000	467,806	4,781,894
Total property, plant, and equipment	11,395,245	39,716	1,188,870	467,806	12,156,025
Less accumulated depreciation	(2,245,571)	776,800	(1,242,800)	-	(2,711,571)
Total	\$ 9,149,674	\$ 816,516	\$ (53,930)	\$ 467,806	\$ 9,444,454

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

Governmental Activities:

General government	\$ 32,477
Judicial	47,763
Public safety	429,850
Public works	45,145
Health and welfare	1,851
Community development	56,586
Education	425,412
Parks and recreation	4,653
Total governmental depreciation expense	\$ 1,043,737

Business-Type Activities:

Water and sewer fund	\$ 1,242,800
----------------------	--------------

Discretely presented component units:

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

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

	Restated Balances June 30, 2002	Additions	Deletions	Transfer to Primary Government	Balance June 30, 2003
Capital assets, not being depreciated:					
Land	\$ 694,500	\$ -	\$ -	\$ -	\$ 694,500
Capital assets, being depreciated:					
Buildings	11,738,405	-	-	(2,854,495)	8,883,910
Machinery and equipment	2,573,621	344,795	(3,301)	-	2,915,115
Capital improvements	1,603,206	-	-	-	1,603,206
Total capital assets, being depreciated	15,915,232	344,795	(3,301)	(2,854,495)	13,402,231
Total capital assets	\$ 16,609,732	\$ 344,795	\$ (3,301)	\$ (2,854,495)	\$ 14,096,731

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 7 - Capital assets (continued)

	Restated Balances June 30, 2002	Additions	Deletions	Transfer to Primary Government	Balance June 30, 2003
Less accumulated depreciation for:					
Buildings	\$ (4,980,812)	\$ (229,079)	\$ -	\$ -	\$ (5,209,891)
Machinery and equipment	(1,969,391)	(164,207)	3,301	-	(2,130,297)
Capital improvements	(224,449)	(32,126)	-	-	(256,575)
Total accumulated depreciation	<u>(7,174,652)</u>	<u>(425,412)</u>	<u>3,301</u>	<u>-</u>	<u>(7,596,763)</u>
Total capital assets being depreciated, net	<u>8,740,580</u>	<u>(80,617)</u>	<u>-</u>	<u>(2,854,495)</u>	<u>5,805,468</u>
Component units capital assets, net	<u>9,435,080</u>	<u>(80,617)</u>	<u>-</u>	<u>(2,854,495)</u>	<u>6,499,968</u>

The gross cost and accumulated depreciation balances at June 30, 2002 were restated to capitalize infrastructure assets, to record school assets related to general obligation debt and to record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. The cost of assets as of June 30, 2002 were restated as follows:

	Balances June 30, 2002	Restatement		Balances June 30, 2002
		Additions	Deletions	
Land	\$ 508,767	\$ 185,733	\$ -	\$ 694,500
Buildings	11,375,168	363,237	-	11,738,405
Machinery and equipment	3,762,101	-	(1,188,480)	2,573,621
Capital improvements	649,127	954,079	-	1,603,206
Total	<u>\$ 16,295,163</u>	<u>\$ 1,503,049</u>	<u>\$ (1,188,480)</u>	<u>\$ 16,609,732</u>

Note 8 - Long-term obligations

A summary of changes in general long-term debt of the County and Component Unit - School Board for the year ended June 30, 2003 follows:

	Balance June 30, 2002	Increases	Decreases	Balance June 30, 2003	Due within One Year
County:					
Lease revenue bonds	\$ 1,975,000	\$ -	\$ 205,000	\$ 1,770,000	\$ 205,000
Note payable	94,729	-	31,577	63,152	31,576
Capital lease obligations	365,309	-	35,291	330,018	37,848
Accrued vacation and sick leave - noncurrent portion	346,004	27,236	-	373,240	-
General obligation bonds	2,628,690	-	374,195	2,254,495	375,645
Literary loans	700,000	-	100,000	600,000	100,000
Total County	<u>\$ 6,109,732</u>	<u>\$ 27,236</u>	<u>\$ 746,063</u>	<u>\$ 5,390,905</u>	<u>\$ 750,069</u>

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 8 - Long-term obligations (continued)

	Balance June 30, 2002	Increases	Decreases	Balance June 30, 2003	Due Within One Year
Component Unit - School Board:					
Capital lease obligations	\$ 490,965	\$ -	\$ 47,430	\$ 443,535	\$ 50,867
Accrued vacation and sick leave - noncurrent portion	265,631	25,525	-	291,156	-
Retirement incentive cost obligations	402,508	-	17,660	384,848	18,923
Total School Board	\$ 1,159,104	\$ 25,525	\$ 65,090	\$ 1,119,539	\$ 69,790

At June 30, 2003, the County has a note payable to Henrico County in the amount of \$63,152. This note relates to the County's portion of the construction costs for an addition to the regional jail located in New Kent County. Annual payments of \$31,576 are due on the note through 2005.

