

COUNTY OF CAROLINE, VIRGINIA
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For The Fiscal Year Ended June 30, 2007

The amount reported as the Change in Net Assets for Governmental Activities in the Statement of Activities is different than the amount reported as the change in Fund Balance in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance because:

Total Change in Fund Balance as shown on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ (10,342,472)
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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	\$ 12,826,842	
Depreciation Expense	<u>(1,394,420)</u>	11,432,422

The County's Vehicle Maintenance Internal Service Fund primarily serves governmental activities and has, therefore, been combined with governmental activities in the Statement of Activities.	(12,235)
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Revenues in the Statement of Activities that do not provide current financial resources are deferred in the Governmental Funds.	(127,414)
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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. Following are the adjustments necessary to reconcile these differences in the treatment of long-term debt and related items.

Decrease in long term liability payable to Caroline County Utility Fund	\$ 85,000	
Issuance of long term debt	(1,600,000)	
Initial payment on new capital lease	64,759	
Principal retired on long term debt	1,851,452	
(Increase) decrease in accrued interest payable	20,354	
Increase of landfill post closure liability	(127,653)	
Increase in compensated absences	<u>(1,241)</u>	<u>292,671</u>

Total Change in Net Assets-Governmental Activities as shown on the Statement of Activities	\$ <u>1,242,972</u>
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The independent auditors' report and accompanying notes to the financial statements are an integral part of this statement.