

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 7-EMPLOYEE PENSION BENEFIT OBLIGATIONS (Continued)

Funding Policy:

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by Caroline County. 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. The County's contribution rate for the Fiscal Year ended June 30, 2007 was 5.82% of the annual covered payroll.

Discretely Presented Component Unit-School Board:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the Caroline County School Board. In addition, the School Board 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. The school Board's contribution rate for the fiscal year ended June 30, 2007 was 5.54% of the annual covered payroll.

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
	<u>County Retirement Plan</u>	<u>Non-Professional Retirement Plan</u>
Contribution rates:		
Employer	5.82%	5.54%
Plan members (Assumed by Employer)	5.00%	5.00%
Annual pension cost ¹	\$416,697	\$62,529
Contributions made ¹	\$416,697	\$62,529
Actuarial valuation date	6/30/05	6/30/05
Actuarial cost method	Entry age, Normal	Entry age, Normal
Amortization method	Level Percent, Open	Level Percent, Open
Payroll growth Rate	3.0%	3.0%
Remaining amortization period	21 Years	21 Years
Asset valuation method	Modified Market	Modified Market

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 7-EMPLOYEE PENSION BENEFIT OBLIGATIONS (Continued)

Actuarial assumptions:

Investment rate of return*.....	7.50%	7.50%
Projected salary increases*....		
Non-LEO employees	3.50% to 5.73%	3.50% to 5.73%
LEO employees	3.50% to 4.71%	3.50% to 4.71%
*Includes inflation at	2.50%	2.50%
Cost-of-Living adjustments ...	2.50%	2.50%

¹Employer portion only

Three Year Trend Information

	<u>Fiscal</u> Year <u>Ending</u>	<u>Annual</u> Pension Cost (APC) ¹	<u>Percentage</u> Of APC Contributed	<u>Net</u> Pension Obligation
Primary Government:	June 30, 2005	\$328,420	100.00%	-0-
	June 30, 2006	375,737	100.00%	-0-
	June 30, 2007	416,697	100.00%	-0-
Component Unit:	June 30, 2005	\$10,755	100.00%	-0-
	June 30, 2006	11,182	100.00%	-0-
	June 30, 2007	62,529	100.00%	-0-

¹Employer portion only

Required Supplementary Information
Schedule of Funding Progress

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % Of Covered Payroll ((a-b)/c)
06/30/01	\$11,704,550	\$ 8,925,549	(\$2,779,001)	131.1%	\$4,143,265	(67.1%)
06/30/02	12,185,696	10,586,520	(1,599,176)	115.1%	4,309,861	(37.1%)
06/30/03	12,467,852	12,400,058	(67,794)	100.6%	4,948,888	(1.4%)
06/30/04	12,805,964	13,374,094	568,130	95.8%	5,144,099	11.0%
06/30/05	13,378,759	13,745,270	366,511	97.3%	5,796,393	6.3%
06/30/06	14,575,520	14,361,399	(214,121)	101.5%	6,515,236	(3.3%)

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 7-EMPLOYEE PENSION BENEFIT OBLIGATIONS (Continued)

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % Of Covered Payroll ((a-b)/c)
06/30/01	\$3,081,427	\$2,561,002	(\$520,425)	120.3%	\$891,006	(58.4%)
06/30/02	3,174,970	2,768,937	(406,033)	114.7%	963,820	(42.1%)
06/30/03	3,192,387	2,767,958	(424,429)	115.3%	893,755	(47.5%)
06/30/04	3,205,877	3,044,364	(161,513)	105.3%	1,022,601	(15.8%)
06/30/05	3,267,833	3,512,481	244,648	93.0%	1,079,446	22.7%
06/30/06	3,445,424	3,673,204	227,780	93.8%	1,152,241	19.8%

- B. Pension benefits for professional (teaching) employees of the Caroline County School Board are provided by a cost sharing, defined benefit, multiple-employer pension plan that is also administered by the Virginia Retirement System (VRS).