Bonds and loans payable at June 30, 2003 for the County is comprised of the following individual issues:

	Year Issued	Interest Rates	Amount Outstanding
County:			
General obligation bond:			
1997 Refunding	1997	4.20-5.65%	\$ 1,545,000
1995 School Bonds	1995	6.10-6.60%	1,044,495
1993 School Bonds	1993	7.10-7.50%	1,210,000
Lease revenue bond:			
Governmental Funds:			
1997 IDA HVAC	1997	4.70-5.25%	225,000
Literary Loan:			
1989 State Literary Loan			600,000
Total County bonds			\$ 4,624,495

The School Board has a retirement incentive obligation of \$384,850 as of June 30, 2003. This represents the amount to be paid to the Virginia Retirement System (VRS) for additional costs incurred due to eligible school employees electing early retirement. To be eligible members had to be at least 50 years of age by September 1, 1991 and have had at least 25 years of VRS service credit by that date.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 712,221	\$ 259,184
2005	733,763	217,469
2006	718,825	174,280
2007	530,567	139,046
2008	477,471	110,627
2009-2013	1,313,933	238,034
2014-2018	200,867	6,629
Total bonds and loans payable	\$ 4,687,647	\$ 1,145,269

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 9 - Defeased debt

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

At June 30, 2003 the balance due on the defeased bonds was \$1,545,000.

Note 10 - Obligations under capital leases

A summary of future minimum rental payments under capital leases of the County as of June 30, 2003 is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 37,848	\$ 22,835
2005	40,591	20,093
2006	43,532	17,151
2007	46,687	13,996
2008	50,070	10,613
2009-2013	111,291	10,078
Total	\$ 330,019	\$ 94,766

Note 11 - Equity balances

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

Primary Government:

General Fund

E911-Wireless	\$ 3,975
E911	204,420
Asset Forfeiture -Sheriff	16,415
Asset Forfeiture-Commonwealth Attorney	8,837
Clean County Committee / Litter Control	1,379

Total General Fund Designated Fund Balance \$ 235,026

Component Units:

School Board

Designated for future operations \$ 253,848

EDA

Designated for future economic development 140,094

Total Component Units \$ 393,942

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

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 12 – Conduit debt

The Economic Development Authority for New Kent County has issued industrial development revenue bonds pursuant to the Bond Purchase and Financing Agreement. All responsibility for the payment of this debt rests with the Borrower. The Economic Development Authority, as issuer, has no responsibility for the payment of this debt. Outstanding conduit debt obligations are as follows at June 30, 2003:

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

Note 13 - Defined benefit pension plan

A. Plan Description

The County contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees who retire with reduced benefit at age 55 (age 50 for participating law enforcement officers and firefighters) with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.5 percent of their average final salary (AFS) up to \$13,200 plus 1.65 percent of AFS over \$13,200 for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with 35 years or more of credited service are entitled to an annual benefit equal to 1.65 percent of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to VRS. The employer may assume this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. Contributions made by the County were 1.00% and contributions made by the School Board for non-professional employees were 9.28% of covered payrolls for the fiscal year ended 2003. Total employer contributions made to the VRS statewide teacher pool for professional employees by the School Board for fiscal years 2003, 2002 and 2001 amounted to \$814,437, \$314,019 and \$629,957, respectively, and represented 8.56%, 3.58% and 7.54%, respectively, of the current covered payroll.

C. Annual Pension Cost

For 2003, the County's annual pension cost of \$29,867 and the School Board's annual pension cost of \$65,963 for non-professional employees was equal to the County's and School Board's required actuarial contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4%. The actuarial value of the County's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market's value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

COUNTY OF NEW KENT, VIRGINIA

Notes to Financial Statements Year Ended June 30, 2003

Note 14 - Deferred compensation plan

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts deferred and all income attributable to those amounts, property or rights are held in trust for the participants.

Note 15 - Commitments and contingencies

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

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

Note 16 - Risk management

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial coverage for these risks of loss. Through this coverage, the County obtains general liability coverage of \$3,000,000 per occurrence, auto liability coverage of \$3,000,000 per occurrence, property coverage at functional replacement up to policy limits for real and personal property, workers' compensation up to the statutory limits, public officials/excess general liability of \$1,000,000 per occurrence and crime blanket coverage of \$250,000.

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Required Supplementary Information

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COUNTY OF NEW KENT, VIRGINIA

**Required Supplementary Information
Schedule of Funding Progress – Defined Benefit Plans
June 30, 2003**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Primary Government:						
June 30, 2000	\$ 6,234,079	\$ 4,779,634	\$ (1,454,445)	130.43%	\$ 2,659,843	(54.7%)
June 30, 2001	\$ 6,936,346	\$ 5,358,691	\$ (1,577,655)	129.44%	\$ 2,922,503	(54.0%)
June 30, 2002	\$ 7,249,123	\$ 6,158,740	\$ (1,090,383)	117.70%	\$ 3,105,178	(35.1%)
School Board - Component Unit:						
June 30, 2000	\$ 1,725,392	\$ 1,592,336	\$ (133,056)	108.36%	\$ 1,110,460	(11.98%)
June 30, 2001	\$ 1,995,829	\$ 1,784,432	\$ (211,397)	111.85%	\$ 1,210,657	(17.46%)
June 30, 2002	\$ 2,175,620	\$ 2,047,545	\$ (128,075)	106.26%	\$ 1,236,401	(10.36%)

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Combining and Individual Fund Statements and Schedules

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Human Services Fund
Airport Fund

DISCRETELY PRESENTED COMPONENT UNITS

School Board

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

School Operating Fund
School Cafeteria Fund

Economic Development Authority

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

COUNTY OF NEW KENT, VIRGINIA

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003**

	<u>Human Services Fund</u>	<u>Airport Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 25,559	\$ 25,559
Receivables	-	988	988
Prepaid assets	356	3,360	3,716
Due from other governmental units	107,436	-	107,436
Total assets	<u>\$ 107,792</u>	<u>\$ 29,907</u>	<u>\$ 137,699</u>
LIABILITIES			
Accounts payable	\$ 107,158	\$ 29,907	\$ 137,065
Due to other funds	634	-	634
Total liabilities	<u>107,792</u>	<u>29,907</u>	<u>137,699</u>
FUND EQUITY			
Fund balance:			
Unreserved:			
Undesignated	-	-	-
Total fund balances	-	-	-
Total liabilities and fund equity	<u>\$ 107,792</u>	<u>\$ 29,907</u>	<u>\$ 137,699</u>

