

AUDIT REPORT OF
BERKELEY COUNTY, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



Lisa K. Thornburg, CPA

BERKELEY COUNTY, WEST VIRGINIA

AUDITED FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

BERKELEY COUNTY, WEST VIRGINIA
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For the Fiscal Year Ended June 30, 2011

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BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2011

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 Communication 911 | Home Confinement |
| Federal Grants | Fiduciary |
| Project Life Saver | Park Land Acquisition |
| Gypsy Moth | Enhanced E-911 Equipment |
| Planning Commission | Assessor Valuation |
| Sheriff's Concealed Weapons | Special Law Enforcement Forfeiture |
| Voters Registration | Prosecuting Attorney Forfeiture |
| Cops Universal Hiring Grant-Federal-100 | Task Force Reimbursement-Federal |
| Homeland Security-Citizen Corp-Federal | Bullet Proof Vest-Federal |
| Homeland Sec-Law Enforcement-Federal | ESPG-Federal |
| Ed Byrne DOJ Grant | FEMA Hazard Mitigation-Federal |
| Homeland Security Grant-Federal | Community Library Reading Grant-State |
| Musselman Middle School | Youth Fair Grant-State |
| Panhandle Transit Grant-State | Sheriff's Dept Grant-State |
| Court Security Grant-State | Humane Society Grant-State |
| Hazardous Material Environmental Grant | Morgan's Cabin Grant-State |
| Community Corrections Grant | Rooney Park Grant-State |
| Roundhouse Authority Grant | Berkeley 4-H Camp Grant-State |
| South Berkeley Community Tree Grant | Berkeley Co Emergency Amb Grant-State |
| Governor's Community Batt Grant-State | |

PROPRIETARY FUND TYPE

Major Fund

Building Commission

FIDUCIARY FUND TYPES

Agency Funds

State
School
Municipal
County Offices
Other Agency

**BERKELEY COUNTY, WEST VIRGINIA
COUNTY OFFICIALS
For the Fiscal Year Ended June 30, 2011**

| <u>OFFICE</u> | <u>NAME</u> | <u>TERM</u> |
|---------------------------------|----------------------------|---------------------|
| <u>Elected Officials</u> | | |
| County Council | William L. Stubblefield | 01-01-07 / 12-31-12 |
| | Elaine C. Mauck | 01-01-11 / 12-31-12 |
| | 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 | 01-01-09 / 12-31-12 |
| Prosecuting Attorney: | Pamela Games-Neely | 01-01-09 / 12-31-12 |
| Assessor: | Patricia A. Kilmer | 02-19-09 / 12-31-12 |
| <u>Appointed</u> | | |
| Administrator | Deborah E. Hammond | |

LISA K. THORNBURG, CPA

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Berkeley County Council
Martinsburg, West Virginia 25401

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for all of the County's legally separate component units. These financial statements do include the Berkeley County Building Commission as a blended component unit, but the County's discretely presented component units are not included. The financial statements of the Berkeley County Building Commission have been audited. Accounting principles generally accepted in the United States of America require the financial data for all component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for those component units. The County has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, it is not known how the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units would have been reported.

In our opinion, because of the omission of the discretely presented component units, as discussed above, 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, 2011, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Berkeley County, West Virginia, as of June 30, 2011, and the respective changes in financial position, and, where applicable, the cash flows thereof, and the respective budgetary comparisons for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

The County has not presented the management's discussion and analysis that is not a required part of the basic financial statements but is supplementary information 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and the budgetary comparison for the Assessor's Valuation Fund are presented for purposes of additional analysis and are not required parts of the basic financial statements of the County. The budgetary comparison for the Assessor's Valuation Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,


Lisa K. Thornburg, CPA

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2011

| | <u>Primary Government</u> | | <u>Total</u> |
|---|--|---|-------------------------|
| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 7,377,534.65 | \$ 2,148.00 | \$ 7,379,682.65 |
| Restricted assets | | | |
| Investments | 0.00 | 679,639.00 | 679,639.00 |
| Receivables, net | | | |
| Taxes | 1,317,615.12 | 0.00 | 1,317,615.12 |
| Other governmental entities | 60,844.91 | 0.00 | 60,844.91 |
| Capital assets net of depreciation: | | | |
| Land | 745,502.00 | 1,889,399.00 | 2,634,901.00 |
| Building | 1,656,965.00 | 33,017,176.00 | 34,674,141.00 |
| Machinery and equipment | 3,952,393.60 | 0.00 | 3,952,393.60 |
| Construction in progress | 0.00 | 4,159,210.00 | 4,159,210.00 |
| Building improvements | 1,182,552.58 | 0.00 | 1,182,552.58 |
| Unamortized bond issue costs, net of amortization | 0.00 | 930,829.00 | 930,829.00 |
| Total assets | \$ 16,293,407.86 | \$ 40,678,401.00 | \$ 56,971,808.86 |
| LIABILITIES | | | |
| Current liabilities payable from current assets: | | | |
| Accounts payable | \$ 427,460.61 | \$ 8,801.00 | \$ 436,261.61 |
| OPEB payable | 210,906.28 | 0.00 | 210,906.28 |
| Wages and related cost | 341,176.00 | 0.00 | 341,176.00 |
| Due other gov't | 22,500.00 | 0.00 | 22,500.00 |
| Interest payable | 0.00 | 216,051.00 | 216,051.00 |
| Dormant checks | 1,690.01 | 0.00 | 1,690.01 |
| Current portion of long-term debt | 363,649.00 | 825,000.00 | 1,188,649.00 |
| Total current liabilities | 1,367,381.90 | 1,049,852.00 | 2,417,233.90 |
| Noncurrent liabilities: | | | |
| Leases payable | 1,350,140.00 | 0.00 | 1,350,140.00 |
| Compensated absences | 506,013.09 | 0.00 | 506,013.09 |
| Long term debt | 0.00 | 34,124,892.00 | 34,124,892.00 |
| Long term debt premium | 0.00 | 9,216.00 | 9,216.00 |
| Long term debt discount | 0.00 | (155,410.00) | (155,410.00) |
| Total non-current liabilities | 1,856,153.09 | 33,978,698.00 | 35,834,851.09 |
| Total Liabilities | 3,223,534.99 | 35,028,550.00 | 38,252,084.99 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 5,823,624.18 | \$ 5,872,555.00 | \$ 11,696,179.18 |
| Restricted | 996,196.01 | 679,639.00 | 1,675,835.01 |
| Assigned | 414,043.54 | 0.00 | 414,043.54 |
| Unassigned | 5,836,009.14 | (902,343.00) | 4,933,666.14 |
| Total net assets | 13,069,872.87 | 5,649,851.00 | 18,719,723.87 |
| Total liabilities and net assets | \$ 16,293,407.86 | \$ 40,678,401.00 | \$ 56,971,808.86 |