Plan Description

VRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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. That report may be obtained by writing to the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required to contribute 5.0% of their annual covered salary to the VRS. This 5% member contribution has been assumed by the Caroline County School Board. In addition, the County School Board is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2007 was 9.20% of annual covered payroll. The contribution requirements of plan members and Caroline County School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2007, 2006 and 2005 were \$1,544,300, \$1,045,867, and \$897,249, respectively, and were equal to the required contributions for each year.

NOTE 8- OTHER POSTEMPLOYMENT BENEFITS

Caroline County does not contribute toward the cost of any post-employment health care or other benefits for its former employees.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 9-CAPITAL LEASES

Caroline County has entered into lease agreements as lessee for financing the acquisition of fire and rescue emergency response equipment, a solid waste collection truck and for emergency dispatch and general radio communications equipment. The Caroline County School Board has also entered into lease agreements for the acquisition of school buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government – <u>Caroline County</u>	Component Unit – Caroline County <u>School Board</u>
Asset:		
Machinery and Equipment	\$1,586,583	\$1,196,417
Less: Accumulated Depreciation	(242,020)	(45,737)
Net Asset Value	<u>\$1,344,563</u>	<u>\$1,150,680</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Years Ending June 30</u>	Primary Government – <u>Caroline County</u>	Component Unit – Caroline County <u>School Board</u>
2008	\$213,001	\$ 262,901
2009	214,393	262,901
2010	210,697	262,901
2011	211,914	237,158
2012	212,953	-
2013-2015	<u>477,881</u>	<u>-</u>
Total minimum lease payments	\$1,540,839	\$1,025,861
Less: Amount representing interest	<u>(186,222)</u>	<u>(94,987)</u>
Present value of minimum lease payments	<u>\$1,354,617</u>	<u>\$930,874</u>

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 10-LONG-TERM DEBT

Primary Government – Governmental Activities

Annual requirements to amortize long-term debt and related interest are as follows:

Years Ending June 30	<u>General Obligation Bonds</u>		<u>Lease Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$889,004	\$268,524	\$837,187	\$1,105,136
2009	885,568	214,400	1,002,087	1,062,854
2010	877,956	160,320	1,020,705	1,012,253
2011	826,194	107,940	1,061,405	961,047
2012	550,274	65,877	1,182,205	907,930
2013 – 2017	743,158	138,019	5,007,914	3,758,493
2018 – 2022	206,819	14,409	3,708,107	2,650,753
2023 – 2027	-	-	3,352,400	1,854,498
2028 – 2032	-	-	4,214,900	1,000,003
2033 – 2034	-	-	1,610,500	111,301
Total	<u>\$4,978,973</u>	<u>\$969,489</u>	<u>\$22,997,410</u>	<u>\$14,424,268</u>

Changes in Long-Term Obligations

The following is a summary of long-term debt transactions for Governmental Activities of the Primary Government for the year ended June 30, 2007:

	Amounts Payable at June 30, 2006	Increases	Decreases	Amounts Payable at June 30, 2007	Amount Due Within One Year
General Obligation Bonds	\$ 5,862,058	-	\$883,085	\$ 4,978,973	\$889,004
Lease Revenue Bonds	23,804,597	-	807,187	22,997,410	837,187
Bond Anticipation Notes	8,830,000	\$1,600,000	-	10,430,000	-
Capital Leases (Note 9)	1,515,797	-	161,180	1,354,617	168,324
Revenue Bond Debt					
Allocable from Business					
Type Activities	2,168,481	-	85,000	2,083,481	85,000
Landfill Closure & Postclosure Care (Note 14)	4,401,840	127,653	-	4,529,493	452,949
Compensated Absences Payable	400,082	1,241	-	401,323	40,132
Total:	<u>\$46,982,855</u>	<u>\$1,728,894</u>	<u>\$1,936,452</u>	<u>\$46,775,297</u>	<u>\$2,472,596</u>

Following are details of individual long-term obligations:

General Obligation Bonds:

\$3,075,000 General Obligation School Bonds, issued 1994, maturing annually with interest payable semi-annually at varying rates through December 2011.	\$ 640,000
\$5,500,000 School Bonds (1991A), issued May 23, 1991, maturing annually with interest payable semi-annually at 6.35% through 2010.	1,150,000

