

BERKELEY COUNTY FIRE SERVICE BOARD

FINANCIAL STATEMENTS

June 30, 2014 and 2013

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BERKELEY COUNTY FIRE SERVICE BOARD

BOARD OF DIRECTORS

June 30, 2014

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.



JAMIE L. DAVIS, CPA, PLLC
AUDIT - TAX - ADVISORY

POST OFFICE BOX 30
INWOOD, WEST VIRGINIA 25428
TELEPHONE: (304) 229-4609
FACSIMILIE: (304) 229-4626
JAMIE@JLDCPA.COM

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, 2014 and 2013, 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 presentation of the financial statements.

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, 2014 and 2013, 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 August 20, 2014 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
August 20, 2014

Management's Discussion and Analysis For the year ended June 30, 2014

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, 2014. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

The fiscal year ended June 30, 2014 represents the first year of fire fee billings including exempt organizations. This resulted in a small financial improvement over fiscal year ended June 30, 2013. Total assets increased \$1,044,758 to \$7,136,960, mainly attributed to the purchase of a new rescue engine and fire management software of which both will be placed into service in fall 2014. Total liabilities increased \$319,560 to \$2,434,454. General revenues increased by \$134,923 to \$2,057,616 while expenditures for the year totaled \$1,332,418 leaving a change in net position of \$725,198 on the Government-Wide Financial Statements. This change in net position represents an improvement of \$106,972 from the \$618,226 reported for the fiscal year ended June 30, 2013.

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, 2014 by \$725,198 totaling \$4,702,506 of which \$2,302,737 is invested in capital assets, \$310,100 is reserved for capital expenditures and \$2,089,669 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 \$573,926 and fund balance totaled \$1,496,361 as of June 30, 2014. Total assets increased by approximately \$559,500 from the prior year and total \$1,533,912 as of June 30, 2014. The liabilities were \$37,551 as of June 30, 2014 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. Additionally, a new rescue engine and fire management software was purchased this year and will be placed into service in fall 2014.

Known Factors affecting Future Operations

Holding true to a directive given by the Fire Board, the Administrative Director, hired in March 2013, completed the research necessary to guide the Fire Board in the purchase of a fire management software application. Subsequently, the fire management software was purchased in May and will be implemented in October 2014. It is expected that the fire management software system will provide needed factual information that is useful to consider when guiding the planning of current and projected future Fire Board assets.

While setting operational budgets this year, the Fire Board adopted a "Finance-Accounting Policy and Procedure Manual". The policy and procedure manual lays a clear description of expectations regarding the use of Fire Board funds, easing the tedious task of managing a department budget. The policy and procedure manual will guide the use of Fire Board revenues for normal operational expenditures and purchases.

The Fire Board achieved purchasing a new rescue engine during the fiscal year. Much consideration was given to the operational aspects of the new apparatus and a Request for Proposals was placed for bid in August. Bids were opened at the regularly scheduled meeting in September and a motion for purchase passed at the regularly scheduled meeting in October. The Administrative Director and the Fire Board worked quickly to ensure that financing for the purchase was obtained prior to the winter holidays, which allowed for an anticipated apparatus delivery date of September 2014. The entire process was a learning experience for all involved and much insight was gained that will help streamline the process for future large apparatus purchases.

Both the strategic and capital improvement plans established in prior years have proven useful tools in outlining how best to commit Fire Board funds to future needs. As expected, the Fire Board has been considering the state of current fire department buildings and is considering methods to replace or renew the stations, while balancing the costs against projected operating budgets and apparatus purchasing needs. Additionally, consideration is being given to monetary adjustments to be made and partnerships to be formed to ensure outdated stations can be replaced or renovated in coming years. As the process is further explored, the Fire Board understands the need to amend the capital improvement plan to include buildings.

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.