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

| <u>Functions / Programs</u> | Program Revenues | | | Net (Expense) Revenues and Changes in Net Assets | | |
|--------------------------------------|-------------------------|-------------------------------------|---|---|-------------------------------------|-------------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | Primary Government | | <u>Total</u> |
| | | | | <u>Governmental Activities</u> | <u>Business-type Activities</u> | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 17,277,951.41 | \$ 4,485,443.33 | \$ 621,573.81 | \$ (12,170,934.27) | \$ 0.00 | \$ (12,170,934.27) |
| Public safety | 9,575,096.21 | 0.00 | 0.00 | (9,575,096.21) | 0.00 | (9,575,096.21) |
| Health and sanitation | 169,836.77 | 0.00 | 0.00 | (169,836.77) | 0.00 | (169,836.77) |
| Culture and recreation | 1,188,208.30 | 0.00 | 0.00 | (1,188,208.30) | 0.00 | (1,188,208.30) |
| Social services | 119,630.50 | 0.00 | 0.00 | (119,630.50) | 0.00 | (119,630.50) |
| Total Governmental Activities | 28,330,723.19 | 4,485,443.33 | 621,573.81 | (23,223,706.05) | 0.00 | (23,223,706.05) |
| Business-type activities: | | | | | | |
| Building Commission | 2,389,761.00 | 2,351,037.00 | 0.00 | 0.00 | (38,724.00) | (38,724.00) |
| Total Primary Government | \$ 30,720,484.19 | \$ 6,836,480.33 | \$ 621,573.81 | (23,223,706.05) | (38,724.00) | (23,262,430.05) |
| General revenues: | | | | | | |
| Ad valorem property taxes | | | | 17,490,879.38 | 0.00 | 17,490,879.38 |
| Other taxes | | | | 2,335,780.60 | 0.00 | 2,335,780.60 |
| Fines and forfeitures | | | | 917,081.43 | 0.00 | 917,081.43 |
| Unrestricted investment earnings | | | | 93,203.26 | 1,186.00 | 94,389.26 |
| Miscellaneous | | | | 2,737,912.12 | 8,300.00 | 2,746,212.12 |
| Reimbursement | | | | 345,447.35 | 0.00 | 345,447.35 |
| Total general revenues | | | | 23,920,304.14 | 9,486.00 | 23,929,790.14 |
| Increase in net assets | | | | 696,598.09 | (29,238.00) | 667,360.09 |
| Net assets, beginning of year | | | | 12,373,274.78 | 5,679,089.00 | 14,567,142.60 |
| Net assets - ending | | | | \$ 13,069,872.87 | \$ 5,649,851.00 | \$ 18,719,723.87 |

