



**Caroline County, Virginia
Fiscal Year 2007-2008 Adopted Budget**

Debt Financing

While not actually considered revenue, debt financing, or borrowing, is used from time to time as an additional source of funding for County expenditures. Generally debt will be used to finance the acquisition or construction of major equipment items or infrastructure assets, such as public buildings, parks, or water and sewer lines. Borrowing will be used as an alternative or supplement to setting aside reserves from current revenues until a sufficient amount is available for the needed assets. For a debt issue, the borrowed funds are repaid using future revenues over periods that may range from 5 to 30 years.

Local governments are empowered to incur debt by their State government and, in Virginia, they may only do so within limits specified by the General Assembly. Statutory provisions related to incurring debt, because they frequently involve a long term commitment of public funds, carry great weight and must be followed precisely for the debt to be valid. The interest earned on local government debt is generally exempt from federal income taxation and, as a result, local debt issues are subject to detailed federal tax regulation as well.

Caroline County had a total of \$44,814,374 in debt outstanding as of June 30, 2006, the end of the County's most recent fiscal year. The County's debt is of two primary types: bonded debt or notes involving a commitment of a specific revenue source or of the general taxing power of the County; lease-purchase agreements for vehicles or equipment which essentially amount to installment purchase contracts requiring ongoing monthly or annual payments until the agreed purchase price plus financing cost is paid. The County has also borrowed funds from intergovernmental sources at very favorable interest rates for utility system improvements and financed the cost of a school retirement program over a 15 year period. Following is a summary of the debt issues Caroline County currently has outstanding and the balances still to be repaid as of June 30, 2006:

General County Purposes:	
Industrial Development Authority Revenue Bonds and Notes	\$ 20,323,278
Equipment Lease-Purchase	619,191
School Purposes:	
County General Obligation Bonds	4,798,166
Lease-Purchase Financing of School Buses and Other Equipment	134,890
Financing of Retirement Incentive Costs	1,063,892
Utility System Purposes:	
Water and Sewer Revenue Bonds	17,857,831
Milford Sanitary District Farmers Home Administration Loan	<u>17,126</u>
Total Due As of June 30, 2006	<u>\$ 44,814,374</u>