COUNTY OF NEW KENT, VIRGINIA

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2003**

	<u>Human Services Fund</u>	<u>Airport Fund</u>	<u>Totals</u>
Revenues:			
Revenue from local sources:			
Charges for services	\$ -	\$ 128,259	\$ 128,259
Miscellaneous	7,193	-	7,193
Intergovernmental			
Commonwealth	355,793	19,545	375,338
Federal	37,555	-	37,555
Total revenues	<u>400,541</u>	<u>147,804</u>	<u>548,345</u>
Expenditures:			
Current:			
Health and welfare	751,125	-	751,125
Public works	-	187,969	187,969
Total expenditures	<u>751,125</u>	<u>187,969</u>	<u>939,094</u>
Excess (deficiency) of revenues over expenditures	<u>(350,584)</u>	<u>(40,165)</u>	<u>(390,749)</u>
Other financing sources:			
Transfers in	<u>350,584</u>	<u>40,165</u>	<u>390,749</u>
Total other financing sources	<u>350,584</u>	<u>40,165</u>	<u>390,749</u>
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF NEW KENT, VIRGINIA

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2003

	HUMAN SERVICES FUND			Variance With Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Revenue from local sources:				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	14,693	14,693	7,193	(7,500)
Revenue from the Commonwealth:				
Comprehensive Services Act Grants	304,395	346,867	355,793	8,926
Other categorical aid	-	-	-	-
Revenue from the Federal Government				
Other categorical aid	53,534	53,534	37,555	(15,979)
Total revenue	372,622	415,094	400,541	(14,553)
Expenditures:				
Current:				
Health and welfare				
Welfare/Social services -				
Comprehensive Services Act	688,456	819,349	751,125	68,224
Public works				
Salaries	-	-	-	-
Repairs and maintenance	-	-	-	-
Electricity	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	688,456	819,349	751,125	68,224
Excess (deficiency) of revenues over expenditures	(315,834)	(404,255)	(350,584)	53,671
Other financing sources (uses):				
Operating transfers in	315,834	404,255	350,584	(53,671)
Total other financing sources (uses)	315,834	404,255	350,584	(53,671)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	-	-
Fund balances at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

AIRPORT FUND				TOTAL			
Budgeted Amounts		Actual	Variance With Final Positive (Negative)	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 125,864	\$ 155,864	\$ 128,259	\$ (27,605)	\$ 125,864	\$ 155,864	\$ 128,259	\$ (27,605)
-	-	-	-	14,693	14,693	7,193	(7,500)
-	-	-	-	304,395	346,867	355,793	8,926
175,850	209,420	19,545	(189,875)	175,850	209,420	19,545	(189,875)
-	-	-	-	53,534	53,534	37,555	(15,979)
301,714	365,284	147,804	(217,480)	674,336	780,378	548,345	(232,033)
-	-	-	-	688,456	819,349	751,125	68,224
53,878	53,878	47,926	5,952	53,878	53,878	47,926	5,952
10,800	11,438	5,235	6,203	10,800	11,438	5,235	6,203
5,100	5,100	5,645	(545)	5,100	5,100	5,645	(545)
268,440	346,204	129,163	217,041	268,440	346,204	129,163	217,041
338,218	416,620	187,969	228,651	1,026,674	1,235,969	939,094	296,875
(36,504)	(51,336)	(40,165)	11,171	(352,338)	(455,591)	(390,749)	64,842
36,504	51,336	40,165	(11,171)	352,338	455,591	390,749	(64,842)
36,504	51,336	40,165	(11,171)	352,338	455,591	390,749	(64,842)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues:				
Revenues from the use of money and property	\$ -	\$ -	\$ 149	\$ 149
Miscellaneous	(464,000)	(464,000)	59,655	523,655
Intergovernmental:				
Commonwealth	250,000	250,000	-	(250,000)
Total revenue	(214,000)	(214,000)	59,804	273,804
Expenditures:				
Capital projects:				
General government and administration	1,625,639	1,625,639	245,083	(1,380,556)
Public safety	2,373,182	2,373,182	1,782,101	(591,081)
Public works	82,840	82,840	73,967	(8,873)
Education	250,000	250,000	533,526	283,526
Parks, recreation and culture	91,241	91,241	54,065	(37,176)
Total expenditures	4,422,902	4,422,902	2,688,742	(1,734,160)
Excess (deficiency) of revenues over expenditures	(4,636,902)	(4,636,902)	(2,628,938)	2,007,964
Other financing sources (uses):				
Operating transfers in (out)	(4,636,902)	(4,636,902)	2,029,994	2,029,994
Total other financing sources (uses)	(4,636,902)	(4,636,902)	2,029,994	2,029,994
Excess (deficiency) of revenues & other sources over expenditures & other uses	-	-	(598,944)	(598,944)
Fund balances at beginning of year	-	-	8,626,612	8,626,612
Fund balance at end of year	\$ -	\$ -	\$ 8,027,668	\$ 8,027,668

