

RFP# 13-068
Berkeley County

BERKELEY COUNTY, WEST VIRGINIA
Regular Audit
For the Year Ended June 30, 2013

Perry & Associates
Certified Public Accountants, A.C.

BERKELEY COUNTY, WEST VIRGINIA

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BERKELEY COUNTY, WEST VIRGINA

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INDEPENDENT AUDITOR'S REPORT

March 22, 2014

Berkeley County
400 West Stephen Street, Suite 201
Martinsburg, WV 25401

To the County Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of **Berkeley County**, West Virginia (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the Berkeley County Building Commission, which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the business-type activities and Berkeley County Building Commission major fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Berkeley County Building Commission, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
Governmental Fund – General County	Unmodified
Governmental Fund – Coal Severance Tax	Unmodified
Governmental Fund – E-911 Fees	Unmodified
Proprietary Fund - Berkeley County Building Commission	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements omit the financial data relating to the County's legally-separate discretely presented component units. Accounting principles generally accepted in the United States of America require the County's primary-government financial data to include component unit financial data unless the County also issues financial statements that includes the component units' financial data. The County has not issued complete reporting-entity financial statements. We cannot determine the amounts of assets, liabilities, net position, revenues and expenses the accompanying statements should present for the omitted discretely-presented component units.

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units* paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely-presented component units of Berkeley County, West Virginia, as of June 30, 2013 or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berkeley County, West Virginia as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General County and Coal Severance Tax Funds thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The budgetary comparison schedule for the Assessor's Valuation Fund presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2014, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

GOVERNMENTAL FUND TYPES

Major Funds

**General County
Coal Severance Tax
E-911 Fees**

Nonmajor Funds

Special Revenue Funds

Dog and Kennel	General School
Magistrate Court	Worthless Check
Emergency Comm 911	Home Confinement
Federal Grants - Law Enforcement	Fiduciary
Project Life Saver	Grading Trust
Drug Prevention	Equine Protection
Gypsy Moth	Nuisance Appeal
Enhanced 911 3%	Safe & Clean Agency
Planning Commission	Fire Dept Equipment
Assessor Valuation	Concealed Weapons
Voter's Registration	Special Law Enforcement Forfeiture
Prosecuting Attorney Forfeiture	COPS Universal Hiring Grant-Federal
Drug Task Force-Federal	Homeland Sec-Citizens Corp-Federal
Homeland Sec-Law Enforcement-Federal	ESPG-Federal
FEMA Hazard Mitigation-Federal	JAG Shenandoah Women's Ctr-Federal
Inland Port Authority-State	Boydville Historic Grant-Federal
Community Pride Grant	Youth Fair Grant-State
Panhandle Transit Grant-State	South Berkeley Little League-State
Court Security State Gant	Western Potomac EDA State Grant
CASA Tech State Grant	Humane Society Grant-State
Hazardous Mat'l Environmental Grant-State	South Berkeley Rec Center-State
War Memorial Park State Grant	Ambrose Park State Grant
Berk Jeff Criminal Justice Board	Berkeley Co Girls Softball
Friends of Norwalk State Grant	Law Enforcement Capital Outlay Grant
Waste Management State Grant	

PROPRIETARY FUND TYPE

Major Fund

Building Commission

FIDUCIARY FUND TYPES

Agency Funds

State

School

County Offices

Other Agency

**BERKELEY COUNTY, WEST VIRGINIA
COUNTY OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>OFFICE</u>	<u>NAME</u>	<u>TERM</u>
<u>Elected Officials</u>		
County Council	James R. Barnhart	01-01-13 / 12-31-18
	Elaine C. Mauck	01-01-13 / 12-31-18
	Anthony J. Petrucci	01-01-09 / 12-31-14
	James P. Whitacre	01-01-11 / 12-31-14
	Douglas E. Copenhaver Jr.	01-01-11 / 12-31-16
Clerk of the County Council	John W. Small, Jr.	01-01-11 / 12-31-16
Clerk of the Circuit Court	Virginia M. Sine	01-01-11 / 12-31-16
Sheriff	Kenneth M. Lemaster	01-01-13 / 12-31-16
Prosecuting Attorney	Pamela Games-Neely	01-01-13 / 12-31-16
Assessor	Gearl G. Raynes	12-22-2011 / 12-31-13
Assessor	Larry A. Hess	01-01-13 / 12-31-16
<u>Appointed</u>		
Administrative Officer	Deborah E. Hammond	

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,252,174	\$ 2,176	\$ 10,254,350
Restricted assets:			
Investments	-	1,452,748	1,452,748
Receivables, net:			
Taxes	1,005,002	-	1,005,002
Capital assets net of depreciation:			
Land	850,602	1,889,399	2,740,001
Buildings	1,539,155	29,103,991	30,643,146
Machinery and equipment	2,189,688	-	2,189,688
Construction in progress	1,015,567	8,447,285	9,462,852
Building improvements	1,268,070	-	1,268,070
Unamortized debt issue expense, net of amortization	-	896,016	896,016
Total assets	\$ 18,120,258	\$ 41,791,615	\$ 59,911,873
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	\$ 286,364	\$ 436,882	\$ 723,246
OPEB payable	309,461	-	309,461
Interest accrued	-	218,304	218,304
Dormant checks	4,068	-	4,068
Current portion of long-term debt	337,535	1,051,372	1,388,907
Total current liabilities	937,428	1,706,558	2,643,986
Non-current liabilities:			
Leases payable	675,070	-	675,070
Compensatory time	527,360	-	527,360
Long-term debt	-	34,457,534	34,457,534
Long-term debt premium	-	8,461	8,461
Long-term debt discount	-	(140,206)	(140,206)
Total non-current liabilities	1,202,430	34,325,789	35,528,219
Total liabilities	2,139,858	36,032,347	38,172,205
NET POSITION			
Net investment in capital assets	4,834,910	4,523,549	9,358,459
Restricted	3,616,308	1,452,748	5,069,056
Unrestricted (deficit)	7,529,182	(217,029)	7,312,153
Total net position	15,980,400	5,759,268	21,739,668
Total liabilities and net position	\$ 18,120,258	\$ 41,791,615	\$ 59,911,873

The notes to the financial statements are an integral part of this statement.

**BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions / Programs</u>	Program Revenues			Net (Expense) Revenues and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 16,996,244	\$ -	\$ -	\$ (16,996,244)	\$ -	\$ (16,996,244)
Public safety	10,072,965	4,698,780	909,230	(4,464,955)	-	(4,464,955)
Health and sanitation	185,692	-	-	(185,692)	-	(185,692)
Culture and recreation	1,141,344	-	-	(1,141,344)	-	(1,141,344)
Social services	127,650	-	-	(127,650)	-	(127,650)
Total governmental activities	28,523,895	4,698,780	909,230	(22,915,885)	-	(22,915,885)
Business-type activities:						
Building Commission	2,315,384	2,519,213	-	-	203,829	203,829
Total primary government	\$ 30,839,279	\$ 7,217,993	\$ 909,230	(22,915,885)	203,829	(22,712,056)
General revenues:						
Ad valorem property taxes				18,265,255	-	18,265,255
Other taxes				2,552,734	-	2,552,734
Licenses and permits				201,035	-	201,035
Intergovernmental				-	12,450	12,450
Fines and forfeits				684,874	-	684,874
Interest and investment earnings				37,362	34	37,396
Reimbursements				2,121,855	-	2,121,855
Miscellaneous				1,693,399	-	1,693,399
Total general revenues				25,556,514	12,484	25,568,998
Increase in net position				2,640,629	216,313	2,856,942
Net position, beginning of year, restated see Note IV.E.				13,339,771	5,542,955	18,882,726
Net position - ending				\$ 15,980,400	\$ 5,759,268	\$ 21,739,668

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013

	<u>Major Funds</u>				
	<u>General County Fund 001</u>	<u>Coal Severance Tax Fund 002</u>	<u>E-911 Fees Fund 019A</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current:					
Cash and cash equivalents	\$ 6,536,275	\$ 508,017	\$ 1,491,907	\$ 1,715,975	\$ 10,252,174
Receivables net:					
Taxes	<u>1,005,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,005,002</u>
Total assets	<u>\$ 7,541,277</u>	<u>\$ 508,017</u>	<u>\$ 1,491,907</u>	<u>\$ 1,715,975</u>	<u>\$ 11,257,176</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 230,993	\$ 24,681	\$ 14,376	\$ 16,314	\$ 286,364
OPEB payable	265,241	-	28,253	15,967	309,461
Dormant checks	4,068	-	-	-	4,068
Deferred revenues:					
Taxes	<u>894,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>894,452</u>
Total liabilities	<u>1,394,754</u>	<u>24,681</u>	<u>42,629</u>	<u>32,281</u>	<u>1,494,345</u>
Fund balances:					
Restricted	-	483,336	1,449,278	1,683,694	3,616,308
Committed	309,675	-	-	-	309,675
Assigned	1,705,177	-	-	-	1,705,177
Unassigned	<u>4,131,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,131,671</u>
Total fund balances	<u>6,146,523</u>	<u>483,336</u>	<u>1,449,278</u>	<u>1,683,694</u>	<u>9,762,831</u>
Total liabilities and fund balances	<u>\$ 7,541,277</u>	<u>\$ 508,017</u>	<u>\$ 1,491,907</u>	<u>\$ 1,715,975</u>	<u>\$ 11,257,176</u>

The notes to the financial statements are an integral part of this statement.

**BERKELEY COUNTY, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

Total fund balances on the governmental fund's balance sheet. \$ 9,762,831

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets purchased in fund level statements are expensed when purchased and not reported as financial resources in the funds. In the government wide financial statements capital assets are capitalized and depreciated over their useful life. Therefore, capital assets purchased in fund level statements must be added to fund level statement at asset cost net of depreciation. This is the current value of capital assets net of depreciation as reported in the Statement of Net Position. 6,863,082

Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds. This is the amount of delinquent property taxes that was estimated to be collectable, but would be collected more than sixty days after the end of the fiscal year. Government wide financial statements are reported on a full accrual basis with no deferred revenues. This is the amount of taxes deferred in the fund level financial statements that is reported as revenue in the government wide financial statements. 894,452

Compensated absences are not due and payable in the current period and therefore are not reported in fund level statements. In government wide financial statement, all measurable costs are report as expenses regardless of when they may be paid. This is the gross amount of compensated absences that was calculated as payable by county government as of the end of the current fiscal year. (527,360)

Lease payments are reported in the fund level statements as current expenses when actually paid. In government wide financial statements, all future lease payments related to the purchase of capital assets are reported as debt against the capital asset value. (1,012,605)

Net position of governmental activities \$ 15,980,400

The notes to the financial statements are an integral part of this statement.

**BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Major Governmental Funds</u>				
	<u>General County Fund 001</u>	<u>Coal Severance Tax Fund 002</u>	<u>E-911 Fees Fund 019A</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Ad valorem property taxes	\$ 18,265,255	\$ -	\$ -	\$ -	\$ 18,265,255
Other taxes	2,228,061	279,179	-	45,494	2,552,734
License and permits	-			201,035	201,035
Intergovernmental:					
Federal	150,951	-	-	272,232	423,183
State	8,611	-	-	477,436	486,047
Charges for services	2,286,916	-	2,231,261	180,603	4,698,780
Fines and forfeits	56,794	-	-	628,080	684,874
Interest and investment earnings	28,133	1,572	4,154	3,503	37,362
Reimbursements	1,857,970	89,173	-	174,712	2,121,855
Miscellaneous	678,741	-	403	1,014,255	1,693,399
Total revenues	<u>25,561,432</u>	<u>369,924</u>	<u>2,235,818</u>	<u>2,997,350</u>	<u>31,164,524</u>
EXPENDITURES					
General government	14,464,511	269,120	-	1,539,802	16,273,433
Public safety	6,856,908	1,913	1,847,178	1,114,647	9,820,646
Health and sanitation	180,270	-	-	-	180,270
Culture and recreation	1,141,344	-	-	-	1,141,344
Social services	103,265	-	-	-	103,265
Capital outlay	1,637,514	170,600	347,891	46,870	2,202,875
Total expenditures	<u>24,383,812</u>	<u>441,633</u>	<u>2,195,069</u>	<u>2,701,319</u>	<u>29,721,833</u>
Net change in fund balances	1,177,620	(71,709)	40,749	296,031	1,442,691
Fund balances - beginning	<u>4,968,903</u>	<u>555,045</u>	<u>1,408,529</u>	<u>1,387,663</u>	<u>8,320,140</u>
Fund balances - ending	<u>\$ 6,146,523</u>	<u>\$ 483,336</u>	<u>\$ 1,449,278</u>	<u>\$ 1,683,694</u>	<u>\$ 9,762,831</u>

The notes to the financial statements are an integral part of this statement.