BERKELEY COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

| | <u>Major Funds</u> | | | <u>Other Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------------|-----------------------------------|------------------------|--|---|
| | <u>General</u> | <u>Coal Severance Tax</u> | <u>E-911 Fees</u> | | |
| ASSETS | | | | | |
| Current: | | | | | |
| Cash and cash equivalents | \$ 4,563,874.51 | \$ 361,042.49 | \$ 1,416,011.79 | \$ 1,036,605.86 | \$ 7,377,534.65 |
| Receivables: | | | | | |
| Taxes | 1,317,615.12 | 0.00 | 0.00 | 0.00 | 1,317,615.12 |
| Due from: | | | | | |
| Other funds | 157.50 | 22,342.50 | 245,567.17 | 0.00 | 268,067.17 |
| Other gov't entities | 24,792.69 | 0.00 | 0.00 | 36,052.22 | 60,844.91 |
| Total assets | \$ 5,906,439.82 | \$ 383,384.99 | \$ 1,661,578.96 | \$ 1,072,658.08 | \$ 9,024,061.85 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 304,690.26 | \$ 17,399.91 | \$ 85,881.22 | \$ 19,489.22 | \$ 427,460.61 |
| OPEB payable | 198,933.43 | 0.00 | 0.00 | 11,972.85 | 210,906.28 |
| Wages and benefits payable | 341,176.00 | 0.00 | 0.00 | 0.00 | 341,176.00 |
| Due to: | | | | | |
| Other funds | 245,567.17 | 0.00 | 0.00 | 22,500.00 | 268,067.17 |
| Dormant checks | 1,690.01 | 0.00 | 0.00 | 22,500.00 | 24,190.01 |
| Deferred revenues: | | | | | |
| Taxes | 997,118.54 | 0.00 | 0.00 | 0.00 | 997,118.54 |
| Total liabilities | 2,089,175.41 | 17,399.91 | 85,881.22 | 76,462.07 | 2,268,918.61 |
| Fund balances: | | | | | |
| Restricted | 0.00 | 0.00 | 0.00 | 996,196.01 | 996,196.01 |
| Assigned | 336,164.40 | 5,548.98 | 72,330.16 | 0.00 | 414,043.54 |
| Unassigned | 3,481,100.01 | 360,436.10 | 1,503,367.58 | 0.00 | 5,344,903.69 |
| Total fund balances | 3,817,264.41 | 365,985.08 | 1,575,697.74 | 996,196.01 | 6,755,143.24 |
| Total liabilities and fund balances | \$ 5,906,439.82 | \$ 383,384.99 | \$ 1,661,578.96 | \$ 1,072,658.08 | \$ 9,024,061.85 |

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

BERKELEY COUNTY, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

| | | |
|--|-----------|------------------------------------|
| Total fund balances on the governmental fund's balance sheet. | \$ | 6,755,143.24 |
| Amounts reported for governmental activities in the statement of net assets 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 Assets. | | |
| | | 7,537,413.18 |
| 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. | | |
| | | 997,118.54 |
| 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. | | |
| | | (506,013.09) |
| 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 valuc. | | |
| | | <u>(1,713,789.00)</u> |
| Net assets of governmental activities | \$ | <u><u>13,069,872.95</u></u> |

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

**BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>Major Funds</u> | | | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|------------------------|--------------------------|------------------------|---|--------------------------------|
| | <u>General</u> | Coal Severance Tax | <u>E-911 Fees</u> | | |
| REVENUES | | | | | |
| Taxes: | | | | | |
| Ad valorem property taxes | \$ 17,208,473.76 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 17,208,473.76 |
| Other taxes | 1,816,373.66 | 465,906.99 | 0.00 | 53,499.95 | 2,335,780.60 |
| Intergovernmental: | | | | | |
| Federal | 70,030.21 | 0.00 | 0.00 | 281,669.87 | 351,700.08 |
| State | 0.00 | 0.00 | 0.00 | 269,873.73 | 269,873.73 |
| Charges for services | 2,039,546.68 | 0.00 | 2,283,282.94 | 162,613.71 | 4,485,443.33 |
| Fines and forfeits | 295,495.25 | 0.00 | 0.00 | 621,586.18 | 917,081.43 |
| Interest and investment earnings | 67,953.36 | 2,018.29 | 12,796.59 | 10,435.02 | 93,203.26 |
| Miscellaneous | 1,351,731.95 | 8,928.00 | 5,819.41 | 1,371,432.76 | 2,737,912.12 |
| Reimbursement transfers | 345,447.35 | 0.00 | 0.00 | 0.00 | 345,447.35 |
| Total revenues | <u>23,195,052.22</u> | <u>476,853.28</u> | <u>2,301,898.94</u> | <u>2,771,111.22</u> | <u>28,744,915.66</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 13,829,873.11 | 182,465.29 | 0.00 | 2,079,612.14 | 16,091,950.54 |
| Public safety | 6,202,902.28 | 42,970.00 | 2,132,799.03 | 790,828.93 | 9,169,500.24 |
| Health and sanitation | 164,414.27 | 0.00 | 0.00 | 0.00 | 164,414.27 |
| Culture and recreation | 1,187,248.30 | 0.00 | 0.00 | 0.00 | 1,187,248.30 |
| Social services | 98,188.00 | 0.00 | 0.00 | 0.00 | 98,188.00 |
| Capital outlay | 320,413.67 | 0.00 | 0.00 | 150,000.00 | 470,413.67 |
| Total expenditures | <u>21,803,039.63</u> | <u>225,435.29</u> | <u>2,132,799.03</u> | <u>3,020,441.07</u> | <u>27,181,715.02</u> |
| Excess of revenues over expenditures | <u>1,392,012.59</u> | <u>251,417.99</u> | <u>169,099.91</u> | <u>(249,329.85)</u> | <u>1,563,200.64</u> |
| FUND BALANCES: | | | | | |
| Beginning fund balance: | | | | | |
| General Fund | 1,828,773.32 | 0.00 | 0.00 | 1,842,004.36 | 3,670,777.68 |
| Coal Severance Fund | 0.00 | 114,567.09 | 0.00 | 0.00 | 114,567.09 |
| E-911 Fund | 0.00 | 0.00 | 1,406,597.83 | 0.00 | 1,406,597.83 |
| OPEB Fund | 77,363.00 | 0.00 | 0.00 | (77,363.00) | 0.00 |
| Rainy Day Fund | 511,604.14 | 0.00 | 0.00 | (511,604.14) | 0.00 |
| Engineering Fees Fund | 7,511.36 | 0.00 | 0.00 | (7,511.36) | 0.00 |
| Total beginning fund balance | <u>2,425,251.82</u> | <u>114,567.09</u> | <u>1,406,597.83</u> | <u>1,245,525.86</u> | <u>5,191,942.60</u> |
| Fund balances - ending | <u>\$ 3,817,264.41</u> | <u>\$ 365,985.08</u> | <u>\$ 1,575,697.74</u> | <u>\$ 996,196.01</u> | <u>\$ 6,755,143.24</u> |