COUNTY OF NEW KENT, VIRGINIA

Combining Balance Sheet

Fiduciary Funds

June 30, 2003

	<u>Agency Funds</u>		
	Special Welfare Fund	Deferred Compensation Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 9,563	\$ -	\$ 9,563
Restricted cash	-	464,348	464,348
Due from the State	270	-	270
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 9,833</u>	<u>\$ 464,348</u>	<u>\$ 474,181</u>
LIABILITIES			
Amounts held for social service clients	\$ 9,833	\$ -	\$ 9,833
Deferred compensation payable	-	464,348	464,348
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 9,833</u>	<u>\$ 464,348</u>	<u>\$ 474,181</u>

COUNTY OF NEW KENT, VIRGINIA

**Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended June 30, 2003**

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Special Welfare Fund:				
Asset:				
Cash and cash equivalents	\$ 8,750	\$ 813	\$ -	\$ 9,563
Due from state	2,378	-	2,108	270
	<u>\$ 11,128</u>	<u>\$ 813</u>	<u>\$ 2,108</u>	<u>\$ 9,833</u>
Liability:				
Amounts held for social service clients	<u>\$ 11,128</u>	<u>\$ -</u>	<u>\$ 1,295</u>	<u>\$ 9,833</u>
Deferred Compensation Fund:				
Asset:				
Cash and cash equivalents	<u>\$ 380,673</u>	<u>\$ 83,675</u>	<u>\$ -</u>	<u>\$ 464,348</u>
Liability:				
Deferred compensation payable	<u>\$ 380,673</u>	<u>\$ 83,675</u>	<u>\$ -</u>	<u>\$ 464,348</u>

COUNTY OF NEW KENT, VIRGINIA

Balance Sheet

Discretely Presented Component Unit-School Board

June 30, 2003

	Governmental Funds			Totals
	Nonmajor			
	School Fund	School Cafeteria Fund	School Capital Projects	
ASSETS AND OTHER DEBITS				
Cash and cash equivalents	\$ 453,528	\$ 24,967	\$ 125,976	\$ 604,471
Cash held by others	-	123,058	-	123,058
Due from other governmental units	545,747	8,167	-	553,914
Accounts Receivable	1,090	-	-	1,090
Total assets	\$ 1,000,365	\$ 156,192	\$ 125,976	\$ 1,282,533
LIABILITIES				
Liabilities:				
Accounts payable	\$ 49,091	\$ -	\$ -	\$ 49,091
Accrued Expenses	951,274	28,320	-	979,594
Total liabilities	1,000,365	28,320	-	1,028,685
FUND EQUITY				
Fund equity:				
Fund balance:				
Designated:				
School capital projects	-	-	125,976	125,976
School food operations	-	127,872	-	127,872
Total fund equity	-	127,872	125,976	253,848
Total liabilities and fund equity	\$ 1,000,365	\$ 156,192	\$ 125,976	\$ 1,282,533

COUNTY OF NEW KENT, VIRGINIA

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

June 30, 2003

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

Ending fund balance		\$	253,848
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, not being depreciated:			
Land	\$	694,500	
Capital assets, being depreciated:			
Buildings and improvements		10,487,116	
Machinery and equipment		<u>2,915,115</u>	
Total capital assets		14,096,731	
Less accumulated depreciation		<u>(7,596,763)</u>	6,499,968
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
VRS early retirement	\$	384,848	
Capital lease obligations		443,535	
Compensated absences		<u>291,156</u>	
Total long-term liabilities			<u>(1,119,539)</u>
Net assets of governmental activities		\$	<u><u>5,634,277</u></u>

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balances
Discretely Presented Component Unit - School Board
Year Ended June 30, 2003**

	Governmental Fund Types			Totals
	School Operating Fund	Nonmajor		
		School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Charges for services	\$ 82,336	\$ 432,505	\$ -	\$ 514,841
Miscellaneous	9,325	30,293	-	39,618
Intergovernmental:				
Commonwealth	8,991,865	9,304	-	9,001,169
Federal	772,263	114,532	-	886,795
Total revenue	<u>9,855,789</u>	<u>586,634</u>	<u>-</u>	<u>10,442,423</u>
Expenditures:				
Current:				
Education	16,113,592	547,163	-	16,660,755
Debt service:				
Principal retirement	491,855	-	-	491,855
Interest and other fiscal charges	306,979	-	-	306,979
Total expenditures	<u>16,912,426</u>	<u>547,163</u>	<u>-</u>	<u>17,459,589</u>
Excess (deficiency) of revenues over expenditures	<u>(7,056,637)</u>	<u>39,471</u>	<u>-</u>	<u>(7,017,166)</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>7,056,637</u>	<u>-</u>	<u>-</u>	<u>7,056,637</u>
Total other financing sources (uses)	<u>7,056,637</u>	<u>-</u>	<u>-</u>	<u>7,056,637</u>
Excess (deficiency) of revenues & other sources over expenditures & other uses	<u>-</u>	<u>39,471</u>	<u>-</u>	<u>39,471</u>
Fund balances at beginning of year	<u>-</u>	<u>88,401</u>	<u>125,976</u>	<u>214,377</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 127,872</u>	<u>\$ 125,976</u>	<u>\$ 253,848</u>

COUNTY OF NEW KENT, VIRGINIA

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Discretely Presented School Board Component Unit to the
Statement of Activities
Year Ended June 30, 2003**

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

Net change in fund balance \$ 39,471

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	\$ 344,795	
Depreciation expense	<u>(425,412)</u>	(80,617)

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.

Principal payment of bonds and notes payable	\$ 474,195	
Payment of early retirement incentive program	17,660	
Principal payment of capital leases	<u>47,430</u>	539,285

Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they mature. In the statement of activities, they are reported as expenses and liabilities as they accrue.