BERKELEY COUNTY FIRE SERVICE BOARD

STATEMENTS OF NET POSITION

JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,490,474	\$ 917,166
Short term investments	17,806	17,691
Fire fees receivable, net	853,531	795,260
Prepaid expenses	96,129	121,509
TOTAL CURRENT ASSETS	2,457,940	1,851,626
NONCURRENT ASSETS		
Property and equipment, net of accumulated depreciation	3,964,672	4,189,019
Deposits on software and equipment	671,452	-
Debt issue costs, net of accumulated amortization	42,896	51,557
TOTAL NONCURRENT ASSETS	4,679,020	4,240,576
TOTAL ASSETS	\$ 7,136,960	\$ 6,092,202
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 34,460	\$ 47,407
Accrued interest	20,620	13,950
Accrued payroll and related expenses	3,091	4,492
Loan payable - current portion	348,014	296,077
TOTAL CURRENT LIABILITIES	406,185	361,926
NONCURRENT LIABILITIES		
Loan payable - net of current portion	2,028,269	1,752,968
TOTAL LIABILITIES	2,434,454	2,114,894
NET POSITION		
Invested in capital assets, net of related debt	2,302,737	2,191,531
Unrestricted	2,399,769	1,785,777
TOTAL NET POSITION	4,702,506	3,977,308
TOTAL LIABILITIES AND NET POSITION	\$ 7,136,960	\$ 6,092,202

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
EXPENDITURES		
Fire Protection:		
Salaries and benefits	\$ 190,082	\$ 117,923
Services and supplies	801,552	841,670
Interest on long-term debt	101,027	105,278
Depreciation	231,096	230,935
Amortization	8,661	8,661
Total expenditures	<u>1,332,418</u>	<u>1,304,467</u>
GENERAL REVENUES		
Fire fees	2,043,982	1,917,095
Other revenues:		
Interest	2,649	1,960
Other	10,985	3,638
Total general revenues	<u>2,057,616</u>	<u>1,922,693</u>
CHANGE IN NET POSITION	725,198	618,226
NET POSITION		
Beginning of year	<u>3,977,308</u>	<u>3,359,082</u>
End of year	<u>\$ 4,702,506</u>	<u>\$ 3,977,308</u>

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

BERKELEY COUNTY FIRE SERVICE BOARD

BALANCE SHEETS - GOVERNMENTAL FUND

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 1,490,474	\$ 917,166
Short term investments	17,806	17,691
Fire fees receivable	25,632	39,477
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,533,912</u>	<u>\$ 974,334</u>
LIABILITIES		
Accounts payable	\$ 34,460	\$ 47,407
Accrued payroll and related expenses	3,091	4,492
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>37,551</u>	<u>51,899</u>
FUND BALANCE		
Committed	310,100	254,199
Unassigned	1,186,261	668,236
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>1,496,361</u>	<u>922,435</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,533,912</u>	<u>\$ 974,334</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Total fund balance - governmental fund	\$ 1,496,361	\$ 922,435
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	3,964,672	4,189,019
Deposits on software and equipment	671,452	-
Debt issue costs, net of accumulated amortization	42,896	51,557
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	827,899	755,783
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	96,129	121,509
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	(2,376,283)	(2,049,045)
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	<u>(20,620)</u>	<u>(13,950)</u>
Net position of the governmental activity	<u>\$ 4,702,506</u>	<u>\$ 3,977,308</u>

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Fire fees	\$ 1,971,456	\$ 1,794,418
Lease income	-	3,935
Other	7,968	3,500
Interest	<u>2,649</u>	<u>1,960</u>
Total revenues	<u>1,982,073</u>	<u>1,803,813</u>
EXPENDITURES		
Debt service - principal	293,784	293,734
Repairs and maintenance	289,407	302,311
Insurance and bonds	150,521	191,976
Debt service - interest	94,356	106,884
Capital Outlay	57,180	-
Supplies	109,998	121,066
Utilities	87,519	79,920
Salaries and wages	135,878	82,963
Contracted services	21,122	45,263
Employee benefits	43,030	28,074
Postage	22,052	17,844
Education	14,547	23,928
Uniforms, gear and other non-capital outlay	42,770	56,915
Telephone	13,553	13,154
Payroll taxes	11,174	6,887
Bank charges	10,114	6,557
Dues and subscriptions	3,922	2,519
Printing	10,072	10,013
Travel	-	610
Advertising	165	460
Collection costs expense (credit)	<u>(3,017)</u>	<u>(4,073)</u>
Total expenditures	<u>1,408,147</u>	<u>1,387,005</u>
Net change in fund balance	573,926	416,808
BEGINNING FUND BALANCE	<u>922,435</u>	<u>505,627</u>
ENDING FUND BALANCE	<u>\$ 1,496,361</u>	<u>\$ 922,435</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Net change in fund balance - governmental fund	\$ 573,926	\$ 416,808
The change in net position reported for the governmental activity in the Statement of Activities is different because:		
Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds.		
Accounts receivable	72,115	115,562
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.		
Less depreciation expense	(231,096)	(230,935)
Capital Outlay	57,180	-
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.		
Increase in prepaid expenses	(25,380)	30,112
(Increase) Decrease in accrued interest	(6,670)	1,606
	<u>(32,050)</u>	<u>31,718</u>
Loan repayments are current expenditures to the governmental fund but decreases long-term liabilities in the Statement of Net Position.		
Loan repayments	293,784	293,734
Other amounts reported in the Statement of Activities that do not require current financial resources.		
Amortization of debt issue costs	<u>(8,661)</u>	<u>(8,661)</u>
Change in net position of the governmental activity	<u>\$ 725,198</u>	<u>\$ 618,226</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

