

BERKELEY COUNTY FIRE SERVICE BOARD

FINANCIAL STATEMENTS

June 30, 2013 and 2012

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BERKELEY COUNTY FIRE SERVICE BOARD

BOARD OF DIRECTORS

June 30, 2013

NAME	TITLE	TERM
Gregory Rhoe	Chairman	12/31/2011 - 12/31/2014
Tom Newcomb	Vice-Chairman	06/02/2011 - 06/02/2014
Douglas Copenhaver, Jr.	Board Member	Commission Representative
Fred G. Butler, Jr.	Board Member	06/30/2011 - 06/30/2014
Gregory Noll	Board Member	03/22/2012 - 03/22/2015
Hunter Wilson	Board Member	05/28/2012 - 05/25/2015
Daniel Petry	Board Member	04/04/2013 - 04/04/2016

The Board of Directors consists of three fire service personnel, three citizens, and one Berkeley County Commissioner.

Each member of the board is approved by the Berkeley County Commission and is sworn in by the Berkeley County Clerk. Each board member's term is three years with a two-term limit maximum.



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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Honorable Members of the Board
Berkeley County Fire Service Board

We have audited the accompanying financial statements of the governmental activity of the Berkeley County Fire Service Board as of June 30, 2013 and 2012, and for the years then ended which comprises the Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the governmental activities of the Berkeley County Fire Service Board, as of June 30, 2013 and 2012, and the changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013 on our consideration of Berkeley County Fire Service Board'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 the 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 audits.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Jamie L. Davis, CPA, PLLC

Inwood, West Virginia
September 26, 2013

Management's Discussion and Analysis For the year ended June 30, 2013

This section of the Berkeley County Fire Service Board's annual financial report presents our discussion and analysis of the Fire Board's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

The fiscal year ended June 30, 2013 represents the first year of fire fee billings under new residential and nonresidential rate structures. This resulted in a significant financial improvement over fiscal year ended June 30, 2012. Total assets increased \$342,130 to \$6,092,202 and total liabilities decreased \$276,096 to \$2,114,894. General revenues increased by \$518,210 to \$1,922,693 while expenditures for the year totaled \$1,304,467 leaving a change in net position of \$618,226 on the Government-Wide Financial Statements. This change in net position represents an improvement of \$489,695 from the \$128,531 reported for the fiscal year ended June 30, 2012.

Overview of the Financial Statements

The annual report consists of two parts; management discussion and analysis and the basic financial statements. The basic financial statements include two different kinds of statements that present different views of the entity.

The statement of net assets and statements of activities are entity-wide financial statements that present the information on the full accrual basis of accounting and provide both long and short-term information about our overall financial status.

The balance sheet and statement of revenues and expenditures are fund financial statements, which present the information on the modified accrual basis of accounting which focuses on detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Entity Wide Statements

The entity wide statements report information about the Fire Board as a whole, using accounting methods used by private companies. The statement of net assets includes all of the Fire Board's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when they were received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the Fire Board's assets and liabilities and this is one method to measure the Fire Board's financial health or position.

Over time increases or decreases in the Fire Board's net assets are an indicator of whether financial position is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide more detailed information about the Fire Board's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The entity has the following fund:

Governmental Fund – All of the Fire Board's activities are included in one fire fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the entity wide statements and the fund statements are disclosed in the reconciling financial statements to explain the differences between them.

Financial Analysis of the Entity as a Whole

Net Assets – The Fire Board's net assets increased during the year ended June 30, 2013 by \$618,226 totaling \$3,977,308 of which \$2,191,531 is invested in capital assets, \$254,199 is reserved for capital expenditures and \$1,531,578 is unrestricted. The unrestricted net assets can be used for debt service payments as well as other operating expenses.

Financial Analysis of the Fire Board's Funds

At the fund level, total revenues exceed total expenses by \$416,808 and fund balance totaled \$922,435 as of June 30, 2013. Total assets increased by approximately \$436,000 from the prior year and total \$974,334 as of June 30, 2013. The liabilities were \$51,899 as of June 30, 2013 in the fund.

Capital Assets

Our capital assets are various pieces of fire fighting equipment, fire trucks, and a new station located in Hedgesville, WV.