**BERKELEY COUNTY, WEST VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| Major Funds | | | Other Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------|--|--------------------------|--|---|
| <u>General</u> | <u>Coal Severance Tax</u> | <u>E-911 Fees</u> | | |

The notes to the financial statement 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 Fiscal Year Ended June 30, 2011

| | | |
|---|-----------|---------------------------------|
| Net change in fund balances - total governmental funds. | \$ | 1,563,200.64 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs 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 | | (1,099,168.95) |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, 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. | | 258,570.00 |
| 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 compensated absences for annual leave increased in the current fiscal year in the government wide financial statements. | | (18,100.47) |
| 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. | | (290,308.75) |
| 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 increased in the government wide financial statements in the current fiscal year. | | <u>282,405.62</u> |
| Change in net assets of governmental activities | \$ | <u><u>696,598.09</u></u> |

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2011

| | <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 | \$ 17,561,055 | \$ 17,561,055 | \$ 17,208,474 | \$ (34,342) | \$ 17,174,132 | \$ (386,923) |
| Other taxes | 1,873,041 | 1,604,279 | 1,816,374 | 0 | 1,816,374 | 212,095 |
| Intergovernmental: | | | | | | |
| Federal | 0 | 2,046 | 70,030 | 0 | 70,030 | 67,984 |
| Charges for services | 1,768,252 | 1,768,252 | 2,013,197 | 0 | 2,013,197 | 244,945 |
| Fines and forfeits | 331,358 | 317,456 | 295,495 | 0 | 295,495 | (21,961) |
| Interest | 119,282 | 82,627 | 60,699 | 0 | 60,699 | (21,928) |
| Miscellaneous | 702,121 | 1,022,636 | 1,351,732 | 27,500 | 1,379,232 | 356,596 |
| Transfers | 75,000 | 75,000 | 68,084 | 0 | 68,084 | (6,916) |
| Total revenues | 22,430,109 | 22,433,351 | 22,884,085 | (6,842) | 22,877,243 | 443,892 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 14,660,123 | 15,676,995 | 13,829,873 | 199,224 | 14,029,097 | 1,647,898 |
| Public safety | 7,051,235 | 7,718,888 | 6,202,902 | (27,719) | 6,175,183 | 1,543,705 |
| Health and sanitation | 191,017 | 191,017 | 164,414 | (600) | 163,814 | 27,203 |
| Culture and recreation | 1,236,047 | 1,236,047 | 1,187,248 | 0 | 1,187,248 | 48,799 |
| Social services | 98,188 | 98,188 | 98,188 | 0 | 98,188 | 0 |
| Capital projects | 193,499 | 388,117 | 320,414 | 8,000 | 328,414 | 59,703 |
| Total expenditures | 23,430,109 | 25,309,252 | 21,803,039 | 179,505 | 21,981,944 | 3,327,308 |
| Excess (deficiency) of revenues over expenditures | (1,000,000) | (2,875,901) | 1,081,046 | (186,347) | 895,299 | 3,771,200 |
| Fund balances, beginning | 1,000,000 | 2,875,901 | 1,828,773 | (1,081,046) | 2,909,819 | 33,918 |
| Fund balances, ending | \$ 0 | \$ 0 | \$ 2,909,819 | \$ (1,267,393) | \$ 3,805,118 | \$ 3,805,118 |

The notes to the financial statement 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 Fiscal Year Ended June 30, 2011

| | <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 | \$ 465,907 | \$ 0 | \$ 465,907 | \$ 170,099 |
| Interest and investment | 1,000 | 1,000 | 2,018 | 0 | 2,018 | 1,018 |
| Miscellaneous | 0 | 0 | 8,928 | 0 | 8,928 | 8,928 |
| Total revenues | 296,808 | 296,808 | 476,853 | 0 | 476,853 | 180,045 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 212,705 | 306,502 | 182,465 | 0 | 182,465 | 124,037 |
| Public Safety | 84,103 | 84,103 | 42,970 | 0 | 42,970 | 41,133 |
| Total expenditures | 296,808 | 390,605 | 225,435 | 0 | 225,435 | 165,170 |
| Excess (deficiency) of revenues over expenditures | 0 | (93,797) | 251,418 | 0 | 251,418 | 345,215 |
| Fund balances - beginning | 0 | 93,797 | 114,567 | 0 | 114,567 | 20,770 |
| Fund balances - ending | \$ 0 | \$ 0 | \$ 365,985 | \$ 0 | \$ 365,985 | \$ 365,985 |