Compensated absences	<u>(25,525)</u>
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Change in net assets of governmental activities	<u><u>\$ 472,614</u></u>
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COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Year Ended June 30, 2003**

	School Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Budget		
Revenues:				
Charges for services	\$ 57,750	\$ 109,750	\$ 82,336	\$ (27,414)
Miscellaneous	500	500	9,325	8,825
Intergovernmental:				
Commonwealth	8,728,574	9,105,254	8,991,865	(113,389)
Federal	622,600	783,398	772,263	(11,135)
Total revenue	9,409,424	9,998,902	9,855,789	(143,113)
Expenditures:				
Current:				
Education	16,105,565	16,714,678	16,113,592	601,086
Debt service:				
Principal retirement	491,855	491,855	491,855	-
Interest and other fiscal charges	300,836	300,836	306,979	(6,143)
Total expenditures	16,898,256	17,507,369	16,912,426	594,943
Excess (deficiency) of revenues over expenditures	(7,488,832)	(7,508,467)	(7,056,637)	451,830
Other financing sources (uses):				
Operating transfers in	7,488,832	7,508,467	7,056,637	(451,830)
Total other financing sources (uses)	7,488,832	7,508,467	7,056,637	(451,830)
Excess (deficiency) of revenues & other sources over expenditures & other uses	-	-	-	-
Fund balances at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				Totals			
Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
Original	Budget			Original	Budget		
\$ -	\$ -	\$ 432,505	\$ 432,505	\$ 57,750	\$ 109,750	\$ 514,841	\$ 405,091
277,760	277,760	30,293	(247,467)	278,260	278,260	39,618	(238,642)
9,542	9,542	9,304	(238)	8,738,116	9,114,796	9,001,169	(113,627)
132,000	132,000	114,532	(17,468)	754,600	915,398	886,795	(28,603)
419,302	419,302	586,634	167,332	9,828,726	10,418,204	10,442,423	24,219
419,302	419,302	547,163	(127,861)	16,524,867	17,133,980	16,660,755	473,225
-	-	-	-	491,855	491,855	491,855	-
-	-	-	-	300,836	300,836	306,979	(6,143)
419,302	419,302	547,163	(127,861)	17,317,558	17,926,671	17,459,589	467,082
-	-	39,471	39,471	(7,488,832)	(7,508,467)	(7,017,166)	491,301
-	-	-	-	7,488,832	7,508,467	7,056,637	(451,830)
-	-	-	-	7,488,832	7,508,467	7,056,637	(451,830)
-	-	39,471	39,471	-	-	39,471	39,471
-	-	88,401	88,401	-	-	88,401	88,401
\$ -	\$ -	\$ 127,872	\$ 127,872	\$ -	\$ -	\$ 127,872	\$ 127,872

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in
Fund Balance - School Operating Fund - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Charges for services:				
Charges for education	\$ 57,750	\$ 109,750	\$ 82,336	\$ (27,414)
Miscellaneous revenue:				
Miscellaneous	500	500	9,325	8,825
Total revenue from local sources	58,250	110,250	91,661	(18,589)
Revenue from the Commonwealth:				
Categorical aid:				
Share of State sales tax	1,654,981	1,671,534	1,658,248	(13,286)
Basic school aid	4,853,132	5,037,609	5,035,554	(2,055)
Regular foster care	16,815	16,815	15,696	(1,119)
Gifted and talented	49,740	51,425	51,425	-
Remedial education	66,320	68,567	68,567	-
Special education	834,273	864,161	866,167	2,006
Textbook payments	104,122	107,651	107,651	-
Vocational education	46,042	47,415	47,383	(32)
Retiree health care	1,454	1,454	-	(1,454)
Adult education	-	-	8,114	8,114
Remedial summer school	27,090	27,295	27,295	-
Teacher incentive	-	-	3,133	3,133
At risk payments	16,775	17,351	17,351	-
Fringe benefits	423,579	436,653	439,974	3,321
Technology	154,000	238,571	-	(238,571)
Lottery proceeds	279,344	316,767	350,250	33,483
Early reading intervention	16,989	15,573	15,573	-
School report cards	-	-	-	-
SOL algebra readiness	17,456	15,963	15,963	-
Technology resource asst.	15,031	15,031	15,031	-
School construction receipts	129,620	129,458	129,458	-
Other	-	4,150	8,664	4,514
GED funding	7,859	7,859	-	(7,859)
Remediation	13,952	13,952	13,952	-
VPSA Education Tech Grant	-	-	96,416	96,416
Total revenue from the Commonwealth	8,728,574	9,105,254	8,991,865	(113,389)
Revenue from the Federal Government:				
Categorical aid:				
Adult basic education	12,500	19,323	11,973	(7,350)
Title I	105,000	146,181	144,172	(2,009)