Known Factors affecting Future Operations

Previously, the Fire Board contracted with a third party consulting service to create a strategic plan. As an extension of that plan, the Fire Board contracted with the third party consulting service once more to create a long range capital improvements plan to compliment the strategic plan. The long range capital improvements plan projects accurate replacement of all major equipment to include trucks and self-contained breathing apparatus. The capital improvements plan will allow the Fire Board to correctly project funding needed to sustain adequate fire service in Berkeley County. Both the strategic plan and the long range capital improvements plan will be utilized as tools to assist the Fire Board in establishing priorities and making decisions for the appropriate and efficient expenditure of the County's fire service fee revenues.

Known Factors affecting Future Operations (Continued)

While the capital improvement plan does not address buildings, the Fire Board is currently assessing the state of existing facilities. For those facilities where present-day demand and/or building degradation supports the need to change the facility, the Fire Board is weighing out options to either amend the current facility to meet the present-day reality of the fire department or move the department to a different site. As those assessments become final and the needs are set and agreed to, the capital improvements plan and monetary projections will be adjusted to reflect the capital needed to achieve the amended long range plan.

Holding true to the strategic plan, the Fire Board hired an Administrative Director in March 2013. The Administrative Director will supply the Fire Board with continuity, ensuring that Fire Board directives are achieved. As a first point of order, the Administrative Director aided the Fire Board in setting operational budgets for each of the fire departments. The recommendations made and knowledge provided gave the Fire Board a fresh assessment, which allowed for efficient programing of current year funds.

Additionally, as a main directive upon being hired, the Administrative Director was tasked with ensuring that all exempt organizations were added to the billing system in time to be billed the 2013 fire fee. Along with the aid of the Fire Board Office Manager, that task was fully achieved in time for the fire fee to be billed starting July 1, 2013.

Another main directive given by the Fire Board to the Administrative Director was to research and incorporate an affordable management information system for the purpose of compiling and maintaining essential records and maintenance records for all trucks, equipment and apparatus. Additionally, the management information system would be used for the purpose of tracking accurate call record information by department, for the purpose of maximizing all state reporting requirements, to achieve maximum impact from state distributed funds. The Administrative Director did begin to research possible management information systems in the latter part of the 2012-2013 fiscal year, with the anticipation of purchasing the system and adopting it for use in fiscal year 2013-2014.

Contacting Fire Board Management

This financial report is designed to provide our taxpayers and credits with a general overview of the Fire Board's finances and to demonstrate the Fire Board's accountability for the revenues it receives. If you have questions concerning this report, please contact Julie Quodala, Administrative Director at 304-262-8494.

Greg Rhoe, Chair

BERKELEY COUNTY FIRE SERVICE BOARD

STATEMENTS OF NET POSITION

JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 917,166	\$ 506,864
Short term investments	17,691	17,355
Fire fees receivable, net	795,260	654,284
Prepaid expenses	121,509	91,397
TOTAL CURRENT ASSETS	<u>1,851,626</u>	<u>1,269,900</u>
NONCURRENT ASSETS		
Property and equipment, net of accumulated depreciation	4,189,019	4,419,954
Debt issue costs, net of accumulated amortization	51,557	60,218
TOTAL NONCURRENT ASSETS	<u>4,240,576</u>	<u>4,480,172</u>
TOTAL ASSETS	<u>\$ 6,092,202</u>	<u>\$ 5,750,072</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 47,407	\$ 32,556
Accrued interest	13,950	15,556
Accrued payroll and related expenses	4,492	99
Loan payable - current portion	296,077	296,077
TOTAL CURRENT LIABILITIES	<u>361,926</u>	<u>344,288</u>
NONCURRENT LIABILITIES		
Loan payable - net of current portion	1,752,968	2,046,702
TOTAL LIABILITIES	<u>2,114,894</u>	<u>2,390,990</u>
NET POSITION		
Invested in capital assets, net of related debt	2,191,531	2,137,393
Unrestricted	1,785,777	1,221,689
TOTAL NET POSITION	<u>3,977,308</u>	<u>3,359,082</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,092,202</u>	<u>\$ 5,750,072</u>

The accompanying notes are an integral part of these financial statements.