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

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2011

| | <u>Business-type Activities</u> <u>Enterprise Fund</u> |
|--|---|
| ASSETS | <u>Building Commission</u> |
| Current Assets: | |
| Cash and cash equivalents | \$ <u>2,148.00</u> |
| Total current assets | <u>2,148.00</u> |
| Restricted: | |
| Investments | <u>679,639.00</u> |
| Total restricted assets | <u>679,639.00</u> |
| Capital Assets, Net of Depreciation: | |
| Land | 1,889,399.00 |
| Buildings and equipment | 33,017,176.00 |
| Construction in progress | <u>4,159,210.00</u> |
| Net capital assets | <u>39,065,785.00</u> |
| Other assets: | |
| Unamortized bond issue costs | <u>930,829.00</u> |
| Total other assets | 930,829.00 |
| Total assets | \$ <u>40,678,401.00</u> |
| LIABILITIES | |
| Current Liabilities Payable from Restricted Assets: | |
| Accounts payable | \$ 8,801.00 |
| Bonds payable, current portion | 825,000.00 |
| Accrued interest | <u>216,051.00</u> |
| Total current liabilities | <u>1,049,852.00</u> |
| Noncurrent liabilities: | |
| Bonds payable | 34,124,892.00 |
| Long-term debt premium | 9,216.00 |
| Long-term debt discount | <u>(155,410.00)</u> |
| Total noncurrent liabilities | <u>33,978,698.00</u> |
| Total liabilities | <u>35,028,550.00</u> |
| NET ASSETS | |
| Invested in capital assets | \$ 5,872,555.00 |
| Restricted | 679,639.00 |
| Unrestricted | <u>(902,343.00)</u> |
| Total net assets | \$ <u>5,649,851.00</u> |
| Total liabilities and net assets | \$ <u>40,678,401.00</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 ASSETS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011

| | <u>Business-type Activities</u> | <u>Enterprise Fund</u> |
|--|---------------------------------|----------------------------|
| | | <u>Building Commission</u> |
| Operating revenues: | | |
| Lease income | \$ | 2,351,037 |
| Intergovernmental: | | |
| State | | <u>8,300</u> |
| Total operating revenues | | <u>2,359,337</u> |
| Operating expenses: | | |
| Professional fees | | 11,350 |
| Depreciation | | <u>876,960</u> |
| Total operating expenses | | <u>888,310</u> |
| Operating income (loss) | | <u>1,471,027</u> |
| Nonoperating revenues (expenses): | | |
| Interest income | | 1,186 |
| Amortization of debt issue expenses | | (41,380) |
| Bank trustee fees | | (4,803) |
| Interest expense | | <u>(1,455,268)</u> |
| Total nonoperating revenues (expenses) | | <u>(1,500,265)</u> |
| Change in net assets | | (29,238) |
| Net assets at beginning of year | | <u>5,679,089</u> |
| Net assets at end of year | \$ | <u><u>5,649,851</u></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 Fiscal Year Ended June 30, 2011

Business-type Activities
Enterprise Fund

Building Commission

Cash flows from operating activities:

| | |
|---|------------------|
| Cash received for leases | \$ 2,351,037 |
| Cash received from intergovernmental contributions and grants - local | 8,300 |
| Cash paid to vendors | <u>(3,500)</u> |
| Net cash provided (used) by operating activities | <u>2,355,837</u> |

Cash flows from capital and related financing activities

| | |
|--|--------------------|
| Acquisition and construction of capital assets | (231,886) |
| Principal paid on bonds payable | (805,000) |
| Decrease in restricted assets | 140,794 |
| Payments for bank trustee fees | (4,802) |
| Interest paid on revenue bonds | <u>(1,455,213)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(2,356,107)</u> |

Cash flows from investing and other activities:

| | |
|--|-----------------|
| Interest received | <u>1,186</u> |
| Net cash provided (used) by investing and other activities | <u>1,186</u> |
| Net increase (decrease) in cash and cash equivalents | 916 |
| Cash and cash equivalents, July 1, 2009 | <u>1,232</u> |
| Cash and cash equivalents, June 30, 2010 | <u>\$ 2,148</u> |

**Reconciliation of operating income to net cash provided
(used) by operating activities:**

| | |
|--|---------------------|
| Operating income (loss) | \$ 1,471,027 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 876,960 |
| Increase in accounts payable | <u>7,850</u> |
| Net cash provided by operating activities | <u>\$ 2,355,837</u> |

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

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ <u>522,422.08</u> |
| LIABILITIES | |
| Due to other governments | \$ <u>522,422.08</u> |
| Net Assets | \$ <u>0.00</u> |

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 government 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 do not present the government and its 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 serves the citizens of Berkeley County, and is governed by a board comprised of five board members appointed by the County Commission 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 other discretely presented component units in these financial statements. The effects of this exclusion has 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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. Combining financial statements for the non-major governmental funds are included as supplementary information.

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.

The 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.

The government reports the following major governmental funds:

General County Fund; this fund is the government'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 costs authorized and allowed by the Public Service Commission.

Additionally, the government reports the following fund types:

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

Berkeley County, West Virginia follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with GASB Pronouncements in both the government-wide and proprietary fund financial statements.

The government reports the following major business-type activities fund:

Berkeley County Building Commission: this blended 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 Commission were eliminated in these financial statements. The board promulgates rules and regulations governing the usage and maintenance of the facilities. This component unit records its financial activities on the Proprietary Fund 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.