COUNTY OF NEW KENT, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in
Fund Balance - School Operating Fund - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenue from the Federal Government (Continued):				
Title II - EESA(Eisenhower grant)	\$ 16,000	\$ 63,311	\$ 67,288	\$ 3,977
Special interpreter training	2,600	2,600	-	(2,600)
Sliver grant	44,000	33,086	-	(33,086)
Title VIB	320,000	393,701	409,619	15,918
Head start/even start	57,000	57,720	57,769	49
Vocational education	24,000	26,471	24,224	(2,247)
Technology literacy challenge	-	5,680	3,996	(1,684)
Drug alcohol prevention program	12,500	8,861	-	(8,861)
Preschool	18,000	16,737	17,240	503
Special education preschool	-	-	9,759	9,759
School to work	-	-	16,820	16,820
Title VI	11,000	9,727	9,403	(324)
Total revenue from the Federal Government	622,600	783,398	772,263	(11,135)
Total revenues	9,409,424	9,998,902	9,855,789	(143,113)
Expenditures:				
Education:				
Administration, attendance and health	1,118,889	1,150,698	1,126,307	24,391
Instruction	12,208,941	12,801,185	12,195,361	605,824
Transportation	1,247,776	1,236,800	1,274,101	(37,301)
Operation and maintenance	1,529,959	1,525,995	1,517,823	8,172
Total education	16,105,565	16,714,678	16,113,592	601,086
Debt Service:				
Principal	491,855	491,855	491,855	-
Interest and fiscal charges	300,836	300,836	306,979	(6,143)
Total debt service	792,691	792,691	798,834	(6,143)
Total expenditures	16,898,256	17,507,369	16,912,426	594,943
Total revenues over expenditures	(7,488,832)	(7,508,467)	(7,056,637)	451,830
Other financing sources (uses) -				
Transfers from primary government	7,488,832	7,508,467	7,056,637	(451,830)
Revenues and other financing sources sources over (under) expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

COUNTY OF NEW KENT, VIRGINIA

Discretely Presented Component Unit-

Economic Development Authority

Balance Sheet

June 30, 2003

ASSETS AND OTHER DEBITS

Cash and cash equivalents	\$ 144,057
Accounts Receivable	<u>3,229</u>
Total assets	<u>\$ 147,286</u>

LIABILITIES

Liabilities:	
Accounts payable	\$ <u>7,192</u>
Total liabilities	<u>7,192</u>

FUND EQUITY

Fund equity:	
Fund balance:	
Unreserved	
Designated	<u>140,094</u>
Total fund equity	<u>140,094</u>
Total liabilities and fund equity	<u>\$ 147,286</u>

COUNTY OF NEW KENT, VIRGINIA

**Reconciliation of the Balance Sheet of the Discretely Presented Economic Development Authority
Component Unit to the Statement of Net Assets
June 30, 2003**

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

Ending fund balance		\$	140,094
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Machinery and equipment	\$	<u>100,000</u>	
Less accumulated depreciation		<u>(13,334)</u>	<u>86,666</u>
Net assets of governmental activities		\$	<u><u>226,760</u></u>

COUNTY OF NEW KENT, VIRGINIA

Discretely Presented Component Unit - Economic Development Authority

Statement of Revenues, Expenditures

and Changes in Fund Balance

Year Ended June 30, 2003

Revenues:	
Charges for services	\$ 38,754
Revenue from use of money and property	74,231
 Total revenue	 <u>112,985</u>
 Expenditures:	
Current:	
Community development	102,174
 Total expenditures	 <u>102,174</u>
 Excess (deficiency) of revenues over expenditures	 <u>10,811</u>
 Fund balances at beginning of year	 <u>129,283</u>
 Fund balance at end of year	 <u><u>\$ 140,094</u></u>

COUNTY OF NEW KENT, VIRGINIA

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Discretely Presented Economic Development Authority
Component Unit to the Statement of Activities
Year Ended June 30, 2003**

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

Net change in fund balance \$ 10,811

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	\$ (5,000)	
Depreciation expense	<u>(1,667)</u>	<u>(6,667)</u>

Change in net assets of governmental activities \$ 4,144

COUNTY OF NEW KENT, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Department of Agriculture:			
Pass Through Payments:			
Department of Social Services:			
State administrative matching grants for food stamp program	10.561	46003	\$ 77,261
Department of Agriculture and Consumer Services:			
National school breakfast program	10.553	45707	15,163
National school lunch program	10.555	45707	99,368
Commodities - Schools (NOTE B)	10.555	45707	29,022
Federal Emergency Management Agency:			
Department of Emergency Management:			
Pass Through Payments:			
State Domestic Preparedness Equipment Support	16.007	72209	30,540
Emergency management and response	83.552	72209	42,525
Chesapeake Bay Local Assistance:	11.419	50316	39,062
Department of Justice			
Direct Payments:			
Public Safety Partnership & Community Policing			
COPS Grant	16.710	N/A	36,574
Universal Hiring	16.710	N/A	9,510
Pass Through Payments:			
Department of Criminal Justice Services:			
Comprehensive Mentoring	16.548	39001	37,555
Victim Witness Assistance	16.575	39001	39,397
Local Law Enforcement Grant	16.592	39001	7,508
Violence against women grants	16.588	39001	13,898
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Temporary assistance to needy families	93.558	46210	56,351
Refugee and entrant assistance - state administered program	93.566	46003	89
Low income home energy assistance	93.568	45206	1,641
Payments to states for child care assistance	93.575	49003	70,488
Child care and development	93.596	49010	42,617
Foster care - Title IV-E	93.658	45301	100,645
Adoption assistance	93.659	45303	9,608
Social services block grant	93.667	49005	54,626
Total Independent Living	93.674	45301	1,105
Medical assistance program (Title XIX)	93.778	46003	47,183
Family preservation and support services	93.556	45301	14,481