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 10-LONG TERM DEBT (Continued)

\$2,425,000 School Bonds, (1993) issued 1994, maturing annually with interest payable semi-annually at rates varying from 4.475% to 5% through July 2013.	345,000
\$3,183,824 School Bonds (1991B), issued July 31, 1991, maturing annually with interest payable semi-annually at 6.6% through July 2011.	964,814
\$1,407,825 School Bonds (1992), issued November 12, 1992, maturing annually with interest payable semi-annually at varying rates through July 2012.	483,316
\$315,997 School Bonds (1994B), issued November 22, 1994 maturing annually with interest payable semi-annually at varying rates through July 2014.	144,342
\$456,597 School Bonds (1996B), issued November 14, 1996 maturing annually with interest payable semi-annually at varying rates through July 2016.	249,176
\$1,179,008 General Obligation Virginia Retirement System Obligation Refunding Bonds (Taxable Series 2003), issued July 1, 2003 maturing annually with interest also payable annually at 4.61% through July 2018	<u>1,002,325</u>
Total General Obligation Bonds	<u>\$4,978,973</u>

Lease Revenue Bonds:

\$2,950,000 Lease Revenue Bond payable in varying annual installments through 2018. Interest payable semi-annually at 5.0%. General Fund's portion of lease is \$2,734,497.	\$1,238,512
\$2,400,000 Lease Revenue Bond payable in varying annual installments through 2012 Interest payable semi-annually at rates varying from 5.2% to 6.0%.	955,000
\$3,730,000 Lease Revenue Bond payable in annual principal installments of \$186,500 through 2020. Interest payable semi-annually at 6.6%.	2,610,987
\$866,867 Lease Revenue Bond payable in varying annual installments through 2020. Interest payable semi-annually at 5.6%.	577,911
\$10,455,000 Lease Revenue Bond payable in varying annual installments through 2034. Interest payable semi-annually at rates varying from 2.7% to 5.125%.	9,915,000
\$7,800,000 Lease Revenue Bond payable in varying annual installments through 2033. Interest payable semi-annually at 3.9%	<u>7,700,000</u>
Total Lease Revenue Bonds	<u>\$22,997,410</u>

Bond Anticipation Notes:

\$8,830,000 Bond Anticipation Note due January 2009. Interest payable semi-annually at 4.13%	\$ 8,830,000
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COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 10-LONG TERM DEBT (Continued)

\$1,600,000 Bond Anticipation Note due January 2009. Interest payable semi-annually at 4.48%	<u>1,600,000</u>
Total Bond Anticipation Notes	<u>\$10,430,000</u>
Revenue Bond Debt Allocable from Caroline County Utility Fund	<u>\$2,083,481</u>
Capital Leases (Note 9)	<u>\$1,354,617</u>
Landfill Closure & Post Closure Care (Note 14)	<u>\$4,529,493</u>
Compensated Absences	<u>\$401,323</u>
Total	<u>\$46,775,297</u>

Primary Government – Business-Type Activities

Annual requirements to amortize long-term debt and related interest are as follows:

Years Ending	<u>Revenue Bonds</u>		<u>Lease Revenue Bonds</u>	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$901,433	\$742,002	\$10,593	\$4,962
2009	933,598	716,957	10,593	4,411
2010	955,979	689,730	8,474	3,874
2011	988,584	656,023	8,474	3,445
2012	1,016,418	624,442	8,474	3,023
2013 – 2017	4,885,338	2,558,863	42,370	8,634
2018 – 2022	3,156,890	1,752,581	8,629	437
2023 – 2027	3,076,890	1,091,625	-	-
2028 – 2032	2,845,000	451,513	-	-
Total	<u>\$18,760,130</u>	<u>\$9,283,736</u>	<u>\$97,607</u>	<u>\$28,786</u>

Changes in Long-Term Obligations

The following is a summary of long-term debt transactions for Business-Type Activities of the Primary Government for the year ended June 30, 2007:

	<u>Amounts Payable at June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2007</u>	<u>Amount Due Within One Year</u>
Revenue Bonds	\$17,857,831	\$1,647,399	\$745,100	\$18,760,130	\$901,433
Bond Debt Allocable to General Government	(2,168,481)	-	(85,000)	(2,083,481)	(85,000)
Less: Net Bond Discount, Premium and Deferred Charges	(241,636)	10,832	-	(230,804)	-
FmHA Bond Payable	17,126	-	17,126	-	-
Total Bonds Payable	<u>\$15,464,840</u>	<u>\$1,658,231</u>	<u>\$677,226</u>	<u>\$16,445,845</u>	<u>\$816,433</u>

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 10-LONG TERM DEBT (Continued)

Lease Revenue Bonds	108,199	-	10,592	97,607	10,593
Compensated Absences Payable	<u>21,107</u>	<u>7,581</u>	<u>-</u>	<u>28,688</u>	<u>2,869</u>
Totals:	<u>\$17,594,146</u>	<u>\$1,665,812</u>	<u>\$687,818</u>	<u>\$16,572,140</u>	<u>\$829,895</u>

Following are details of individual long-term obligations:

Revenue Bonds:

\$4,291,207 Water & Sewer Revenue Bonds authorized 1994 maturing annually with interest semi-annually at 3% through December 2014. \$ 1,962,571

\$3,420,000 Infrastructure Revenue Bonds Series 2003 C/D, issued August 7, 2003, maturing annually with interest payable at varying interest rates through October 2016. 1,855,000
 Plus: Premium 54,131
 Less: Deferred Charge (98,906)

\$13,155,000 Water and Sewer System Revenue Bonds issued October 1, 2001, maturing annually through 2032 with interest payable semi-annually at rates varying from 2.50% to 5.25%. 12,255,000
 Less: Bond Discount (186,029)

\$2,697,559 Water and Sewer System Revenue Bond issued March 3, 2006, maturing in equal annual installments through 2027. No interest is payable on the bond. 2,687,559

Revenue bond debt allocable to General Government (2,083,481)

Total Revenue Bonds Debt \$16,445,845

Lease Revenue Bonds:

\$2,950,000 Lease Revenue Bond payable in annual installments at 5.0% interest and varying principal amounts through 2018. Water and sewer portion is \$215,503. \$ 97,607

Compensated Absences \$ 28,688

Total Long-Term Obligations \$16,572,140

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 10-LONG TERM DEBT (Continued)

Component Unit-Caroline County Schools

Changes in Long-Term Obligations

The following is a summary of long-term debt transactions of the Component Unit-Caroline County Schools for the year ended June 30, 2007:

	Amounts Payable at <u>June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	Amounts Payable at <u>June 30, 2007</u>	Amount Due Within <u>One Year</u>
Capital Leases (Note 9)	\$134,890	\$860,704	\$64,720	\$ 930,874	\$237,904
Compensated Absences Payable	<u>421,085</u>	<u>13,412</u>	-	<u>434,497</u>	<u>43,450</u>
Totals	<u>\$555,975</u>	<u>\$874,116</u>	<u>\$64,720</u>	<u>\$1,365,371</u>	<u>\$281,354</u>

Bond Anticipation Note

The County has issued two Public Facility Bond Anticipation Notes in a total amount of \$10,630,000 to assist in financing the construction of a new elementary school and renovations to the County Middle School. The County is pursuing permanent funding for these projects through the Commonwealth of Virginia's Literary Fund, a low interest 20 year financing program for educational facilities. Literary Funds are anticipated to be available within the next three years and, when received, will be used to pay off the Anticipation Notes.

NOTE 11-DEFERRED REVENUE

Deferred revenue in the Governmental Funds represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting used in the Governmental Funds, such amounts are measurable, but not available. Deferred revenue at June 30, 2007 is comprised of the following:

Deferred Property Tax Revenue: Uncollected tax billings not available for funding of current expenditures	\$2,374,316
Prepaid Property Taxes: Property taxes due subsequent to June 30, 2007 but paid in advance by taxpayers	290,629
Prepaid Postage Reimbursements: Reimbursements for postage use prepaid to the County	<u>(1,981)</u>
Total Deferred Revenue	<u>\$2,662,964</u>

NOTE 12-CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 12-CONTINGENT LIABILITIES (Continued)

determined at this time although the government expects such amounts, if any, to be immaterial.