D. Assets, Liabilities, and Net Assets or Equity

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.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

State statutes authorize the government 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".

Property Tax Receivable

Property taxes receivable were estimated to be \$1,317,615; this amount is net of an allowance for uncollectibles and represents approximately 89% percent of the property taxes outstanding at June 30, 2011.

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 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, 2011, were as follows:

| Class of Property | Assessed Valuation For Tax Purposes | Current Expense Per \$100 |
|----------------------|---|---------------------------------|
| Class I | \$ - | 12.43 Cents |
| Class II | \$ 3,140,909,591 | 24.86 Cents |
| Class III | \$ 1,448,692,415 | 49.72 Cents |
| Class IV | \$ 490,906,661 | 49.72 Cents |

3. Inventories and Prepaid Items

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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.

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 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 \$81,413 of interest expense, net of \$591 of interest income, for the year ended June 30, 2011.

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

| Years of <u>Service</u> | Vacation Benefits per <u>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 |

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 6/30/10 | FYE 6/30/11 | Increase |
|--------------------------|-------------|-------------|----------|
| Annual Leave | \$ 487,913 | \$ 506,013 | 18,100 |

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. 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.

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

Restricted fund balance - Amounts constrained 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.

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.

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 Assets as of June 30, 2011.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

The governmental fund balance sheet includes a reconciliation between fund balance total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. The details of this difference are as follows:

| | | |
|--|----|--------------------|
| Total fund balances for governmental funds | \$ | 6,755,143 |
| Total capital asset values net of depreciation not reported in fund level statements | \$ | 7,537,413 |
| Total property tax revenue accrued as revenue in the government wide financial statements but deferred in the fund level financial statements. | | 997,119 |
| Total compensated absence liability at the end of the fiscal year. | | (506,013) |
| Total equipment lease liability at the end of the fiscal year. | | <u>(1,713,789)</u> |
| Net adjustment to increase fund level ending fund balances to ending net assets of government activities: | \$ | <u>6,314,730</u> |
| | | <u>6,314,730</u> |
| Net Asset of governmental activities | \$ | <u>13,069,873</u> |

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

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 assets of governmental activities as reported in the government-wide statement of activities. The details of this difference are as follows:

| | | |
|--|----|-------------------|
| Net change in fund balance in fund level financial statement | | 1,563,200.64 |
| Total current year depreciation expense reported in the statement of activities exceeded current asset additions in the current year by this amount. | \$ | (840,598.95) |
| 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 activities but is not reported in fund level statement because it does not require the use of current resources. During the current fiscal year the future liability for compensated absences increased this amount. | | (18,100.47) |
| 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 current fiscal year. | | (290,308.75) |
| 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 activities. This is the amount that deferred property taxes increase in the current fiscal year in the fund level statements and was accrued as revenue in the statement of activities. | | <u>282,405.62</u> |
| Net adjustment to decrease net change in fund balance-total governmental funds to arrive at changes in net assets of governmental activities | \$ | <u>696,598.09</u> |

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 and Coal Severance Tax Funds.

Prior to March 2nd of each year, the various elected officials submit to the county commission proposed requests for their respective offices for the fiscal year commencing July 1. Upon review and approval of these requests, the county commission prepares proposed budgets on forms prescribed by the State Auditor and submits them to the State Auditor by March 28 for approval. The county commission 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.

B. Excess of Expenditures and Encumbrances Over Available Funds:

For the year ended June 30, 2011, expenditures and encumbrances exceeded available funds in certain non major special revenue funds.

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 government 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 government 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 government does not have a policy for concentration of credit risk. In accordance with GASB Statement No. 40, "Deposits and Investment Risk Disclosure" requires disclosure when the investment in any one issuer equals or exceeds 5% of the total amount of investments.

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 surties 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, 2011, the County reported deposits of \$7,377,534.65; of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$7,127,534.65 was collateralized by one or more "Irrevocable Standby Letters of Credit" issued by Federal Home Loan Bank of Pittsburgh, Pa. for its member bank, MVB Bank, Inc., the county's depository.

B. Receivables

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

| | |
|----------------------------------|------------------------|
| Receivables: | General |
| Taxes | \$ 1,479,270.00 |
| Less allowance for Uncollectible | <u>(161,655.00)</u> |
| Net Total Receivables | <u>\$ 1,317,615.00</u> |

Governmental funds reports 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>\$ 997,118.42</u> |

C. Capital Assets

Primary Government:

| Current changes in capital assets and accumulated depreciation: | Beginning Balance 7/1/2010 | Increases | Decreases | Ending Balance 6/30/2011 |
|---|----------------------------------|------------------------|------------------------|--------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 745,502.00 | \$ 0.00 | \$ 0.00 | \$ 745,502.00 |
| Capital assets being depreciated: | | | | |
| Buildings | 2,952,500.00 | 0.00 | 0.00 | 2,952,500.00 |
| Improvements | 1,603,199.00 | 0.00 | 0.00 | 1,603,199.00 |
| Equipment | 9,546,402.00 | 258,570.00 | (160,153.00) | 9,644,819.00 |
| Less: Total accumulated depreciation | <u>6,469,591.00</u> | <u>1,099,169.00</u> | <u>(160,153.00)</u> | <u>7,408,607.00</u> |
| Total capital assets being depreciated, net | <u>7,632,510.00</u> | <u>(840,599.00)</u> | <u>(320,306.00)</u> | <u>6,791,911.00</u> |
| Governmental activities capital assets, net | <u>\$ 8,378,012.00</u> | <u>\$ (840,599.00)</u> | <u>\$ (480,459.00)</u> | <u>\$ 7,537,413.00</u> |

