BERKELEY COUNTY, WEST VIRGINIA
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For the Fiscal Year Ended June 30, 2006

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BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2006

GOVERNMENTAL FUND TYPES

Major Funds

General County
Coal Severance Tax

Nonmajor Funds

Special Revenue Funds

Dog and Kennel
Worthless Check
Federal Grant #09
Wireless Communication
Rainy Day Fund
Enforcement Forfeiture
Universal Hiring Grant
COPS Universal Hiring
Engineering Special Fees
Emergency Shelter 2004
Homeland Security OES
Emergency Shelter 2005
Dupont Soccer Grant
Lambert Park

General School
Emergency Communication 911
Community Partnership Grant
Enhanced 911 3%
Concealed Weapons
Prosecuting Attorney Forfeiture
Task Force Reimbursement
FEMA Hazard Mitigation
Homeland Security - Law Enforcement
Judicial Center LEDA Grant
Humane Society
Ezekiel's Place
Fire Investigation
Courthouse Security Grant

Magistrate Court
Home Confinement
Fiduciary
Assessor's Valuation
Voter's Registration
Enforcement Block Grant
Homeland Security - Citizen's Corp
County Health Insurance
Homeland Security Planner
South Berkeley Little League
Musselman Middle Schol
DOT Round House Grant
Eastern Panhandle AIDS Grant

FIDUCIARY FUND TYPES

Agency Funds

State
School
County Offices
Other Agency

BLENDED COMPONENT UNIT

Proprietary Fund

Building Commission

BERKELEY COUNTY, WEST VIRGINIA
COUNTY OFFICIALS
For the Fiscal Year Ended June 30, 2006

OFFICE	NAME	TERM	
	Elective		
County Commission:	Howard L. Strauss	01-01-01	/ 12-31-06
	Steve Teufel	01-01-03	/ 12-31-08
	Ronald K. Collins	01-01-05	/ 12-31-10
Clerk of the County Commission	John W. Small, Jr.	01-01-05	/ 12-31-10
Clerk of the Circuit Court	Virginia Sine	01-01-05	/ 12-31-10
Sheriff	W. Randy Smith	01-01-05	/ 12-31-08
Prosecuting Attorney	Pamela Games-Neely	01-01-05	/ 12-31-08
Assessor	Preston Gooden	01-01-05	/ 12-31-08
	Appointive		
Administrator	Deborah E. Hammond		

Lisa K. Thornburg, CPA
2514 Bedford Chapel Road
Milton, WV 25541
(304)743-8192

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berkeley County, West Virginia (the County), as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Berkeley County Building Commission have not been audited, and we were not engaged to audit the Building Commission's financial statements as part of our audit of the County's basic financial statements. The Building Commission's financial activities are included in the County's basic financial statements as a blended component unit and represent 100 percent of the assets, net assets and revenues, respectively, of the County's blended component unit.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Berkeley County Building Commission's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the major funds of Berkeley County, West Virginia, as of June 30, 2006, and the changes in financial position and where applicable cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, because of the omission of the discretely presented component units as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component units of the County, as of June 30, 2006, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of Berkeley County, West Virginia, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Coal Severance Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and the Budgetary Comparison Schedule for the Assessor's Valuation Fund are presented for purposes of additional analysis and are not required parts of the basic financial statements of the County. The Budgetary Comparison Schedule for the Assessor's Valuation Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully Submitted,

Lisa K. Thornburg

Lisa K. Thornburg, CPA

November 2, 2007

Our discussion and analysis of the Berkeley County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2006. This discussion and analysis should be read in conjunction with the County's financial statements, which follow immediately after.

FINANCIAL HIGHLIGHTS

During 2006, the County increased its net assets by approximately 10% (or $1.9 million) to $19.9 million. This resulted from a decrease in governmental activities of $0.4 million and an increase in business-type activities of $2.3 million.

Governmental activities revenues increased by $1.1 million to $23.5 million with a related increase in governmental expenses of $4.6 million to $23.9 million.

The business-type activities realized an 28% increase in revenues with a related 9% decrease in expenses. The additional revenues and expenses were generated by contributions from government activities for the Judicial Center Project.

The County's general government function realized the largest increase in expenses of $4.4 million followed by public safety in the amount $1.0 million. Culture and recreation realized the largest decrease of $1.0

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a long-term view of the County's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the county as a whole

Our analysis of the County as a whole begins with the Statement of Net Assets. One of the most important questions asked about the County's finances is, "Is the County, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes to them. The County's net assets—the difference between assets and liabilities—is one way of measuring the County's financial health or position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the County's property tax base and its capital assets should be considered in order to assess the overall health of the County.

