

COUNTY OF CAROLINE, VIRGINIA
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Discretely Presented Component Unit-Caroline County School Board
To the Statement of Activities
For The Fiscal Year Ended June 30, 2007

The amount reported as the Change in Net Assets for Component Unit-School Board in the Statement of Activities is different than the amount reported as the change in Fund Balance in the Combining Statement of Revenues, Expenditures and Changes in Fund Balance-Discretely Presented Component Unit-Caroline County School Board because:

Total Change in Fund Balance as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Discretely Presented Component Unit-Caroline County School Board	\$	494,468
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded asset disposals and the recognition of depreciation expense in the current period are reconciling differences:

Capital Outlays	\$ 1,215,011		
Depreciation Expense	<u>(466,616)</u>		748,395

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. In addition, long-term debt issued by the primary government to acquire component unit assets is reported as a primary government net asset liability. Following are the adjustments necessary to reconcile these differences in the treatment of long-term debt and related items.

Issuance of capital lease	\$ (860,704)		
Principal retired on capital leases	64,720		
Increase in compensated absences	<u>(13,412)</u>		<u>(809,396)</u>

Change in Net Assets-Component Unit-School Board as shown on the Statement of Activities	\$	<u>433,467</u>
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