BERKELEY COUNTY FIRE SERVICE BOARD
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
EXPENDITURES		
Fire Protection:		
Salaries and benefits	\$ 117,923	\$ 96,726
Services and supplies	841,670	821,978
Interest on long-term debt	105,278	117,652
Depreciation	230,935	230,935
Amortization	8,661	8,661
Total expenditures	<u>1,304,467</u>	<u>1,275,952</u>
GENERAL REVENUES		
Fire fees	1,917,095	1,399,786
Lease income	-	3,000
Other revenues:		
Interest	1,960	1,697
Other	3,638	-
Total general revenues	<u>1,922,693</u>	<u>1,404,483</u>
CHANGE IN NET POSITION	618,226	128,531
NET POSITION		
Beginning of year	<u>3,359,082</u>	<u>3,230,551</u>
End of year	<u>\$ 3,977,308</u>	<u>\$ 3,359,082</u>

The accompanying notes are an integral part of these financial statements.

BERKELEY COUNTY FIRE SERVICE BOARD

BALANCE SHEETS - GOVERNMENTAL FUND

JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 917,166	\$ 506,864
Short term investments	17,691	17,355
Fire fees receivable	39,477	14,063
TOTAL ASSETS	<u>\$ 974,334</u>	<u>\$ 538,282</u>
LIABILITIES		
Accounts payable	\$ 47,407	\$ 32,556
Accrued payroll and related expenses	4,492	99
TOTAL LIABILITIES	<u>51,899</u>	<u>32,655</u>
FUND BALANCE		
Committed	254,199	172,766
Unassigned	668,236	332,861
TOTAL FUND BALANCE	<u>922,435</u>	<u>505,627</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 974,334</u>	<u>\$ 538,282</u>

The accompanying notes are an integral part of these financial statements.

BERKELEY COUNTY FIRE SERVICE BOARD

**RECONCILIATIONS OF THE GOVERNMENTAL FUND BALANCE SHEETS
TO THE GOVERNMENT - WIDE STATEMENTS OF NET POSITION**

JUNE 30, 2013 AND 2012

	2013	2012
Total fund balance - governmental fund	\$ 922,435	\$ 505,627
Total net position reported for the governmental activity in the Statement of Net Position is different because:		
Property, equipment, construction in progress, and costs of debt issuance used in the governmental fund are not financial resources and therefore are not reported as assets in the governmental fund.		
Property and equipment, net of accumulated depreciation	4,189,019	4,419,954
Debt issue costs, net of accumulated amortization	51,557	60,218
Certain fire fees, considered to be collectible, will not be available soon enough to pay for current year expenditures, and therefore, are not reported as receivable in the governmental fund.		
Fire fees receivable	755,783	640,221
Some expenditures benefiting future periods were paid as of the fiscal year end thus those amounts are shown as expended in the governmental fund.		
Prepaid expenses	121,509	91,397
Long-term debt is not due and payable in the current period and therefore, is not reported as a liability in the governmental fund.		
Loan payable	(2,049,045)	(2,342,779)
Accrued interest is not due and payable in the current period and therefore, is not reported as a liability in the governmental fund.		
Accrued interest	(13,950)	(15,556)
Net position of the governmental activity	\$ 3,977,308	\$ 3,359,082

The accompanying notes are an integral part of these financial statements.

BERKELEY COUNTY FIRE SERVICE BOARD

STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUES		
Fire fees	\$ 1,794,418	\$ 1,361,225
Lease income	3,935	3,000
Other	3,500	-
Interest	1,960	1,697
	<u>1,803,813</u>	<u>1,365,922</u>
EXPENDITURES		
Debt service - principal	293,734	293,735
Repairs and maintenance	302,311	251,767
Insurance and bonds	191,976	162,160
Debt service - interest	106,884	119,758
Capital Outlay	-	75,628
Supplies	121,066	101,913
Utilities	79,920	77,194
Salaries and wages	82,963	66,532
Contracted services	45,263	59,525
Employee benefits	28,074	24,744
Postage	17,844	34,525
Education	23,928	18,172
Uniforms, gear and other non-capital outlay	56,915	7,270
Telephone	13,154	12,221
Payroll taxes	6,887	5,450
Bank charges	6,557	6,147
Dues and subscriptions	2,519	1,070
Printing	10,013	19,994
Travel	610	-
Advertising	460	-
Collection costs expense (credit)	(4,073)	(4,658)
	<u>1,387,005</u>	<u>1,333,147</u>
Net change in fund balance	416,808	32,775
BEGINNING FUND BALANCE	<u>505,627</u>	<u>472,852</u>
ENDING FUND BALANCE	<u><u>\$ 922,435</u></u>	<u><u>\$ 505,627</u></u>