USING THIS ANNUAL REPORT (Continued)

Reporting the county as a whole (continued)

In the Statement of Net Assets and the Statement of Activities, we normally divide the County into two kinds of activities:

Governmental Activities—Most of the County's basic services are reported here, including the police, fire, ambulance and general administration. Property and other taxes, licenses and permits, and state and federal grants finance most of these activities.

Business-type Activities—Customers are charged a fee to help the County cover most or all of the cost of business-type activities. The County's Building Commission, a blended component unit, is the only business-type activity reported in these financial statements.

Reporting the County's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by West Virginia Code. However, the County Commission establishes many other funds to help it control and manage money for particular purposes (for example, the General School Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like monies received from Federal grants).

Governmental funds—Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a separate reconciliation statement included with these financial statements.

Proprietary funds - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Fund Net Assets. In fact, the County's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as Trustee

The County is the fiduciary for several other entities. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

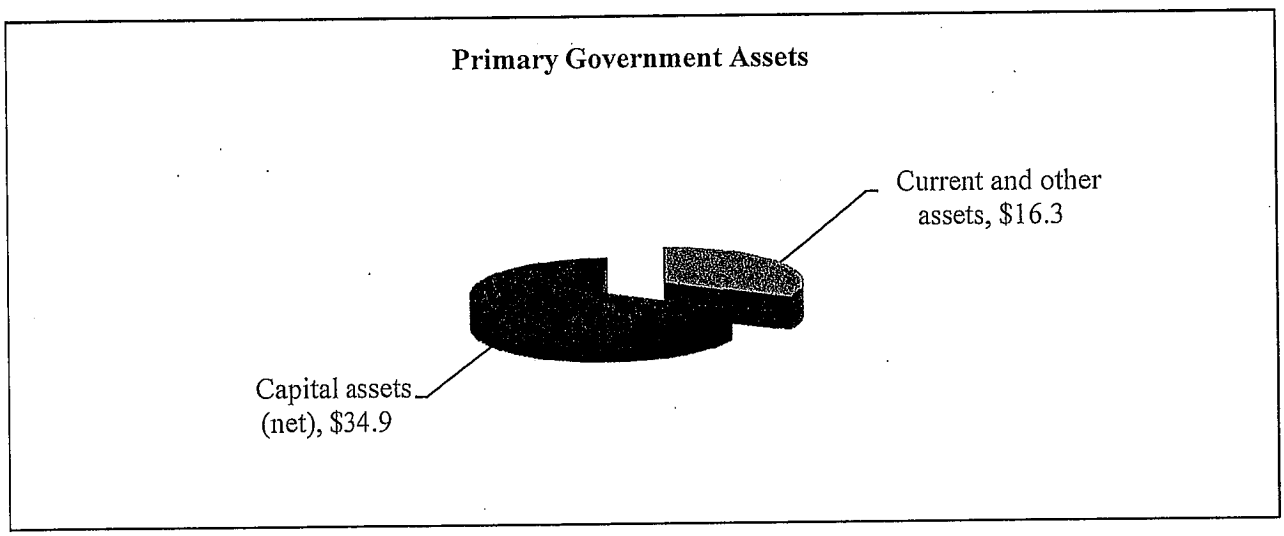
Our analysis below focuses on net assets (Table 1) and changes in net assets (Table 2):

Table 1

Net assets (in millions):	Governmental activities		Business Activities		Primary Government	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	$8.5	$9.5	$7.8	$4.7	$16.3	$14.2
Capital assets (net)	8.8	7.5	26.1	18.4	34.9	25.9
Total assets	17.3	17.0	33.9	23.1	51.2	40.1
Liabilities:						
Other liabilities	0.7	0.4	0.9	1.6	1.6	2.0
Long-term liabilities	1.7	1.3	28.0	18.8	29.7	20.1
Total liabilities	2.4	1.7	28.9	20.4	31.3	22.1
Net assets:						
Invested in capital assets, net of debt	8.3	7.1	5.1	2.1	13.4	9.2
Restricted	2.0	1.3	0.5	0.6	2.5	1.9
Unrestricted	4.6	6.9	(0.6)	0.0	4.0	6.9
Total net assets	$14.9	$15.3	$5.0	$2.7	$19.9	$18.0

Chart 1

Primary government assets (in millions):



THE COUNTY AS A WHOLE (Continued)

Chart 2

Primary government liabilities and net assets (in millions):