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

Governmental activities:

| | |
|--|------------------------|
| General government | \$ 673,474.00 |
| Public safety | 397,870.00 |
| Health and sanitation | 5,423.00 |
| Culture and recreation | 21,442.00 |
| Social services | <u>960.00</u> |
| Total depreciation expense-governmental activities | <u>\$ 1,099,169.00</u> |

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Blended Component Unit

Current changes in capital assets and accumulated depreciation:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,889,399 | \$ - | \$ - | \$ 1,889,399 |
| Construction in progress - capitalized interest | 529,694 | - | 268,137 | 261,557 |
| Construction in progress | <u>6,661,936</u> | <u>-</u> | <u>2,764,283</u> | <u>3,897,653</u> |
| Total capital assets not being depreciated | <u>9,081,029</u> | <u>-</u> | <u>3,032,420</u> | <u>6,048,609</u> |
| Capital assets being depreciated: | | | | |
| Buildings, Improvements and Equipment | 33,655,826 | 3,264,305 | - | 36,920,131 |
| Less: total accumulated depreciation | <u>(3,025,995)</u> | <u>(876,960)</u> | <u>-</u> | <u>(3,902,955)</u> |
| | - | - | - | - |
| Total capital assets being depreciated, net | <u>30,629,831</u> | <u>2,387,345</u> | <u>-</u> | <u>33,017,176</u> |
| Business-type activities capital assets, net | <u>\$ 39,710,860</u> | <u>\$ 2,387,345</u> | <u>\$ 3,032,420</u> | <u>\$ 39,065,785</u> |

Depreciation expense was charged to functions/programs of the blended component unit as follows:

Business-type activities:

| | |
|--|----------------------|
| Berkeley County Building Commission | <u>\$ 876,960.00</u> |
| Total depreciation expense-business-type activities | <u>\$ 876,960.00</u> |

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------|-----------------------------|-------------------|
| E-911 Fees | General County Fund | \$ 245,567 |
| General County | Community Corrections | 158 |
| General County | Other government entities | 24,793 |
| Coal Severance | Community Corrections | 22,343 |
| Other government entities | Community Corrections | 22,500 |
| Community Corrections | State of WV - Grant Funding | <u>36,051</u> |
| Total | | <u>\$ 351,412</u> |

E. Long-Term Debt

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of machinery and equipment for its General 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.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Total Leases:

The total of principal and interest due on Leases during future years are as follows:

| | |
|---|-------------------------|
| Due in fiscal year ending June 30, 2012 | 363,649 |
| Due in fiscal year ending June 30, 2013 | 337,535 |
| 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 | <u>337,535</u> |
| Total minimum lease payments | 1,713,789 |
| Less amount representing interest | <u>253,749</u> |
| Present value of minimum lease payments | <u>\$ 1,460,040</u> |

Building Commission, a Blended Component Unit General Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2011:

| | |
|---|--------------------------|
| 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. | 8,505,000 |
| 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. | 7,995,000 |
| 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. | 8,895,000 |
| 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. | 4,920,000 |
| 5 Series 2007 general revenue bonds, original face value of \$3,185,000 with interest payable in quarterly, and principal payable in annual installments, beginning September 2008 at 3.10% and concluding June 30, 2010, issued to provide funding to purchase additional property to be used as part of the Judicial Center. | 3,184,892 |
| 6 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% and concluding December 1, 2029, issued to provide funding for the building known as the Blueridge Outlet Center. | <u>1,450,000</u> |
| Total long term debt | <u>\$ 34,949,892</u> |

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

| Fiscal Year Ended | Blended Component Unit | | |
|-------------------------|------------------------|----------------------|----------------------|
| | Activities | | |
| | Principal | Interest | Total |
| 2012 | \$ 825,000 | \$ 1,508,837 | \$ 2,333,837 |
| 2013 | 890,770 | 1,526,746 | 2,417,516 |
| 2014 | 940,732 | 1,492,487 | 2,433,219 |
| 2015 | 978,327 | 1,456,110 | 2,434,437 |
| 2016 | 1,016,043 | 1,417,326 | 2,433,369 |
| 2017-2021 | 5,755,594 | 6,405,288 | 12,160,882 |
| 2022-2026 | 7,145,186 | 4,989,502 | 12,134,688 |
| 2027-2031 | 8,872,672 | 3,107,930 | 11,980,602 |
| 2032-2036 | 7,283,903 | 1,105,583 | 8,389,486 |
| 2037-2041 | 1,176,225 | 126,292 | 1,302,517 |
| 2042 | 65,439 | 620 | 66,059 |
| Totals | \$ 34,949,891 | \$ 23,136,721 | \$ 58,086,612 |