The accompanying notes are an integral part of these financial statements.

BERKELEY COUNTY FIRE SERVICE BOARD

RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND TO THE GOVERNMENT - WIDE STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Net change in fund balance - governmental fund	\$ 416,808	\$ 32,775
<p>The change in net position reported for the governmental activity in the Statement of Activities is different because:</p> <p>Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds.</p>		
Accounts receivable	115,562	38,263
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Less depreciation expense	(230,935)	(230,935)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.</p>		
Increase in prepaid expenses	30,112	1,248
(Increase) Decrease in accrued interest	1,606	2,106
	31,718	3,354
<p>Loan repayments are current expenditures to the governmental fund but decreases long-term liabilities in the Statement of Net Position.</p>		
Loan repayments	293,734	293,735
<p>Other amounts reported in the Statement of Activities that do not require current financial resources.</p>		
Amortization of debt issue costs	(8,661)	(8,661)
Change in net position of the governmental activity	\$ 618,226	\$ 128,531

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Berkeley County Fire Service Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Berkeley County Fire Service Board ("Board") was created by the Berkeley County Commission on May 28, 1986 in accordance with House Bill 1199, duly passed and enrolled by the Legislature of the State of West Virginia on March 10, 1984. The objectives of the Board are to provide for the improvement, advancement, and development of fire services within Berkeley County. The Board has been identified as a component unit to the Berkeley County Commission, accordingly, the financial data of the Board is presented as a discrete component unit of the Berkeley County Commission.

The Board's financial statements include the accounts of all of the Board's operations. The criteria for including organizations as component units within the Board's reporting entity, as set forth by the Governmental Accounting Standards Board's ("GASB") Codification of Government Accounting and Financial Reporting Standards, include:

- 1.) Financial interdependency
- 2.) Selection of governing authority
- 3.) Designation of management
- 4.) Ability to significantly influence operations
- 5.) Accountability for fiscal matters

Based upon the application of these criteria, there were no additional units of government included as part of the reporting entity and the Berkeley County Fire Service Board is considered to be a separate reporting entity.

During the year ended June 30, 2013, the Board adopted the following GASB statements:

GASB 61 - The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34

This Statement modified certain requirements for inclusion of component units in the financial reporting entities financial statements.

GASB 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The purpose of this Statement was to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in Statement No. 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.

GASB 65 - Items Previously Reported as Assets and Liabilities

The purpose of this Statement was to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflow of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation, Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent charges to external customers for support. Likewise, the primary government is reported separately from any legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental-Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (as applicable)— governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund 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 to be 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 30 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Fund Type

General Fund: The General Fund is the operating fund of the Board. It is used to account for all financial resources except those required to be accounted for by another fund. Currently, there are no financial resources required to be accounted for by another fund.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The Board is not required by law to prepare an annual budget. Thus, a comprehensive analysis of actual to budgeted amounts is not presented in the accompanying financial statements.

Cash and Cash Equivalents

The Board considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment purchases are recorded at cost. Donated equipment is recorded at the fair value of the assets at the date of donation. Depreciation is computed by the straight-line method over estimated useful lives of five to thirty-five years.

Inventories

The Board considers inventories of materials and supplies utilized in the governmental fund as expended at the time of purchase. Therefore, they do not appear in the entity's financial statements.

Vacation and Sick Pay

Employees of the Board are entitled to vacation and sick pay in accordance with the length of service which, to the extent earned, is accrued as an expense and liability. Management has deemed this liability immaterial to the financial statements and, accordingly, no liability has been recorded.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental fund types recognized premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Equity Classifications

Government-wide net position is divided into three components:

- a.) Invested in capital assets, net of related debt - Consist of the historical costs of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b.) Restricted - Consists of assets that are restricted by the Board's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other
- c.) Unrestricted - All other assets are reported in this category.