At June 30, 2007, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decision or pending matter not be favorable to the County.

At June 30, 2007, the reporting entity had the following major construction contracts:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Outstanding Balance June 30, 2007</u>
Primary Government:			
Courthouse Renovation	Daniel & Company	\$ 2,635,965	\$ 15,000
Visitors Center Construction	Daniel & Company	2,140,138	1,241,166
Dawn Decentralized Sewer Construction	Enviroscape	3,322,058	485,122
Component Unit – Caroline County Schools:			
New School Construction	Branch & Associates	19,045,567	10,245,335

NOTE 13-CAPITAL ASSETS

The following is a summary of changes in capital assets used in Governmental Activities of the Primary Government for the fiscal year ended June 30, 2007:

	<u>Balances June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2007</u>
Land	\$ 737,866	-	\$ 20,000	\$ 717,866
Buildings	24,464,591	\$ 455,042	130,747	24,788,886
Improvements Other than Buildings	4,657,000	10,800	-	4,667,800
Equipment	5,128,936	811,710	299,274	5,641,372
Construction in Progress	<u>5,638,047</u>	<u>12,068,588</u>	<u>-</u>	<u>17,706,635</u>
Totals	<u>\$40,626,440</u>	<u>\$13,346,140</u>	<u>\$ 450,021</u>	<u>\$53,522,559</u>
Less: Accumulated Depreciation				<u>(12,714,146)</u>
Net Total Capital Assets				<u>\$40,808,413</u>

In prior years, Caroline County has issued general obligation bonds to finance the acquisition and construction of certain school facilities for the benefit of a component unit, the Caroline County School Board. Pursuant to Virginia law, Caroline County is deemed to hold title to those assets, as a tenant in common with the school board, through the term of the bonds that were issued to finance them. \$21,593,131 in such assets with a depreciated net value of \$4,796,094 as of June 30, 2007 have been included in the Governmental Activities Capital Assets totals shown above.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 13-CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2007 of the County Enterprise Funds that are reported in the Business-Type Activities of the Primary Government:

Milford Sanitary District:

	Balances <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2007</u>
Buildings	\$ 1,588	\$ -	\$ -	\$ 1,588
Improvements Other than Buildings	424,515	-	-	424,515
Equipment	<u>4,274</u>	<u>-</u>	<u>-</u>	<u>4,274</u>
Totals	<u>\$430,377</u>	<u>-</u>	<u>-</u>	<u>\$430,377</u>
Less: Accumulated Depreciation				<u>(290,412)</u>
Net Capital Asset Total				<u>\$139,965</u>

Caroline County Utility Fund:

	Balances <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2007</u>
Land	\$ 67,794	-	-	\$ 67,794
Buildings	204,131	-	-	204,131
Improvements other than Buildings	18,123,789	\$ 437,572	-	18,561,361
Equipment	522,310	506,108	-	1,028,418
Construction in Progress	<u>770,768</u>	<u>2,584,632</u>	<u>\$693,037</u>	<u>2,662,363</u>
Totals	<u>\$19,688,792</u>	<u>\$3,528,312</u>	<u>\$693,037</u>	<u>\$22,524,067</u>
Less: Accumulated Depreciation				<u>(4,161,472)</u>
Net Capital Asset Total				<u>\$18,362,595</u>

Dawn Wastewater System Fund:

	Balances <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2007</u>
Construction in Progress	<u>\$1,628,011</u>	<u>\$2,142,148</u>	<u>-</u>	<u>\$3,770,159</u>
Totals	<u>\$1,628,011</u>	<u>\$2,142,148</u>	<u>-</u>	<u>\$3,770,159</u>

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 13-CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets used in Activities of the Component Unit-Caroline County Schools for the fiscal year ended June 30, 2007:

	Balances <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2007</u>
Land	\$ 697,162	-	-	\$ 697,162
Buildings	7,882,196	-	-	7,882,196
Improvements Other Than Buildings	92,806	-	-	92,806
Equipment	4,009,171	\$1,220,378	\$431,113	4,798,436
Construction in Progress	-	-	-	-
Totals	<u>\$12,681,335</u>	<u>\$1,220,378</u>	<u>\$431,113</u>	<u>\$13,470,600</u>
Less: Accumulated Depreciation				<u>(7,864,234)</u>
Net Capital Asset Total				<u>\$5,606,366</u>

Depreciation expense was charged to functions within Governmental Activities as follows:

Primary Government:

General Government Administration	\$437,428
Judicial Administration	129,637
Public Safety	529,417
Public Works	263,262
Health and Welfare	7,231
Education	351,369
Parks, Recreation and Cultural	23,640
Community Development	<u>3,805</u>

Total Primary Government \$1,745,789

Component Unit-County School Board:

Education	<u>\$466,616</u>
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NOTE 14-LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The only landfill operated by Caroline County was certified by the Virginia Department of Environmental Quality as closed on December 8, 2003 and all obligations of the County with regard to closure have been met. The \$4,529,493 reported as landfill closure and postclosure care liability at June 30, 2007, represents 100% of the engineering estimate for the required 30 years of postclosure monitoring and care. These amounts are based on what it would cost to perform all postclosure care in 2007. Actual cost may be higher due to inflation, changes

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 14-LANDFILL CLOSURE AND POSTCLOSURE CARE COST
(Continued)

in technology, or changes in regulation. The County intends to fund these costs from general tax revenues and from any special revenue source that may become available for this purpose. The County has demonstrated financial assurance requirements for closure and post-closure care costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

NOTE 15-RISK MANAGEMENT

The County and School Board are 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 and School Board participate with other Virginia localities in public entity risk pools for the provision of insurance coverage. The County receives workers compensation, liability and property loss coverage through the Virginia Association of Counties Group Self Insurance Risk Pool. The School Board receives its workers compensation coverage from the Virginia Municipal League and all other coverages from the Virginia School Board Association. The County and School Board pay an annual premium to the pools for insurance through member premiums. There have been no reductions in any insurance coverage from the previous year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 16-JOINTLY GOVERNED ORGANIZATIONS

The County in conjunction with other localities has created the Peumansend Creek Regional Jail, the Pamunkey Regional Jail, the Middle Peninsula Juvenile Detention Commission and the Rappahannock Area Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdiction. During the year the County contributed \$120,037 for operations of the Community Services Board.

NOTE 17-EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Actual expenditures exceeded appropriations in the following individual funds and by the following amounts:

Primary Government:	
Proffers Fund	\$274,947
Law Library Fund	2,282
Housing Fund	606,617
Industrial Development Authority	4,054
Component Unit:	
Caroline County School Board Cafeteria Fund	\$ 54,115

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

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 net assets carried over from prior years. The deficit net assets in the Caroline County Utility Fund equals \$1,032,123. 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.

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	\$4,310,061
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Restricted Net Assets:

Caroline County Utility Enterprise Fund – Restricted For Debt Service	1,707,039
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Component Unit:

Reserved Fund Balance:

School Operating Fund – Reserved For Prepaid Items	390,229
School Grant Fund – Reserved For Specific School Programs	275,617
School Capital Projects Fund – Reserved For School Construction	1,449,575

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	\$ 366,000
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NOTE 20-ACCOUNTING CHANGES

The County's Proffers Special Revenue Fund has been determined to meet appropriate criteria for reporting as a Major Governmental Fund and has been presented as such in this report. In prior years, the Fund had been presented as a non-major governmental fund. This reporting change does not result in a restatement of overall beginning County Net Assets or Governmental Fund Balances, but separate reporting of the Fund does reduce the beginning total fund balance of Other Non-Major Governmental Funds by \$2,327,869.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 20-ACCOUNTING CHANGES (Continued)

The following adjustment was made to beginning Net Assets to restate balances between Governmental Activities and Business-Type Activities:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Beginning Net Assets as Previously Reported	\$6,768,303	\$2,097,014
Interfund Balances Not Previously Reported	<u>2,231,319</u>	<u>(2,231,319)</u>
Beginning Net Assets as Restated	<u>\$8,999,622</u>	<u>(\$134,305)</u>