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.

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 on 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.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation, Measurement Focus, Basis of Accounting (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 contributors.
- c.) Unrestricted - All other assets are reported in this category.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

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, 2014	\$ 250,000	\$ -	\$ 1,258,280	\$ 1,508,280
As of June 30, 2013	\$ 250,000	\$ -	\$ 684,857	\$ 934,857

SHORT-TERM INVESTMENTS

As of June 30, 2014 and 2013, 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, 2014 and 2013

FIRE FEES RECEIVABLE

At June 30, 2014 and 2013, fire fees receivable including penalties and interest, as reported in the Statement of Net Position amounted to \$853,531 and \$795,260, respectively. This balance is made up of the following years' levies:

<u>Levy Year</u>	<u>Balance June 30, 2014</u>	<u>Balance June 30, 2013</u>
1988 and Prior	1,802	2,047
1989	2,047	2,331
1990	3,385	4,036
1991	4,144	4,781
1992	4,530	5,353
1993	4,848	5,598
1994	5,745	6,593
1995	5,427	6,699
1996	6,406	7,899
1997	8,963	10,564
1998	9,992	11,732
1999	12,609	14,765
2000	15,456	18,019
2001	19,337	21,983
2002	27,022	30,622
2003	29,754	33,804
2004	29,503	33,433
2005	41,955	47,690
2006	37,100	42,988
2007	42,738	49,380
2008	53,828	64,537
2009	62,447	75,866
2010	87,437	107,008
2011	116,899	155,453
2012	222,011	297,169
2013	282,656	-
Total Fire Fee Receivable	<u>1,138,041</u>	<u>1,060,347</u>
Less reserve for uncollectible fire fees	<u>(284,510)</u>	<u>(265,087)</u>
	<u>\$ 853,531</u>	<u>\$ 795,260</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, 2014 and 2013

PROPERTY AND EQUIPMENT

Fixed assets as of June 30, 2014 and 2013 consist of the following:

	Balance <u>July 1, 2013</u>	Adjustments and <u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>June 30, 2014</u>
Real Property	\$ 3,599,818	\$ 6,750	\$ -	\$ 3,606,568
Equipment	<u>2,591,775</u>	<u>-</u>	<u>-</u>	<u>2,591,775</u>
Total	<u>\$ 6,191,593</u>	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 6,198,343</u>

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

Accumulated depreciation as of June 30, 2014 and 2013 consists of the following:

	Balance <u>July 1, 2013</u>	Adjustments and <u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>June 30, 2014</u>
Real Property	\$ 495,420	\$ 101,507	\$ -	\$ 596,927
Equipment	<u>1,507,155</u>	<u>129,589</u>	<u>-</u>	<u>1,636,744</u>
Total	<u>\$ 2,002,575</u>	<u>\$ 231,096</u>	<u>\$ -</u>	<u>\$ 2,233,671</u>

	Balance <u>July 1, 2012</u>	Adjustments and <u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>June 30, 2013</u>
Real Property	\$ 394,074	\$ 101,346	\$ -	\$ 495,420
Equipment	<u>1,377,566</u>	<u>129,589</u>	<u>-</u>	<u>1,507,155</u>
Total	<u>\$ 1,771,640</u>	<u>\$ 230,935</u>	<u>\$ -</u>	<u>\$ 2,002,575</u>

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

	Balance <u>July 1, 2013</u>	Additions	<u>Accumulated Depreciation</u>		Balance <u>June 30, 2014</u>
			<u>Prior Year</u>	<u>Current Year</u>	
Real Property	\$ 3,599,818	\$ 6,750	\$ 495,420	\$ 101,507	\$ 3,009,641
Equipment	<u>2,591,775</u>	<u>-</u>	<u>1,507,155</u>	<u>129,589</u>	<u>955,031</u>
Total	<u>\$ 6,191,593</u>	<u>\$ 6,750</u>	<u>\$ 2,002,575</u>	<u>\$ 231,096</u>	<u>\$ 3,964,672</u>