COUNTY OF NEW KENT, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
School to Work Program	17.261	17103	\$ 16,820
Department of Education			
Education Consolidation and Improvement Act of 1981:			
Title I grants to local educational agencies	84.010	17101	144,172
Title VI-Instructional Materials	84.298	17101	9,403
Elementary and secondary education act (ESEA):			
Title VI-B:			
Special education - grants to states	84.027	17102	406,350
Vocational Education	84.048	17103	24,224
Special education - preschool grants	84.173	17102	20,509
Eisenhower mathematics and science education - state grants	84.281	56045	12,711
Title II - Teacher QUA	84.367	56045	54,577
Drug free schools	84.186	17105	9,759
Literacy challenge grant	84.318	17518	3,996
Department of Housing & Community Development:			
Pass Through Payments:			
Department of Community Development			
Community Development Block Grants - Road Infrastructure	14.228	53305	99,910
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Child Passenger Protection	20.000	60507	500
Repeat Intoxicated Drivers	20.000	60507	13,500
Occupant Protection	20.602	60507	489
State and community highway safety grant	20.600	60507	6,000
Totals			\$ 1,699,137

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A-BASIS OF ACCOUNTING

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

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STATISTICAL SECTION

COUNTY OF NEW KENT, VIRGINIA

Table 1

Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	Revenue from Use of Money and Property										Inter-governmental	Total
	General Property Taxes	Other Local Taxes	Permits Fees and Licenses	Fines and Forfeitures	Charges for Services	Miscellaneous	Recovered Costs	Off-Track Betting Proceeds	Capital Projects (2)	Debt Service		
2003 \$	10,287,896	2,410,149	426,524	98,588	233,279	176,233	3,475	583,260	2,688,742	1,208,766	14,541,807	\$ 28,886,494
2002	11,634,193	2,239,287	298,615	91,536	358,395	96,883	16,046	616,167	1,156,145	895,767	12,368,869	27,990,116
2001	9,524,923	2,103,123	222,989	84,153	699,421	409,326	4,129	555,087	1,464,633	1,535,122	12,610,349	26,420,840
2000	9,255,094	1,873,449	153,795	82,660	644,453	427,139	634	536,681	961,553	1,400,722	11,447,533	24,593,733
1999	9,476,104	1,772,338	161,980	66,575	492,616	728,197	16,737	535,454	485,462	1,428,231	10,148,534	23,537,102
1998	9,096,626	1,811,895	137,033	87,938	366,317	719,486	13,769	527,713	382,725	1,098,881	9,979,777	22,885,234
1997	8,281,055	1,592,757	193,375	141,079	204,150	1,462,330	120,605	283,741	297,774	9,903,160	9,903,160	22,545,954
1996	7,110,920	1,270,703	139,671	78,572	158,823	1,512,435	77,894	-	-	8,190,088	8,190,088	18,857,806
1995	6,727,803	1,290,876	145,682	52,281	88,046	1,013,673	91,085	-	-	7,463,738	7,463,738	17,197,086
1994	6,612,057	1,162,226	115,027	35,143	211,605	223,937	79,825	-	-	7,193,949	7,193,949	15,938,701

Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	Community Development										Debt Service	Total
	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Development	Capital Projects (2)	Debt Service		
2003 \$	1,695,880	484,227	3,258,851	1,322,235	1,782,126	16,664,095	98,811	820,170	2,688,742	1,208,766	30,023,903	
2002	1,599,955	494,673	3,032,609	1,368,956	1,405,973	15,477,363	90,350	1,001,532	1,156,145	895,767	26,523,323	
2001	1,381,150	410,121	2,736,486	1,251,745	1,405,173	14,468,974	75,240	548,715	1,464,633	1,535,122	25,277,359	
2000	1,342,442	290,444	2,422,715	1,251,085	1,164,501	13,670,040	69,125	382,725	961,553	1,400,722	22,955,383	
1999	1,353,007	303,589	2,191,728	1,091,958	1,063,789	12,808,436	58,764	297,774	485,462	1,428,231	21,082,738	
1998	1,152,646	272,686	1,991,509	1,529,817	1,229,111	11,855,148	52,628	377,723	1,037,076	1,664,710	21,163,054	
1997	1,058,412	235,750	1,801,137	1,730,912	1,328,669	11,906,366	46,920	278,109	1,381,583	1,124,617	20,892,475	
1996	1,077,804	258,371	1,563,539	930,426	1,109,756	11,197,708	42,550	310,890	3,046,923	1,098,881	20,636,848	
1995	1,134,821	173,571	1,441,799	1,123,648	1,032,071	11,030,034	34,704	232,371	1,173,578	1,132,799	18,509,196	
1994	771,351	195,819	1,311,023	718,572	849,191	10,346,401	32,184	358,909	2,379,112	1,092,983	18,055,545	
1993	770,004	170,816	1,293,823	648,347	528,099	9,737,512	29,703	412,458	318,949	1,058,529	14,968,240	

Notes:

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

(2) Includes \$483,125 in contingencies in fiscal year 1996.