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental fund balances are divided into the following components:

- a.) Nonspendable - amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b.) Restricted - Amounts that can be spent only for specific purposes because of the Board's code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c.) Committed - Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors. The Board's committed funds includes funds set aside for future improvement and construction of fire departments.
- d.) Assigned - Amounts that are designated by the Board for a particular purpose but are not spendable until there is a majority vote approval by the Board of Directors.
- e.) Unassigned - All amounts not included in other spendable classifications.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and deposits presented in the accompanying financial statements were held with banking institutions in either checking or certificate of deposit accounts. The cash deposits held at financial institutions can be categorized according to three levels of risk:

- Category 1 - Deposits which are insured or collateralized with securities held by the Board or by its agent in the Board's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.
- Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the Board's cash and certificates of deposit are classified as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>
As of June 30, 2013	\$ 250,000	\$ -	\$ 684,856	\$ 934,856
As of June 30, 2012	\$ 250,000	\$ -	\$ 274,219	\$ 524,219

SHORT-TERM INVESTMENTS

As of June 30, 2013 and 2012, the Board's short-term investments consist solely of certificates of deposit.

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

FIRE FEES RECEIVABLE

At June 30, 2013 and 2012, fire fees receivable including penalties and interest, as reported in the Statement of Net Position amounted to \$795,260 and \$654,284, respectively. This balance is made up of the following years' levies:

<u>Levy Year</u>	<u>Balance June 30, 2013</u>	<u>Balance June 30, 2012</u>
1988 and Prior	2,047	\$ 2,121
1989	2,331	2,429
1990	4,036	4,183
1991	4,781	5,010
1992	5,353	5,574
1993	5,598	6,072
1994	6,593	7,139
1995	6,699	7,017
1996	7,899	8,242
1997	10,564	10,882
1998	11,732	11,903
1999	14,765	15,132
2000	18,019	18,778
2001	21,983	22,914
2002	30,622	32,122
2003	33,804	35,432
2004	33,433	35,657
2005	47,690	50,864
2006	42,988	46,322
2007	49,380	53,482
2008	64,537	72,287
2009	75,866	84,925
2010	107,008	133,109
2011	155,453	200,782
2012	297,169	-
Total Fire Fee Receivable	1,060,347	872,378
Less reserve for uncollectible fire fees	(265,087)	(218,094)
	<u>\$ 795,260</u>	<u>\$ 654,284</u>

Collection of past due fire fees is performed in-house by the Board's personnel. The Board's reserve for uncollectible fire fees is 25% of the total fire fees outstanding.

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

PROPERTY AND EQUIPMENT

Fixed assets as of June 30, 2013 and 2012 consist of the following:

	Balance July 1, 2012	Adjustments and Additions	Adjustments and Deletions	Balance June 30, 2013
Real Property	\$ 3,599,818	\$ -	\$ -	\$ 3,599,818
Equipment	2,591,775	-	-	2,591,775
Total	<u>\$ 6,191,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,191,593</u>
	Balance July 1, 2011	Adjustments and Additions	Adjustments and Deletions	Balance June 30, 2012
Real Property	\$ 3,599,818	\$ -	\$ -	\$ 3,599,818
Equipment	2,591,775	-	-	2,591,775
Total	<u>\$ 6,191,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,191,593</u>

Accumulated depreciation as of June 30, 2012 and 2011 consists of the following:

	Balance July 1, 2012	Adjustments and Additions	Adjustments and Deletions	Balance June 30, 2013
Real Property	\$ 394,074	\$ 101,346	\$ -	\$ 495,420
Equipment	1,377,564	129,589	-	1,507,153
Total	<u>\$ 1,771,638</u>	<u>\$ 230,935</u>	<u>\$ -</u>	<u>\$ 2,002,573</u>
	Balance July 1, 2011	Adjustments and Additions	Adjustments and Deletions	Balance June 30, 2012
Real Property	\$ 292,728	\$ 101,346	\$ -	\$ 394,074
Equipment	1,247,975	129,589	-	1,377,564
Total	<u>\$ 1,540,703</u>	<u>\$ 230,935</u>	<u>\$ -</u>	<u>\$ 1,771,638</u>