**BERKELEY COUNTY, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds.	\$	1,442,691
 Amounts reported for governmental activities in the statement of revenues, expenses and changes in net position are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of revenues, expenses and changes in net position, the cost of those assets are capitalized and depreciated over their estimated useful lives and reported as depreciation expense in the government wide financials. This is the amount of depreciation that was charged as an expense to the different governmental activities for the current fiscal year		(688,476)
Governmental funds report capital outlay as expenditures. However, in the statement of revenues, expenses and changes in net position, the cost of those assets are capitalized and depreciated over their estimated useful lives. This is the amount reported as expenditures for capital assets in the current fiscal year.		1,675,857
Compensated absences liability is not reported in the governmental funds because it does not require the use of current resources. However, the liability for compensated absences is accrued in the government wide financial statements on a year to year basis. This is the amount of compensated absences for annual leave accrued as an expense in the current fiscal year as an expense in the government wide financial statements.		(60,123)
Lease payments are expensed when paid in fund level financial statements. However, assets obtained through a lease purchase agreement are capitalized and depreciated in the government wide financial statements. This is the gross amount of lease payments, including interest, that were expensed in the current fiscal year.		337,535
Certain revenues are not available to fund current year expenditures and therefore are deferred in the fund level financial statements. However, all measurable revenues are accrued in the government wide financial statements from year to year. This is the amount accrued taxes decreased in the government wide financial statements in the current fiscal year.		(66,855)
Change in net position of governmental activities	\$	<u><u>2,640,629</u></u>

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL COUNTY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original</u>	<u>Final Budget</u>	<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES						
Taxes:						
Ad valorem property	\$ 18,458,212	\$ 18,458,212	\$ 18,265,255	\$ -	\$ 18,265,255	\$ (192,957)
Other taxes	1,956,489	1,956,489	2,228,061	-	2,228,061	271,572
Intergovernmental:						
Federal	20,000	120,542	150,951	-	150,951	30,409
State	-	-	8,611	-	8,611	8,611
Charges for services	1,576,229	1,576,229	2,286,916	-	2,286,916	710,687
Fines and forfeits	332,087	332,087	56,794	-	56,794	(275,293)
Interest and investment earnings	60,862	23,116	28,133	-	28,133	5,017
Reimbursements	442,296	452,296	1,857,970	-	1,857,970	1,405,674
Miscellaneous	570,533	1,741,846	678,741	-	678,741	(1,063,105)
Total revenues	23,416,708	24,660,817	25,561,432	-	25,561,432	900,615
EXPENDITURES						
General government	15,716,535	17,003,512	14,464,511	-	14,464,511	2,539,001
Public safety	7,459,277	7,631,805	6,856,908	-	6,856,908	774,897
Health and sanitation	211,431	211,486	180,270	-	180,270	31,216
Culture and recreation	1,201,185	1,201,185	1,141,344	-	1,141,344	59,841
Social services	104,765	104,765	103,265	-	103,265	1,500
Capital outlay	223,515	2,559,821	1,637,514	-	1,637,514	922,307
Total expenditures	24,916,708	28,712,574	24,383,812	-	24,383,812	4,328,762
Net change in fund balance	(1,500,000)	(4,051,757)	1,177,620	-	1,177,620	5,229,377
Fund balances - beginning	1,500,000	3,701,607	4,968,903	-	4,968,903	1,267,296
Fund balances - ending	\$ -	\$ (350,150)	\$ 6,146,523	\$ -	\$ 6,146,523	\$ 6,496,673

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original</u>	<u>Final Budget</u>	<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES						
Taxes:						
Coal severance tax	\$ 295,808	\$ 295,808	279,179	\$ -	\$ 279,179	\$ (16,629)
Interest and investment	1,500	1,500	1,572	-	1,572	72
Reimbursements	-	-	89,173	-	89,173	89,173
Total revenues	<u>297,308</u>	<u>297,308</u>	<u>369,924</u>	<u>-</u>	<u>369,924</u>	<u>72,616</u>
EXPENDITURES						
General government	212,917	499,973	269,120	-	269,120	230,853
Public safety	56,391	66,391	1,913	-	1,913	64,478
Capital outlay	28,000	228,000	170,600	-	170,600	57,400
Total expenditures	<u>297,308</u>	<u>794,364</u>	<u>441,633</u>	<u>-</u>	<u>441,633</u>	<u>352,731</u>
Net change in fund balance	-	(497,056)	(71,709)	-	(71,709)	425,347
Fund balances - beginning	-	497,056	555,045	-	555,045	57,989
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,336</u>	<u>\$ -</u>	<u>\$ 483,336</u>	<u>\$ 483,336</u>

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUND
AS OF JUNE 30, 2013

	Berkeley County Building Commission
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>2,176</u>
Restricted assets:	
Investments	709,568
Construction reserve	<u>743,180</u>
Total restricted assets	<u>1,452,748</u>
Capital assets:	
Land	1,889,399
Buildings and equipment, net of accumulated depreciation of \$5,652,536	29,103,991
Construction work in progress	<u>8,447,285</u>
Total capital assets	<u>39,440,675</u>
Other assets:	
Unamortized debt issue expense, net of accumulated amortization of \$333,583	<u>896,016</u>
Total Assets	<u><u>41,791,615</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	900
Accounts payable construction	435,982
Accrued interest	218,303
Current portion of long-term debt	<u>1,051,372</u>
Total current liabilities	<u>1,706,557</u>
Noncurrent liabilities:	
Long-term debt	34,457,535
Long-term debt premium	8,461
Long-term debt discount	<u>(140,206)</u>
Total noncurrent liabilities	<u>34,325,790</u>
Total liabilities	<u>36,032,347</u>
NET POSITION	
Net investment in capital assets	4,523,547
Restricted	
Debt retirement	709,568
Construction reserve	743,180
Unrestricted (deficit)	<u>(217,027)</u>
Total net position	<u>5,759,268</u>
Total liabilities and net position	<u>\$ <u>41,791,615</u></u>

The notes to the financial statements are an integral part of this statement.

**BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Berkeley County Building Commission
Operating revenues:	
Lease income	\$ 2,519,213
Intergovernmental:	
Local	12,450
Total operating revenues	<u>2,531,663</u>
 Operating expenses:	
Professional fees	9,450
Depreciation expense	874,783
Total operating expenses	<u>884,233</u>
 Operating income	<u>1,647,430</u>
 Other income (expenses):	
Interest income	34
Amortization of debt issue expenses	(43,082)
Bank trustee fees	(4,800)
Interest expense	(1,383,268)
Total other income (expenses)	<u>(1,431,116)</u>
 Increase in net position	<u>216,313</u>
 Net position at beginning of year	<u>5,542,955</u>
 Net position at end of year	<u>\$ 5,759,268</u>

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Berkeley County Building Commission
Cash flows from operating activities:	
Cash received for leases	\$ 2,519,213
Cash received from intergovernmental contributions and grants - local	12,450
Cash paid to vendors	<u>(12,450)</u>
Net cash provided (used) by operating activities	<u>2,519,213</u>
Cash flows from investing activities:	
Investment income	34
Payments for land, buildings, and equipment	(1,688,489)
Increase in restricted assets	<u>(758,186)</u>
Net cash (used) in investing activities	<u>(2,446,641)</u>
Cash flows from capital and related financing activities:	
Proceeds from bonds payable	2,240,168
Principal paid on bonds payable	(931,093)
Payments for bank trustee fees	(4,800)
Interest paid on revenue bonds	<u>(1,376,840)</u>
Net cash (used) in capital and related financing activities	<u>(72,565)</u>
Net increase in cash and cash equivalents	7
Cash and cash equivalents - beginning of year	<u>2,169</u>
Cash and cash equivalents - end of year	<u>\$ 2,176</u>
Reconciliation of operating income to net provided by Operating activities:	
Operating income	\$ 1,647,430
Adjustments to reconcile: operating income to net cash provided by operating activities	
Depreciation expense	874,783
Increase(decrease) in accounts payable	<u>(3,000)</u>
Net cash provided by operating activities	<u>\$ 2,519,213</u>
Supplemental schedule of noncash investing and financing activities:	
Amortization of bond issue costs	\$ <u>43,082</u>
Amortization of bond discount costs	\$ <u>(7,601)</u>
Amortization of bond premium	\$ <u>377</u>

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>978,276</u>
Total Assets	<u><u>978,276</u></u>
LIABILITIES	
Due to other governments	<u>978,276</u>
Total Liabilities and Net Position	<u><u>\$ 978,276</u></u>

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted, the accounting policies of Berkeley County, West Virginia conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

Berkeley County is one of fifty-five counties established under the Constitution and the Laws of the State of West Virginia. There are six offices elected county-wide, which are: County Council, County Clerk, Circuit Clerk, Assessor, Sheriff, and Prosecuting Attorney.

The County Council is the legislative body for the government, and as such budgets and provides all the funding used by the separate Constitutional Offices except for the offices of the Assessor and the Sheriff, which also have additional revenue sources. The County Clerk's office maintains the accounting system for the County's operations. The operations of the County as a whole, however, including all the Constitutional offices have been combined in these financial statements.

The services provided by the County and accounted for within these financial statements include law enforcement for unincorporated areas of the county, health and social services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government and its blended component unit as required by generally accepted accounting principles. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the County.

Blended Component Unit

The entity below is legally separate from the County and meets generally accepted accounting principles criteria for component units. This entity is blended with the primary government because they provide services entirely or almost entirely to the County.

The Berkeley County Building Commission (Building Commission) serves the citizens of Berkeley County, and is governed by a board comprised of five board members appointed by the County Council for a term of five years each. The Building Commission acquires property and debt on behalf of the County. The Building Commission is reported as an enterprise fund. Complete financial statements of the Berkeley County Building Commission can be obtained at the County's administrative offices.

Discretely Presented Component Units

Although required by generally accepted accounting principles, the County has elected not to include its discretely presented component units in these financial statements. The effects of this exclusion have not been determined.

Related Organizations

The County's officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Name of Organizations:

Eastern WV Regional Airport
Berkeley County Emergency Ambulance Authority
Berkeley County Senior Services
Berkeley County Building Code Appeals Board
Berkeley County Building Permit Advisory Committee
Berkeley County Central Dispatch Advisory Committee
Berkeley County Deputy Sheriff's Civil Service Commission
Martinsburg-Berkeley County Convention and Visitor's Center
Berkeley County Development Authority
Berkeley County Eastern Panhandle Inland Port Coalition
Berkeley County Emergency Food and Shelter
Berkeley County Emergency Services Advisory Council
WVU Extension Service
Berkeley County Fiduciary Commissions
Berkeley County Fire Service Board
Berkeley County Health Dept.
Historic Landmark Commission
Martinsburg-Berkeley County Recreation Board
NEREMS, INC
Pan Tran Board of Directors
Berkeley County Planning Commission
Potomac Headwaters RC&D Council
Berkeley County Public Service Sewer District
Metropolitan Planning Organization (MPO)
Work Force Investment Board (WIB)
Berkeley County Public Service Water District
Eastern Panhandle Regional Planning & Development Council Regional 9
Safe and Clean County Enforcement Agency
Berkeley County Solid Waste Authority
Berkeley County Board of Zoning Appeals
Berkeley County Roundhouse Authority
Berkeley County Farmland Preservation Board (BCFPB)
Berkeley County Sheriff's Advisory Committee
Berkeley County Dog Nuisance Appeal Board
Regional Water Resources Policy Committee (RWRPC)
WV Eastern Panhandle Transportation Authority
Local Emergency Planning Committee
Clean Air Task Force
Homeland Security
Eastern Panhandle Home Consortium Council
Jefferson/Berkeley Community Criminal Justice Board
Public Defender Corporation
Berkeley County Public Library

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government and certain component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and collectable. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria is met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

The County reports the following major governmental funds:

General County Fund; this fund is the County's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

Coal Severance Tax Fund; this is a special revenue fund and accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia counties. The State Auditor's Office requires an annual budget be submitted for approval for this fund.