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Current Tax Collections (2)	Percent of Levy Collected	Delinquent (1) Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent to Tax Levy
2003	12,146,124	11,304,708	93.07%	240,914	11,545,622	95.06%	982,541	8.09%
2002	11,680,812	11,289,556	96.65%	161,364	11,450,920	98.03%	928,116	7.95%
2001	10,722,708	10,374,028	96.75%	103,696	10,477,724	97.72%	982,396	9.16%
2000	9,779,374	9,324,260	95.35%	357,650	9,681,910	99.00%	824,516	8.43%
1999	9,498,404	9,050,882	95.29%	241,458	9,292,340	97.83%	888,346	9.35%
1998	8,885,201	8,599,187	96.78%	359,369	8,958,556	100.83%	786,424	8.85%
1997	8,368,083	8,060,349	96.32%	115,103	8,175,452	97.70%	504,277	6.03%
1996	7,028,001	6,854,578	97.53%	127,611	6,982,189	99.35%	725,091	10.32%
1995	6,669,210	6,292,961	94.36%	365,817	6,658,778	99.84%	787,820	11.81%
1994	6,453,717	6,231,827	96.56%	237,916	6,469,743	100.25%	712,493	11.04%
1993	6,193,054	6,152,180	99.34%	137,084	6,289,264	101.55%	764,750	12.35%

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

COUNTY OF NEW KENT, VIRGINIA

Table 4

**Assessed Valuation of All Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property (1)	Machinery & Tools	Aircraft	Public Utility	Total
					Real Estate	
2003	1,006,276,490	99,611,366	38,188	719,600	66,114,328	1,172,759,972
2002	959,690,495	103,628,115	38,188	719,600	60,897,685	1,124,974,083
2001	923,131,600	97,584,495	3,500	778,020	66,391,934	1,087,889,549
2000	770,996,180	82,268,688	6,825	745,800	51,888,375	905,905,868
1999	753,558,414	77,092,154	2,126,646	455,800	52,605,279	885,838,293
1998	691,584,608	72,004,102	1,845,708	443,525	51,812,599	817,690,542
1997	661,691,461	66,849,438	2,488,885	382,280	53,260,526	784,672,590
1996	562,050,303	56,406,047	2,308,027	379,375	41,390,098	662,533,850
1995	547,230,700	47,271,066	2,645,497	475,600	41,687,494	639,310,357
1994	537,429,128	46,992,986	2,310,759	378,100	40,155,570	627,266,543
1993	525,361,396	44,884,459	2,469,800	533,200	33,676,010	606,924,865

(1) Includes mobile homes

**Property Tax Rates
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property (1)</u>	<u>Machinery & Tools</u>	<u>Aircraft</u>	<u>Public Service</u>
2003	0.79	3.75	3.00	0.50	0.79
2002	0.77	3.75	3.00	0.50	0.77
2001	0.72	3.75	3.00	1.25	0.72
2000	0.82	3.75	3.00	1.25	0.82
1999	0.82	3.75	3.00	1.25	0.82
1998	0.82	3.75	3.00	1.25	0.82
1997	0.82	3.75	3.00	1.25	0.82
1996	0.82	3.50	3.50	1.25	0.82
1995	0.82	3.50	3.50	1.25	0.82
1994	0.82	3.50	3.50	1.25	0.82
1993	0.74	3.50	3.50	1.25	0.74

(1) Per \$100 of assessed value

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt Assessed Value	Net Bonded Debt per Capita
2003	13,462	1,172,759,972	4,644,843	0.0040	345
2002	13,462	1,124,974,083	5,303,690	0.0047	394
2001	13,462	1,087,889,549	5,864,333	0.0054	436
2000	10,445	905,905,868	6,520,881	0.0072	624
1999	10,445	885,838,293	7,268,409	0.0082	696
1998	10,445	817,690,542	8,002,613	0.0098	766
1997	10,445	784,672,590	7,880,748	0.0100	754
1996	10,445	662,533,850	8,437,902	0.0127	808
1995	10,445	639,310,357	9,026,256	0.0141	864
1994	10,445	627,266,543	10,018,325	0.0160	959
1993	10,445	606,924,865	7,868,382	0.0130	753

(1) Bureau of the Census.

(2) From Table 4

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
2003	763,722	445,044	1,208,766	27,481,757	4.40%
2002	559,313	336,454	895,767	25,367,178	3.53%
2001	851,053	494,586	1,345,639	23,812,726	5.65%
2000	850,330	531,755	1,382,085	21,993,830	6.28%
1999	945,211	483,020	1,428,231	20,597,276	6.93%
1998	940,884	596,774	1,537,658	20,125,978	7.64%
1997	557,154	567,463	1,124,617	19,510,892	5.76%
1996	637,647	461,234	1,098,881	17,589,925	6.25%
1995	632,758	500,041	1,132,799	17,335,618	6.53%
1994	570,057	522,926	1,092,983	15,676,433	6.97%
1993	529,553	528,976	1,058,529	14,649,291	7.23%

(1) Includes general and special revenue funds, and component unit School Board.

(2) From Table 2, less capital projects expenditures.

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COMPLIANCE AND SINGLE AUDIT SECTION

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**Independent Auditors' Report on Compliance and on Internal
Control over Financial Reporting in Accordance with
*Government Auditing Standards***

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

We have audited the financial statements of the County of New Kent as of and for the year ended June 30, 2003, and have issued our report thereon dated November 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of New Kent's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of New Kent's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the County in a separate letter dated November 22, 2003.

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

Cherry Bekaert & Holland, L.P.

Richmond, Virginia
November 22, 2003



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

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

Compliance

We have audited the compliance of the County of New Kent with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County of New Kent's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of New Kent's management. Our responsibility is to express an opinion on the County of New Kent's compliance based on our audit.

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

In our opinion, the County of New Kent complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

Cherry, R. Kent & Holland, J.S.P.

Richmond, Virginia
November 22, 2003

COUNTY OF NEW KENT, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2003**

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the County of New Kent.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the County of New Kent were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the County of New Kent expresses an unqualified opinion.
6. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
CDBG	14.228
School Food	10.553, 10.555
Special Education – Grants to States	84.027
Title I	84.010
Childcare development block grant	93.575, 93.596

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The County of New Kent was not determined to be a low risk auditee.

B. Findings - Financial Statement Audit

None

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

None