

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2006

NOTE 18-FUND BALANCE/RETAINED EARNINGS DEFICIT

The Caroline County Utility Enterprise Fund has not realized sufficient revenues to completely offset costs and deficits in retained earnings carried over from prior years. Deficit retained earnings in the Caroline County Utility Fund equals \$778,404. Management anticipates that future increases in system charges and in the number of customers served by the system will alleviate this imbalance in the next few years.

The County Comprehensive Services Act Fund had a deficit fund balance, as of June 30, 2006, of \$40,177. This deficit balance is the result of unusual and unexpected expenditures during the prior fiscal year. It is expected that adjustments to expenditures and/or transfers will be made during the following fiscal year to fully resolve the problem.

The County Housing Fund was created within the past year to account for the County's activities to rehabilitate housing for residents of the Dawn community in connection with the installation of a new sewer system in the area. Creation of the Fund and proper accounting for expenditures of the rehabilitation program have resulted in a deficit fund balance in the Fund of \$40,949 as of June 30, 2006. This deficit is expected to be resolved in the next year through claims for additional grant funding or County General Fund transfers.

NOTE 19-RESERVED AND DESIGNATED FUND EQUITY

The County's long term debt obligations require that certain assets be reserved for the payment of debt service and capital expenditures associated with the debt issued. The reserved portions of fund equity are as follows:

Primary Government:

Reserved Fund Balance:

Capital Project Fund – Reserved For Capital Purposes	\$14,402,870
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Reserved Retained Earnings:

Caroline County Utility Enterprise Fund – Reserved For Debt Service	1,578,500
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The County has also designated certain portions of fund equity for specific purposes as follows:

Primary Government

Designated Fund Balance:

General Fund – Designated For Maintenance and Replacement	\$ 291,000
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Component Unit:

Designated Fund Balance:

School Grant Fund – Designated For Specific School Programs	246,449
School Capital Projects Fund - Designated for School Construction	1,370,905