E-911 Fee Fund; this is a special revenue fund and accounts for revenues and expenditures for fees charged to phone customer and remitted by the phone company to the county. Expenditures from this fund are restricted to those cost authorized and allowed by the Public Service Commission.

Additionally, the County reports the following fund types:

Special Revenue Funds: these funds account for revenues and expenditures that are restricted due to the nature of the revenue source. The funds are created based on State Code Authorization and purpose, or may be created for the control of special funding from outside sources or government grants. A fund may remain active for several years or may be used one time to facilitate control over specific funding.

The agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the full accrual basis of accounting. These funds are used to account for assets that Berkeley County, West Virginia holds for others in an agency capacity.

The County reports the following major proprietary fund:

Berkeley County Building Commission: this component unit arranges for debt service funding and the acquisition of large dollar capital assets and capital improvements needed by county government. The legally separate entity leases these facilities to the primary government in accordance with lease agreements which mirror the securing debt requirements. The intergovernmental lease agreements between the County and the Building Council were eliminated in these financials statements. The board promulgates rules and regulations governing the usage and maintenance of the facilities. This component unit records its financial activities in a proprietary fund on the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Berkeley County Building Commission, a blended component unit, is charges to customers for services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

D. Assets, Liabilities, and Net Position

1. *Deposits and Investments*

Berkeley County, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the County reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of investments and fair values are presented in Note IV.A.

State statutes authorize the County to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

2. *Receivables and Payables*

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" and are considered current. Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Property Tax Receivable

Property taxes receivable were estimated to be \$1,005,002; this amount is net of an allowance for uncollectibles and represents approximately 89% percent of the property taxes outstanding at June 30, 2013.

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are paid. Taxes paid on or before the due date are allowed a two and one half percent discount. A tax lien is issued for all unpaid real estate taxes as of the date of the sheriff's sale and these liens are sold between October 14th and November 23rd of each year. Sixty days of estimated property tax collections are recorded in revenues at the end of each fiscal year.

All counties within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, fourteen and three-tenths cents (14.30 cents); On Class II property, twenty-eight and six-tenths cents (28.60 cents); On Class III property, fifty-seven and two-tenths cents (57.20 cents); On Class IV property, fifty-seven and two-tenths cents (57.20 cents). In addition, counties may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the County per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2013, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense Per \$100
Class I	\$ 0	13.90 Cents
Class II	\$ 2,729,681,012	27.80 Cents
Class III	\$ 1,447,100,540	55.60 Cents
Class IV	\$ 440,192,686	55.60 Cents

3. Inventories

There are no material inventories maintained; therefore they do not appear on the financial statements.

4. Restricted Assets

Certain assets of the Berkeley County Building Commission are classified as restricted assets because their use is restricted by bond agreements.

The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months.

The "reserve" account is used to report resources set aside to make up potential future deficiencies in the regular account.

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

5. Capital Assets and Depreciation

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost as stated below and having a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period. The County capitalized \$261,557 of interest expense, net of \$91,847 of interest income, for the year ended June 30, 2013.

The County depreciates the capital assets using the straight-line method. Capital assets depreciation and capitalization policies are defined by the County as follows:

<u>Asset</u>	<u>Straight-line Years</u>	<u>Capitalize/ Depreciate</u>
Land	not applicable	Capitalize only
Land improvement	20 to 30 years	65,000
Building	40 years	59,000
Building improvements	20 to 25 years	65,000
Construction in progress	not applicable	Capitalize only
Equipment	5 to 10 years	10,000
Vehicles	5 to 10 years	15,000

6. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and sick leave benefits are accrued on a calendar year beginning January 1, and ending December 31. Sick leave benefits are accrued at the rate of one and one half days per month and an unlimited amount of sick leave benefits can be carried forward to the following calendar year. Employees earn vacation benefits based on the years of service as follows and no more than 30 days of accrued annual leave can be carried forward to the following calendar year:

<u>Years of Service</u>	<u>Vacation Benefits per Month</u>
0 to 5	1.25 days
5 to 10	1.50 days
10 to 15	1.75 days
15 and over	2.00 days

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

When a permanent full time employee terminates employment with the County or retires, the employee has the option of receiving payment at current salary rate for any unused accrued vacation days, but no payment is made for unused sick leave. If the employee is actually retiring, the employee has the option of applying accrued vacation and sick leave days for additional service time for retirement. If the employee is not retiring and terminates employment with the county for other reasons and has the option of re-employment at a later date, any unused sick leave would be reinstated if re-employment occurred within two year of the employee's termination of employment with the county. The changes that occurred in the County's compensated absences liability for the last two fiscal years is as follows:

Liability classification	FYE 6/30/12	FYE 6/30/13	Decrease
Annual Leave	\$ 587,483	\$ 527,360	\$ (60,123)

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

8. Net Position

Net investment in capital assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted

For the district-wide statement of net position, net position is reported as restricted when constraints placed on its use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted

This amount is net position that does not meet the definition of "net investment in capital assets" or "restricted".

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Restrictions, if any, would be classified as follows:

Nonspendable fund balance:

Amounts that are not in a spendable form, such as inventory, or are required to be maintained intact, such as the corpus of an endowment fund.

Restricted fund balance:

Amounts restricted to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance:

Amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Assigned fund balance:

Amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance:

Amounts that are available for any purpose; these amounts are reported only in the general fund.

The County first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification can be used.

10. *Change in Accounting Principle*

Effective July 1, 2012, the County implemented the provisions of Governmental Accounting Standards Board Statement 62, *Codification of Accounting and Financial Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, and Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement identifies net position as the residual of all other elements presented in a statement of financial position. This Statement also amends the net asset reporting requirements in GASB Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. These changes were incorporated in the County's 2013 financial statements; however, there was no effect in beginning net position.

11. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position as of June 30, 2013.

