

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, 2006

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	\$ 14,622,724
Governmental funds report capital outlays as expenditures. However, in the Statement of activities, the cost of these assets is allocated over the estimates useful lives and reported as depreciation expense. The amount by which capital outlays exceeded asset disposals and depreciation expense in the current period is a reconciling difference.	2,941,776
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.	(14,033)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the Governmental Funds.	(160,367)
Balances owed between funds of the Primary Government have been eliminated in the Statement of Activities. The amount by which those balances changed during the current period is reflected in transfers in the Statement of Activities.	(1,755,301)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(14,878,743)</u>
Total Change in Net Assets-Governmental Activities as shown on the Statement of Activities	<u>\$ 756,056</u>

The independent auditors' report and accompanying notes to the financial statements are an integral part of this statement.