Capital asset values based on prior year and current year depreciation allowances consist of the following:

	Balance July 1, 2012	Additions	Accumulated Depreciation		Balance June 30, 2013
			Prior Year	Current Year	
Real Property	\$ 3,599,818	\$ -	\$ 394,074	\$ 101,347	\$ 3,104,397
Equipment	2,591,775	-	1,377,564	129,589	1,084,622
Total	<u>\$ 6,191,593</u>	<u>\$ -</u>	<u>\$ 1,771,638</u>	<u>\$ 230,936</u>	<u>\$ 4,189,019</u>
	Balance July 1, 2011	Additions	Prior Year	Current Year	Balance June 30, 2012
Real Property	\$ 3,599,818	\$ -	\$ 292,728	\$ 101,347	\$ 3,205,743
Equipment	2,591,775	-	1,247,975	129,589	1,214,211
Total	<u>\$ 6,191,593</u>	<u>\$ -</u>	<u>\$ 1,540,703</u>	<u>\$ 230,936</u>	<u>\$ 4,419,954</u>

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

LONG-TERM DEBT OBLIGATIONS

Long-term debt transactions for the years ended June 30, 2013 and 2012 consist of the following:

	Balance July 1, 2012	Adjustments and Additions	Adjustments and Deletions	Balance June 30, 2013
Total long-term debt	\$ 2,342,779	\$ -	\$ 293,734	\$ 2,049,045
	Balance July 1, 2011	Adjustments and Additions	Adjustments and Deletions	Balance June 30, 2012
Total long-term debt	\$ 2,636,514	\$ -	\$ 293,735	\$ 2,342,779

The following is a summary of long-term debt as of June 30:

	2013	2012
A line of credit payable to a bank, not to exceed \$1,960,766, refinancing all prior outstanding loans and capital leases, \$1,626,066 issued May 2004 with \$334,700 issued in January 2005, fixed interest rate of 3.8% per annum payable quarterly beginning August 2004, annual principal payments of 10% of the maximum debt load beginning August 2005 and ending August 2014. The loan is secured by the assets of the Fire Board.	\$ 388,863	\$ 584,939
Construction loan payable to a bank, originally issued in October 2006 not to exceed \$1,500,000, but restated in December 2008 not to exceed \$2,000,000 to be used for the construction of a fire station for Hedgesville VFD, the note has variable interest beginning at 5.1% per annum, interest is payable in quarterly payments beginning on March 1, 2009, with principal amounts of \$100,000 per year due beginning on December 1, 2010 and ending December 1, 2029. The loan is secured by all assets of the project and is guaranteed by Hedgesville VFD.	1,660,182	1,757,840
Total	\$ 2,049,045	\$ 2,342,779

The annual principal payments on loans subsequent to June 30, 2013, and thereafter, are as follows:

Year Ending June 30,	
2014	293,735
2015	293,735
2016	103,735
2017	100,000
2018	100,000
2019-2023	500,000
2024-2028	500,000
2029-2030	157,840
Total	\$ 2,049,045

Interest incurred for the years ended June 30, 2013 and 2012 was \$106,884 and \$117,652, respectively.

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

COMMITTED FUND BALANCE

The Board maintains the following commitments of fund balance as of June 30:

	<u>2013</u>	<u>2012</u>
Committed for capital outlay	<u>\$ 254,199</u>	<u>\$ 172,766</u>

FIRE FEES

The Board's fire fees are levied annually on July 1 and are based on the square footage of residential and commercial structures in Berkeley County, West Virginia. Fire fees are due September 30 and are delinquent by April 30 of the following year. Current levy rates are as follows:

	<u>Square Footage</u>	<u>Fire Fee</u>
Single Family Residential	0-1,600	\$ 35.00
	1,601-3,000	\$ 50.00
	3,001 and up	\$ 65.00
Non-Residential	0-2,500	\$ 95.00
	2,501-7,500	\$ 195.00
	7,501-20,000	\$ 500.00
	20,001-35,000	\$ 975.00
	35,001-50,000	\$ 1,250.00
	50,001-75,000	\$ 1,500.00
	75,001-100,000	\$ 2,200.00
	Over 100,000	\$ 2,200 + \$0.003/sq. ft. over 100,000 sq. ft.