The governmental fund balance sheet includes a reconciliation between fund balance total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. The details of this \$6,314,730 difference are as follows:

Total fund balances for governmental funds		\$ 9,762,831
Total capital asset values net of depreciation not reported in fund level statements	\$ 6,863,082	
Total property tax revenue accrued as revenue in the government wide financial statements but deferred in the fund level financial statements.	894,452	
Total compensated absence liability at the end of the fiscal year.	(527,360)	
Total equipment lease liability at the end of the fiscal year.	<u>(1,012,605)</u>	
Net adjustment to increase fund level ending fund balances to ending net position of government activities:	<u>\$ 6,217,569</u>	<u>6,217,569</u>
Net position of governmental activities		<u>\$ 15,980,400</u>

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Revenues, Expenses and Changes in Net Position

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of revenues, expenses and changes in net position. The details of this difference are as follows:

Net change in fund balance in fund level financial statement	\$ 1,442,691
Total current year depreciation expense reported in the statement of revenues, expenses and changes in net position exceeded current asset additions in the current year by this amount.	987,381
Any change in the compensated absence liability at the end of the fiscal year is reported as an increase or decrease of the accrued cost reported in the statement of revenues, expenses and changes in net position, but is not reported in fund level statements because it does not require the use of current resources. During the current fiscal year, the future liability for compensated absences increased this amount.	(60,123)
Lease payments are expensed when paid in fund level statements. However, assets obtained through a lease purchase agreement are capitalized and depreciated in government wide financial statements. This is the gross amount of lease payments that were expensed in the current fiscal year.	337,535
Any change in the amount of property taxes deferred in the fund level statements at the end of the fiscal year is reported as an increase or decrease of property tax revenue in the statement of revenues, expenses and changes in net position. This is the amount that deferred property taxes decreased in the current fiscal year in the fund level statements and was accrued as revenue in the statement of activities.	(66,855)
Net adjustment to decrease net change in fund balance-total governmental funds to arrive at changes in net position of governmental activities	\$ <u>2,640,629</u>

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General County Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal year end.

Berkeley County, West Virginia prepares its budget on the cash basis of accounting. Therefore, a reconciliation has been performed on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for both the General County and Coal Severance Tax Funds.

Prior to March 2nd of each year, the various elected officials submit to the County Council proposed requests for their respective offices for the fiscal year commencing July 1. Upon review and approval of these requests, the County Council prepares proposed budgets on forms prescribed by the State Auditor and submits them to the State Auditor by March 28 for approval. The County Council then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances (e.g. purchase orders, contracts) are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the value of an investment. The County does not have a policy on interest rate risk.

Credit Risk:

Credit risk is the risk that the issuer will not fulfill its obligation to the holder of the investment. The County does not have a policy for credit risk in addition to state regulations.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to magnitude of an entity's investment in a single issuer. The County does not have a policy for concentration of credit risk. In accordance with GASB Statement No. 40, "Deposits and Investment Risk Disclosure", disclosure is required when the investment in any one issuer equals or exceeds 5% of the total amount of investments.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Custodial Credit Risk - Deposits

Custodial risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk; however, WV State Code 7-6-2 requires the county Council to request and approve a bond with good and sufficient sureties payable to the State of West Virginia, in a sum as the county Council shall direct, and which may not be less than the maximum sum that is deposited in the depository at any one time. As of June 30, 2013, the County reported deposits of \$10,783,022, of which \$10,252,174 was the County's carrying amount; of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$10,533,022 was collateralized by one or more "Irrevocable Standby Letters of Credit" issued by Federal Home Loan Bank of Pittsburgh, PA. for it's member MVB Bank, Inc., the County's Depository.

B. Receivables

Receivables at year end for the County's individual major, non-major, and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>
Receivables:	
Taxes, net	\$ 1,005,002
	<u>1,005,002</u>
Net Total Receivables	\$ <u>1,005,002</u>

Governmental funds report deferred revenues in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Deferred tax revenue (General Fund)	<u>Unavailable</u>
	\$ <u>894,452</u>

C. Capital Assets

Governmental Activities:

	Beginning Balance 7/1/2012	Increases	Decreases	Ending Balance 6/30/2013
Current changes in capital assets and accumulated depreciation:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 850,602	\$ -	\$ -	\$ 850,602
Construction in progress	-	1,015,567	-	1,015,567
Total assets not being depreciated	<u>850,602</u>	<u>1,015,567</u>	<u>-</u>	<u>1,866,169</u>
Capital assets being depreciated:				
Buildings	3,463,868	-	-	3,463,868
Improvements	1,780,561	-	-	1,780,561
Equipment	9,845,119	660,290	-	10,505,409
Total assets being depreciated	<u>15,089,548</u>	<u>660,290</u>	<u>-</u>	<u>15,749,838</u>
Less: Total accumulated depreciation, Restated see Note IV.E.	<u>(10,064,449)</u>	<u>(688,476)</u>	<u>-</u>	<u>(10,752,925)</u>
Total capital assets being depreciated, net	<u>5,025,099</u>	<u>(28,186)</u>	<u>-</u>	<u>4,996,913</u>
Governmental activities capital assets, net	<u>\$ 5,875,701</u>	<u>\$ 987,381</u>	<u>\$ -</u>	<u>\$ 6,863,082</u>

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Accumulated depreciation was restated to correct errors in the prior years caused by formula errors in the County's capital assets and depreciation schedule. The net effects of this restatement are detailed in Note IV. E.

Depreciation expense was charged to governmental activities of the primary government as follows:

Governmental activities:

General government	\$ 406,351
Public safety	252,319
Health and sanitation	5,422
Social services	24,384
Total depreciation expense-governmental activities	<u>\$ 688,476</u>

Business-type Activities

Current changes in capital assets and accumulated depreciation:

	Beginning Balance <u>7/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/2013</u>
Capital assets:				
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Building improvements and equipment	34,756,527	-	-	34,756,527
Construct. in progress-capitalized interest	261,557	191,501	-	453,058
Construction in progress	<u>6,448,952</u>	<u>1,545,275</u>	<u>-</u>	<u>7,994,227</u>
Total capital assets	<u>43,356,435</u>	<u>1,736,776</u>	<u>-</u>	<u>45,093,211</u>

	Beginning Balance <u>6/30/2013</u>	<u>Accumulated Depreciation</u>		Ending Balance <u>6/30/2013</u>
		<u>Prior years</u>	<u>Current year</u>	
Land	1,889,399	-	-	1,889,399
Building improvements and equipment	34,756,527	4,777,753	874,783	29,103,991
Construction work in progress-capitalized interest	453,058	-	-	453,058
Construction in progress	<u>7,994,227</u>	<u>-</u>	<u>-</u>	<u>7,994,227</u>
Total capital assets being depreciated, net			-	
Business-type activities capital assets, net	<u>\$ 45,093,211</u>	<u>\$ 4,777,753</u>	<u>\$ 874,783</u>	<u>\$ 39,440,675</u>

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

D. Long-Term Debt

Governmental activities:

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of machinery and equipment for its General County Fund. These lease agreements qualify as capital assets for accounting purposes, and, therefore they are reported at the present value of future minimum lease payments.