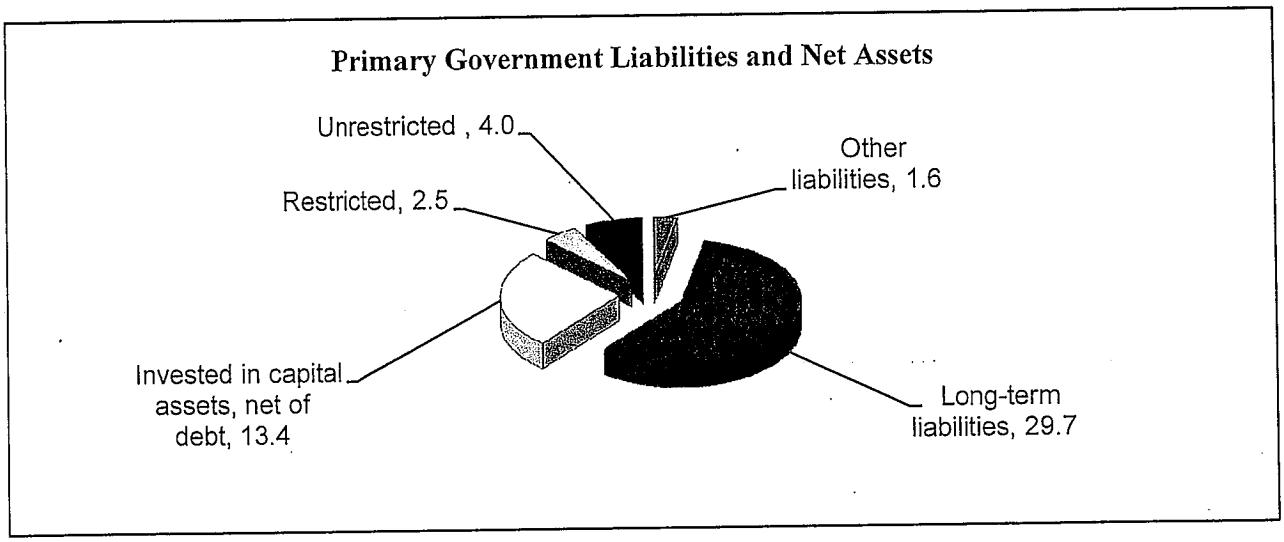


Table 1 (previous page) and Chart 1 (previous page) presents the assets that consist of the primary government. Chart 2 (above) presents the liabilities and restrictions associated to the assets in Chart 1.

Current assets increased by approximately $2.1 million, up from $14.2 million at June 30, 2005. This amount was the result of a $3.0 million increase in investments of the Building Commission from the issuance of debt in the current year and a $1.0 million decrease in cash and cash equivalents for the governmental activities from additional expenditures of prior years' unrestricted fund balances.

Capital assets increased by $9.1 million to 34.9 million. The Berkeley County Building Commission placed in service approximately $0.3 of new building renovations during the year. The Building Commission also accumulated an additional $7.4 million of new renovations for the Judicial Center which were not placed in service as of the end of the fiscal year. Governmental activities placed $2.2 million of capital expenses less retirements and depreciation of $0.8 million in service during the year.

Net assets of the County increased by approximately 10%, to $19.9 million, up from $18.0 million at June 30, 2005. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) decreased to $3.9 million, from $6.9 million. The increase in restricted net assets was the result of E-911 revenues that were not expended in the current year.

Invested in capital assets, net of related debt increased for Governmental activities as the result of the reduction of capital lease liability and fixed asset purchases that were financed through current and prior years revenues. Business-type activities increased its invested in capital assets, net of related debt by $3.0 million. This was the result of current year operations, payments of long term debt and funding various investments and debt service accounts.

THE COUNTY AS A WHOLE (Continued)

Long term liabilities increased as a result of the Building Commission issuance of $9.8 million in debt to finance the Judicial Center Project.

Governmental activities accrued additional $ 0.3 million liability in compensated absences for the current fiscal year.

Table 2

Changes in net assets (in millions):