LEASES

The Board leases ambulatory vehicle space and extrication equipment to the Berkeley County Ambulance Authority. The total lease income as a result of this agreement was \$ -0 - and \$3,000 for the years ended June 30, 2013 and 2012, respectively. The lease agreement was cancelled during the fiscal year ended June 30, 2012.

RISK MANAGEMENT

The board is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Board maintains general commercial liability and workers compensation insurance through private companies as part of its risk management program.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

EMPLOYEES' RETIREMENT SYSTEM

The governing body of the Berkeley County Fire Service Board has elected to become a participant in the Public Employees' Retirement System (PERS). The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Eligibility to participate

All employees of the State of West Virginia and any participating political subdivision are required to become plan members, except employees who are members of other state retirement systems.

Authority establishing contribution obligations and benefit provisions

West Virginia State Code

Period required to vest

Five years

Funding policy and contributions

PERS members are required to contribute 4.5% of their annual covered salary, and the Board is required to contribute 12.5%. The contribution requirements of PERS members are established and may be amended only by the State of West Virginia Legislature. The Board's contributions to PERS for the fiscal years ended June 30, 2013 and 2012 totaled \$11,615 and \$9,467, respectively.

Benefits and eligibility for distribution

A member who has attained age 60 and has earned 5 or more years of contributing service or who has attained 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 ten years) times the years of service times 2% equals the annual retirement benefit.

Provisions for cost of living adjustments or death benefits

This plan has no provisions for cost of living adjustments. Two optional joint and survivor annuities are available with either 100% or 50% payable to the surviving spouse or designated beneficiary after the member completes 10 years of credited service. If a member dies with less than 10 years of credited service, the accumulated contributions are paid to their estate.

Trend information

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial report. A copy of this report may be obtained from the state agency.

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

POST-EMPLOYMENT BENEFITS

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

PAYMENTS TO FIRE DEPARTMENTS

The following represents approximate payments to local fire departments (including fire gear, but excluding capital assets owned by the Board) for the year ended June 30:

	<u>2013</u>	<u>2012</u>
Back Creek Valley VFD	\$ 99,100	\$ 158,891
Baker Heights VFD	148,920	120,966
Bedington VFD	185,910	162,072
Hedgesville VFD	163,961	139,476
South Berkeley VFD	146,815	138,006
	<u>\$ 744,706</u>	<u>\$ 719,411</u>

SUBSEQUENT EVENTS

The Board's management evaluated the effect that subsequent events would have on the financial statements through September 26, 2013, which is the date the financial statements were available to be released.



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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**

To the Board of Directors
Berkeley County Fire Service Board

We have audited the financial statements of the governmental activity of the Berkeley County Fire Service Board as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated September 26, 2013. 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

In planning and performing our audit, we considered Berkeley County Fire Service Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkeley County Fire Service Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Berkeley County Fire Service Board's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 misstatements on a timely basis. A *material weakness* is a significant deficiency, or combination of significant deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 13-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkeley County Fire Service Board's 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*.

We noted certain matters that we reported to management of Berkeley County Fire Service Board in a separate letter dated September 26, 2013.

Response to Findings

The response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jamie L. Davis, CPA, PLLC

Inwood, West Virginia
September 26, 2013

SCHEDULE OF FINDINGS

June 30, 2013

MATERIAL WEAKNESSES

13-01 - LACK OF SEGREGATION OF DUTIES (Repeated)

CRITERIA: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

CONDITION: Employees have check signature authority, make deposits, count cash, and access the billing and QuickBooks accounting system.

CAUSE: The Board has limited staff and responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from financial transactions are not assigned to different individuals.

EFFECT: More than a remote likelihood exists that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

RECOMMENDATION: We recommend that the responsibilities of approval, execution, recording and custody should be distributed among employees, your contracted CPA firm, and the Board of Directors to the degree possible.

RESPONSE: We concur with this finding and recommendation.