The total of principal and interest due on leases during future years are as follow:

Due in fiscal year ending June 30, 2014	\$	337,535
Due in fiscal year ending June 30, 2015		337,535
Due in fiscal year ending June 30, 2016		337,535
		1,012,605
Total minimum lease payments		1,012,605
Less amount representing interest		101,260
Present value of minimum lease payments	\$	911,345

Changes in General Long-Term Liabilities, Governmental Activities:

		Beginning Balances <u>7/1/2012</u>		Current <u>Additions</u>		Current <u>Reductions</u>		Ending Balance <u>6/30/2013</u>		Due Within <u>One Year</u>
Capital leases	\$	1,350,140	-	-	\$	(337,535)	\$	1,012,605	\$	337,535
Annual Leave		587,483	-	-		(60,123)		527,360		-
Governmental activities										
Long-term liabilities	\$	1,978,714	-	-	\$	(397,658)	\$	1,581,420	\$	337,535

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Business-type Activities: Building Commission, a Blended Component Unit General Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2013:

1 Series 2004A general revenue bonds, original face value of \$9,995,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning December 1, 2004, at 1.45% increasing to 4.95% interest and concluding December 1, 2031, issued to refinance a \$9,995,000 general revenue bond and to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	7,975,000
2 Series 2004B general revenue bonds, original face value of \$9,000,000 with interest payable in semi-annual installments, and principal payable in annual installments, beginning March 1, 2005 at 3.75% and increasing to 5% interest and concluding September 1, 2034, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	7,600,000
3 Series 2005 general revenue bonds, original face value of \$9,000,000 with interest payable in semi-annual installments, and principal payable in annual installments, beginning December 1, 2005 at 3.25% and increasing to 5.55% interest and concluding December 1, 2035, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	8,465,000
4 Series 2006 general revenue bonds, original face value of \$5,300,000 with interest payable in semi-annual installments, and principal payable in annual installments, beginning in 2007 at 4.77% and concluding 2037, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	4,695,000
5 Series 2009 lease revenue bonds, original face value of \$1,500,000 with interest payable in semi annual installments, and principal payable in annual installments, beginning December 2010 at 4.75% increasing to 5.50% interest and concluding December 1, 2029, issued to provide funding for the building known as the Blueridge Outlet Center.	1,350,000
6 Series 2011 lease revenue bond, in the principal amount not to exceed, \$5,500,000 with interest payable monthly at an annual interest rate of 4.56 beginning September 1, 2011 until September 1, 2012 concluding September 1, 2041. The bond refunded Series 2007 bond and provided financing of Public Safety Building.	5,423,907
Total long term debt	\$ 35,508,907

The total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as

	Blended Component Unit Activities		
	Principal	Interest	Total
Due in fiscal year ending June 30, 2014	\$ 1,051,372	\$ 1,525,995	\$ 2,577,367
Due in fiscal year ending June 30, 2015	1,091,929	1,486,656	2,578,585
Due in fiscal year ending June 30, 2016	1,132,671	1,444,846	2,577,517
Due in fiscal year ending June 30, 2017	1,173,606	1,400,884	2,574,490
Due in fiscal year ending June 30, 2018	1,229,738	1,353,146	2,582,884
Due in fiscal year ending June 30, 2019-2023	6,928,092	5,942,143	12,870,235
Due in fiscal year ending June 30, 2024-2028	8,580,217	4,262,602	12,842,819
Due in fiscal year ending June 30, 2029-2033	9,680,751	2,129,289	11,810,040
Due in fiscal year ending June 30, 2034-2037	4,640,531	340,996	4,981,527
Totals	\$ 35,508,907	\$ 19,886,557	\$ 55,395,464

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Business-type Activities:

Changes in General Long-Term Liabilities, Building Commission-Blended Component Units

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds Payable	\$ 34,199,832	\$ 2,240,168	\$ (931,093)	\$ 35,508,907	\$ 1,051,372
Total bonds payable	34,199,832	2,240,168	(931,093)	35,508,907	1,051,372

E. Prior Period Restatements

Accumulated Depreciation:

The County restated the following capital assets and accumulated depreciation as of July 1, 2012 to correct calculation errors from prior years:

Primary Government:

	Beginning Balance as Previously Stated	Increases	Decreases	Beginning Balance, Restated
Capital assets, not being depreciated:				
Land	\$ 850,602	\$ -	\$ -	\$ 850,602
Total capital assets not being depreciated	850,602	-	-	850,602
Capital assets being depreciated:				
Buildings	3,463,868	-	-	3,463,868
Improvements	1,780,561	-	-	1,780,561
Equipment	9,845,119	-	-	9,845,119
Less: Total accumulated depreciation, restated	(8,844,174)	(1,220,275)	-	(10,064,449)
Total capital assets being depreciated, net restated	6,245,374	(1,220,275)	-	5,025,099
Governmental activities capital assets, net restated	\$ 7,095,976	\$ (1,220,275)	\$ -	\$ 5,875,701

Net Position:

The County restated the following Net Position as of July 1, 2012, as a result of the restatement of the accumulated depreciation. The beginning Net Position is restated as follows:

Primary Government:

	Beginning Balance as Previously Stated	Increases	Decreases	Beginning Balance, Restated
Net Position, Restated	\$ 14,560,046	\$ -	\$ 1,220,275	\$ 13,339,771

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

V. Other Information

A Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government is insured with the West Virginia Counties Group, Self Insurance Risk Pool (WVCoRP).

B Contingent Liabilities

Amounts received or receivable from grant 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 grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The County's counsel, as of June 30, 2013, was not aware of pending or threatened litigation that would have a material effect on the financial condition of the County if judgment was rendered against the county.

C Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time County employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held for the exclusive benefit of the participants and their beneficiaries.

D Other Post Employment Benefits (OPEB)

The OPEB Liability reported in the fund level and government-wide financial statements is based on the most recent Actuarial Study performed for the County. Detailed information on the basis of the Actuarial Study and the County Council Policies considered in the review can be obtained from the Berkeley County Council Offices responsible for determining future OPEB Liability Estimates.