Changes in General Long-Term Liabilities

| <u>Governmental Activities</u> | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------------------|----------------------|-----------------------|------------------------------|------------------------|
| Capital leases | \$ 2,173,043 | \$ 0 | \$ 459,254 | \$ 1,713,789 | \$ 363,649 |
| Annual Leave | 462,640 | 25,273 | 0 | 487,913 | 0 |
| Net pension obligation | 154,726 | 77,363 | 0 | 232,089 | 0 |
| Governmental activities Long-term liabilities | \$ 2,790,409 | \$ 102,636 | \$ 459,254 | \$ 2,433,791 | \$ 363,649 |
| <u>Business-type Activities</u> | Beginning Balances 6/30/10 | Current Additions | Current Reductions | Ending Balance 6/30/11 | Due Within One Year |
| Revenue bonds payable | \$ 35,754,892 | \$ 0 | \$ 805,000 | \$ 34,949,892 | \$ 825,000 |
| Total bonds payable | 35,754,892 | 0 | 805,000 | 34,949,892 | 825,000 |

F. Restricted Assets

The balances of the restricted asset accounts for the primary government and blended component unit are as follows:

| | Governmental Activities | Blended Component Unit |
|---|----------------------------|---------------------------|
| Debt Service-Building Commission | \$ 0 | \$ 1,644,419 |
| E911 Fees, General County Fund, Fund #001 | 245,567 | 0 |
| E911 Fees, Fund #019 | 1,506,584 | 0 |
| Enhanced E-911 Equipment, Fund #037 | 212,192 | 0 |
| Total restricted assets | \$ 1,964,343 | \$ 1,644,419 |

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

V. Other Information

A. Risk Management

The government 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 the grant or cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government's counsel, as of June 30, 2010, was not aware of pending or threatened litigation that would have a material effect on the financial condition of the government if judgment was rendered against the county.

C. Deferred Compensation Plan

The government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government 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

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 and is considered applicable to the Fiscal Year of this financial statement. The Actuarial Study will be updated semi-annually and funding set aside for estimated future liabilities. Detailed information on the basis of the Actuarial Study and the County Commission Policies considered in the review can be obtained from the Berkeley County Council Offices responsible for determining future OPEB Liability Estimates.

The government 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, however, employees who elect COBRA are covered under the County's self-insured health plan as all active employees and those retired employees who maintain County health plan coverage.

VI. Employee Retirement Systems and Plans

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

Public Employee Retirement System (PERS)

**BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011**

Berkeley, 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.

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 contribution obligations and benefit provisions | State Statute |
| Plan member's contribution rate | 4.50% |
| County's contribution rate | 12.50% |
| 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 |

Public Employees' Retirement System (PERS)

| Fiscal Year | Annual Pension Cost | Percentage Contributed |
|-------------|------------------------|---------------------------|
| 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, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305.

B. Plan Descriptions, Contribution Information and Funding Policies

West Virginia Deputy Sheriff Retirement System (WVDRS)

Eligibility to participate

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 contribution obligations and benefit provisions
 West Virginia State Code

Funding policy and contributions

Certain fees for reports generated by sheriff's offices are paid to this plan in accordance with West Virginia State Code. WVDRS members are required to contribute 8.5% of their annual covered salary and the county is required to contribute 12.5%. The contribution requirements of WVDRS members are established and may be amended only by the State of West Virginia Legislature.

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 and 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% equal 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.

West Virginia Deputy Sheriff Retirement System (WVDRS)

| <u>Fiscal Year</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> |
|--------------------|--------------------------------|-----------------------------------|
| 2011 | \$ 420,076 | 100% |
| 2010 | \$ 403,772 | 100% |
| 2009 | \$ 410,714 | 100% |

PERS and WVDRS issue 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, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305.

SUPPLEMENTARY INFORMATION

BERKELEY COUNTY, WEST VIRGINIA
 BUDGETARY COMPARISON SCHEDULE -
 ASSESSOR'S VALUATION FUND
 For the Fiscal Year Ended June 30, 2011

| | Budget Amounts | | Actual Amounts | Variance with |
|--|---------------------|---------------------|----------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | Budget | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Map sales | \$ 24.00 | \$ 24.00 | \$ 52.00 | \$ 28.00 |
| Miscellaneous | 877,984.00 | 877,984.00 | 931,195.00 | 53,211.00 |
| Interest | 6,500.00 | 6,500.00 | 3,976.00 | (2,524.00) |
| Total revenues | <u>884,508.00</u> | <u>884,508.00</u> | <u>935,223.00</u> | <u>50,715.00</u> |
| Expenditures: | | | | |
| General government | 913,827.00 | 1,107,960.00 | 899,087.00 | 208,873.00 |
| Capital outlay | 115,000.00 | 57,566.00 | 57,566.00 | 0.00 |
| Total expenditures | <u>1,028,827.00</u> | <u>1,165,526.00</u> | <u>956,653.00</u> | <u>208,873.00</u> |
| Excess (deficiency) of revenues over (under) expenditures | (144,319.00) | (281,018.00) | (21,430.00) | 259,588.00 |
| Fund balance at beginning of year | <u>144,319.00</u> | <u>281,018.00</u> | <u>281,018.00</u> | <u>0.00</u> |
| Fund balance at end of year | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 259,588.00</u> | <u>\$ 259,588.00</u> |

LISA K. THORNBURG, CPA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Honorable Members of the
Berkeley County Council
Martinsburg, West Virginia 25401

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Berkeley County, West Virginia (County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, County Officials and federal and state grant agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Lisa K. Thornburg, CPA

June 28, 2012