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

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

LONG-TERM DEBT OBLIGATIONS

Long-term debt transactions for the years ended June 30, 2014 and 2013 consist of the following:

	<u>Balance July 1, 2013</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance June 30, 2014</u>
Total long-term debt	\$ 2,049,045	\$ 621,022	\$ 293,784	\$ 2,376,283
	<u>Balance July 1, 2012</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance June 30, 2013</u>
Total long-term debt	\$ 2,342,779	\$ -	\$ 293,734	\$ 2,049,045

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

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.

	<u>2014</u>	<u>2013</u>
	\$ 192,786	\$ 388,863

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.

	1,562,475	1,660,182
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Loan payable to a bank, originally issued in December 2013, not to exceed \$621,022 to be used to purchase a fire truck. The note has fixed interest of 2.58% per annum, with interest and principal due in the amount of \$71,251 beginning on December 18, 2014 and ending on December 18, 2023. The loan is secured by said fire truck.

	<u>621,022</u>	<u>-</u>
	<u>\$ 2,376,283</u>	<u>\$ 2,049,045</u>

Total

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

LONG-TERM DEBT OBLIGATIONS

The annual principal payments on loans subsequent to June 30, 2014, and thereafter, are as follows:

Year Ending <u>June 30,</u>	
2015	348,014
2016	156,653
2017	158,115
2018	159,614
2019	161,152
2020-2024	830,258
2025-2029	500,000
2030	62,477
Total	<u>\$ 2,376,283</u>

Interest incurred for the years ended June 30, 2014 and 2013 was \$101,027 and \$105,278, respectively.

COMMITTED FUND BALANCE

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

	<u>2014</u>	<u>2013</u>
Committed for capital outlay	<u>\$ 310,100</u>	<u>\$ 254,199</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.	

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

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.

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 14.5%. 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, 2014 and 2013 totaled \$18,550 and \$11,615, 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, 2014 and 2013

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>2014</u>	<u>2013</u>
Back Creek Valley VFD	\$ 119,640	\$ 99,100
Baker Heights VFD	183,163	148,920
Bedington VFD	239,403	185,910
Hedgesville VFD	217,210	163,961
South Berkeley VFD	180,237	146,815
	<u>\$ 939,653</u>	<u>\$ 744,706</u>

SUBSEQUENT EVENTS

The Board's management evaluated the effect that subsequent events would have on the financial statements through August 20, 2014, which is the date the financial statements were available to be released.



JAMIE L. DAVIS, CPA, PLLC
AUDIT - TAX - ADVISORY

POST OFFICE BOX 30
INWOOD, WEST VIRGINIA 25428
TELEPHONE: (304) 229-4609
FACSIMILIE: (304) 229-4626
JAMIE@JLDCPA.COM

**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, 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, the financial statements of the governmental activity of the Berkeley County Fire Service Board as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated August 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berkeley County Fire Service Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. 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 and significant deficiencies.

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 14-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as item 14-02 to be a significant deficiency.

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* .

Response to Findings

The response to the findings 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.

Other Matters

We noted certain matters that we reported to management of Berkeley County Fire Service Board in a separate letter dated August 20, 2014.

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
August 20, 2014

SCHEDULE OF FINDINGS

June 30, 2014

MATERIAL WEAKNESS

14-01 - 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.

SIGNIFICANT DEFICIENCY

14-02 - PERSONEL POLICIES / STANDARD OPERATING PROCEDURES

CRITERIA: Personnel policies and standard operating procedures should be implemented and documented so that there are defined rules and regulations through which the Board can operate.

CONDITION: Employees have taken personal leave days, although there is no formal policies regarding personal days in place.

CAUSE: The Board has not implemented formalized personnel policies or standard operating procedures.

EFFECT: The deficiency could lead to unprevented or undetected misstatements of the financial statements in a material amount.

RECOMMENDATION: We recommend either 1.) the Board produce its own personnel policies and standard operating procedures or 2.) adopt excerpts from either Berkeley County or Martinsburg City policy and procedure manuals via reference so that the policies and procedures relevant to the Fire Board are more clearly defined going forward.

RESPONSE: We concur with this finding and recommendation.