The County does not provide post retirement health benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

VI. Employee Retirement Systems and Plans

A.1 *Plan Descriptions, Contribution Information and Funding Policies*

Public Employee Retirement System (PERS)

Berkeley County, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general county employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Eligibility to participate:	All full-time county employees, except Deputy Sheriffs who are covered by other pension plans
Authority establishing contributions, obligations, and benefit provisions	State Statute
Plan member's contribution rate	4.50%
County's contribution rate	14.00%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death	Yes

A.2 Trend Information

Public Employees' Retirement System (PERS)

<u>Fiscal Year</u>	<u>Annual Pension</u>	<u>Percentage</u>
	<u>Cost</u>	<u>Contributed</u>
2013	\$ 1,332,357	100%
2012	\$ 1,355,596	100%
2011	\$ 1,159,585	100%
2010	\$ 1,027,347	100%
2009	\$ 997,884	100%

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, 4101 MacCorkle Ave. S. E., Charleston, WV 25314.

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

B.1 Plan Descriptions, Contribution Information and Funding Policies

West Virginia Deputy Sheriff Retirement System (WVDRS)

Berkeley County, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of deputy sheriff employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, fees for certain reports generated by the sheriff's offices and state appropriations, as necessary.

Eligibility to participate:

West Virginia Deputy sheriffs first employed after the effective date and any deputy sheriffs hired prior to the effective date who elect to become members.

Authority establishing contributions, obligations, and benefit provisions:

State Statute

Funding policy and contributions :

Plan member's contribution rate	8.50%
County's contribution rate	13.00%

Certain fees for reports generated by sheriff's offices are paid to this plan in accordance with West Virginia State Code.

Period required to vest: Five years

Benefits and eligibility for distribution:

A member who has attained age 60 and has earned 5 or more years of contributing service or age 50 if the sum of his/her age plus years of credited service is equal to or greater than 70. The final average salary (three highest consecutive years in the last ten years) times the years of service times 2.25% equals the annual retirement benefit.

Deferred retirement option:

No deferred retirement option is available.

Provisions for cost of living adjustments or death benefits:

This plan has no provisions for cost of living adjustments. There are provisions for death benefits.

B.2 Trend Information

West Virginia Deputy Sheriff Retirement System (WVDRS)

Fiscal Year	Annual Pension Cost	Percentage Contributed
2013	\$ 485,311	100%
2012	\$ 496,596	100%
2011	\$ 420,076	100%
2010	\$ 403,772	100%
2009	\$ 410,714	100%

WVDRS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the West Virginia Deputy Sheriff Retirement System, 4101 MacCorkle Avenue, S. E., Charleston, WV 25314.

SUPPLEMENTARY INFORMATION

**BERKELEY COUNTY, WEST VIRGINIA
BUDGETARY COMPARISON SCHEDULE -
ASSESSOR'S VALUATION FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		Actual	Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	Modified	Budget	Final Budget
			<u>Accrual Basis</u>	<u>Basis</u>	Positive <u>(Negative)</u>
Revenues:					
Charges for Services	\$ 52	\$ 52	\$ 184	\$ 184	\$ 132
Miscellaneous	878,231	878,231	934,743	934,743	56,512
Interest	3,976	3,976	1,136	1,136	(2,840)
Total revenues	<u>882,259</u>	<u>882,259</u>	<u>936,063</u>	<u>936,063</u>	<u>53,804</u>
Expenditures:					
General government	1,011,846	1,011,846	868,522	868,522	143,324
Capital outlay	130,000	130,000	-	-	130,000
Total expenditures	<u>1,141,846</u>	<u>1,141,846</u>	<u>868,522</u>	<u>868,522</u>	<u>273,324</u>
Excess (deficiency) of revenues over (under) expenditures	(259,587)	(259,587)	67,541	67,541	327,128
Fund balance at beginning of year	<u>259,587</u>	<u>259,587</u>	<u>231,850</u>	<u>231,850</u>	<u>(27,737)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,391</u>	<u>\$ 299,391</u>	<u>\$ 299,391</u>

The notes to the financial statements are an integral part of this statement.

perry & Associates
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

March 22, 2014

Berkeley County
400 West Stephen Street, Suite 201
Martinsburg, WV 25401

To the County Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of **Berkeley County**, West Virginia (the County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report dated March 22, 2014, wherein we issued an adverse opinion on aggregate discretely presented component units because the financial statements do not include financial data for all the County's legally separate component units. Our report refers to other auditors who audited the financial statements of the Berkeley County Building Commission as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated March 22, 2014.

Entity's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**BERKELEY COUNTY, WEST VIRGINIA
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF AUDIT FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2013-001

Significant Deficiency

Insurance Premium Withholdings

During Fiscal Year 2013, we noted certain instances in which insurance premiums were not correctly withheld from employees of the County. We found the County was withholding certain amounts for insurance premiums, however was being billed higher rates than was being collected or was not collecting amounts for optional coverage.

The following errors were noted:

- Optional life insurance charged to retired and active employees through payroll deduction did not match the amount that was billed by the insurance company.
- Life insurance premiums withheld through payroll deduction were not always included on the monthly bill noting the life insurance was being charged and paid each month for that employee and spouse.
- Employees that were no longer employed with the County had health, dental, vision and life insurance premiums billed, approved for payment, and paid by the County Commission.
- We could not find where all employees qualifying for FMLA reimbursed applicable amounts to the County.

This could lead to County employees being charged incorrect amounts for insurance premiums and the County could incur substantial losses if the correct amount of money is not charged and collected each month.

We recommend that the County monitor each month the amount of insurance premiums collected to the amount of the withholdings. Procedures should be put in place to ensure the amount the Council is approving for payment coincides with what is billed by the insurance companies. All insurance changes should be communicated timely with the County Clerk's Finance Department and implemented within each month the change occurs.

Management's Response – The County is aware of and has addressed the insurance premium withholding discrepancy. Working with the Berkeley County Finance Department we have reconciled and corrected all employee accounts, corrected payroll withholdings, and have implemented systems to assure that there should be no further issues going forward. Additionally, the employees from the County Council Office that receives, reconciles and approves the monthly health insurance billing regularly meets and communicates with their counterparts in the County Clerk's Finance Department to assure that there are no differences between billing and withholding.