	Governmental activities		Business Activities		Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Charges for services	$4.4	$4.2	$1.5	$1.1	$5.9	$5.3
Property taxes	9.9	9.3	0.0	0.0	9.9	9.3
Other taxes	3.8	3.1	0.0	0.0	3.8	3.1
Licenses and permits	1.5	1.6	0.0	0.0	1.5	1.6
Intergovernmental:						
Federal	1.4	2.1	0.0	0.0	1.4	2.1
Local / reimbursements	0.1	0.2	0.0	0.0	0.1	0.2
Unrestricted interest	0.4	0.2	0.0	0.0	0.4	0.2
Miscellaneous	2.0	1.7	1.0	0.0	3.0	1.7
Total revenues	23.5	22.4	2.5	1.1	26.0	23.5
Expenditures:						
General government	13.8	9.4	0.2	0.2	14.0	9.6
Public safety	8.5	7.5	0.0	0.0	8.5	7.5
Health and sanitation	0.2	0.2	0.0	0.0	0.2	0.2
Culture and recreation	1.0	2.0	0.0	0.0	1.0	2.0
Economic development	0.2	0.1	0.0	0.0	0.2	0.1
Social services	0.2	0.1	0.0	0.0	0.2	0.1
Total expenditures	23.9	19.3	0.2	0.2	24.1	19.5
Excess of revenue over expenditures	(0.4)	3.1	2.3	0.9	1.9	4.0
Net assets beginning of the year previously stated	15.3	12.2	2.7	1.7	18.0	13.9
Prior period adjustment	0.0	0.0	0.0	0.1	0.0	0.1
Net assets beginning of the year	15.3	12.2	2.7	1.8	18.0	14.0
Net end of the year	$14.9	$15.3	$5.0	$2.7	$19.9	$18.0

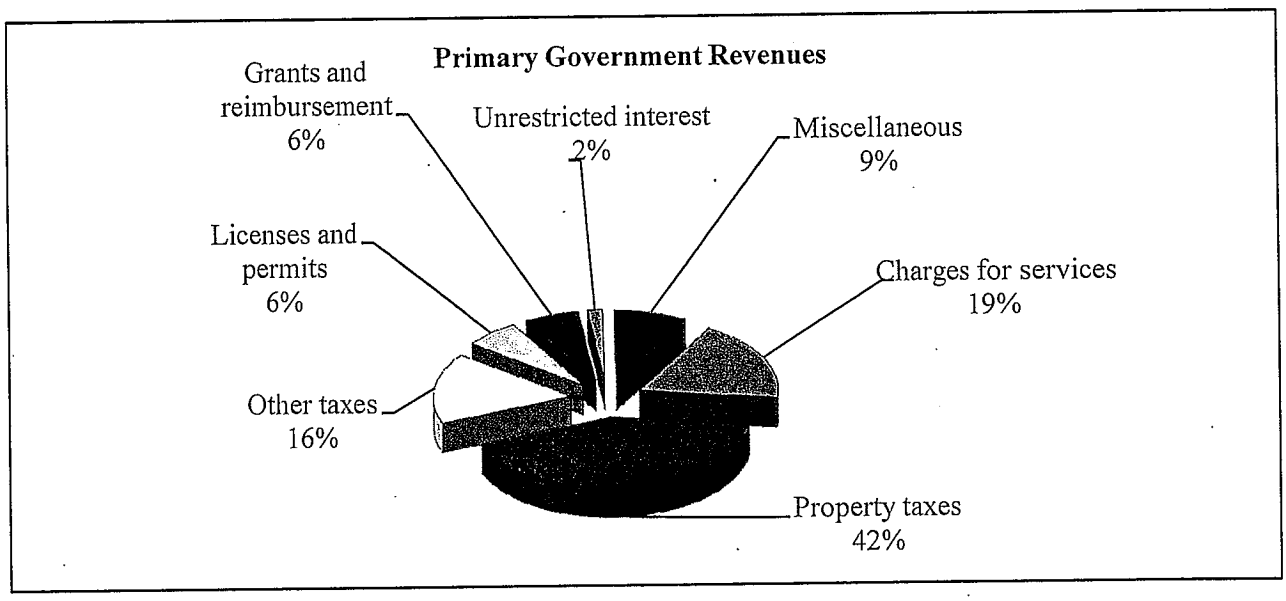
THE COUNTY AS A WHOLE (Continued)

Table 2 (previous page) and Chart 3 (below) present revenues from each of the County's largest sources of revenues. Revenues increased approximately $2.5 million over the prior year. Governmental activities revenue increases were about $1.1 million and consist of increases in property and other taxes of $0.6 million each. Please note that property taxes make up 42% of total revenues compared to 41% for the fiscal year ended June 30, 2005. The Building Commission revenues increased by $1.4 million compared to prior year. This increase was the result of additional charges for services and contributions from governmental activities.

Table 2 (previous page) and Chart 4 (below) present each of the County's governmental programs in dollars and percentage of total expenses, respectively. Expenditures increased in the current year by approximately $4.6 million for governmental activities. General government expenditures increased by $4.4 million and public safety increased by $1.0 million as the result of higher staffing and staffing related costs, such as health insurance. Culture and recreation decrease was the result of additional federal funding of the train station project last year. In fiscal year 2006, the County spent 57% in general government and 36% in public safety as shown in Chart 4.

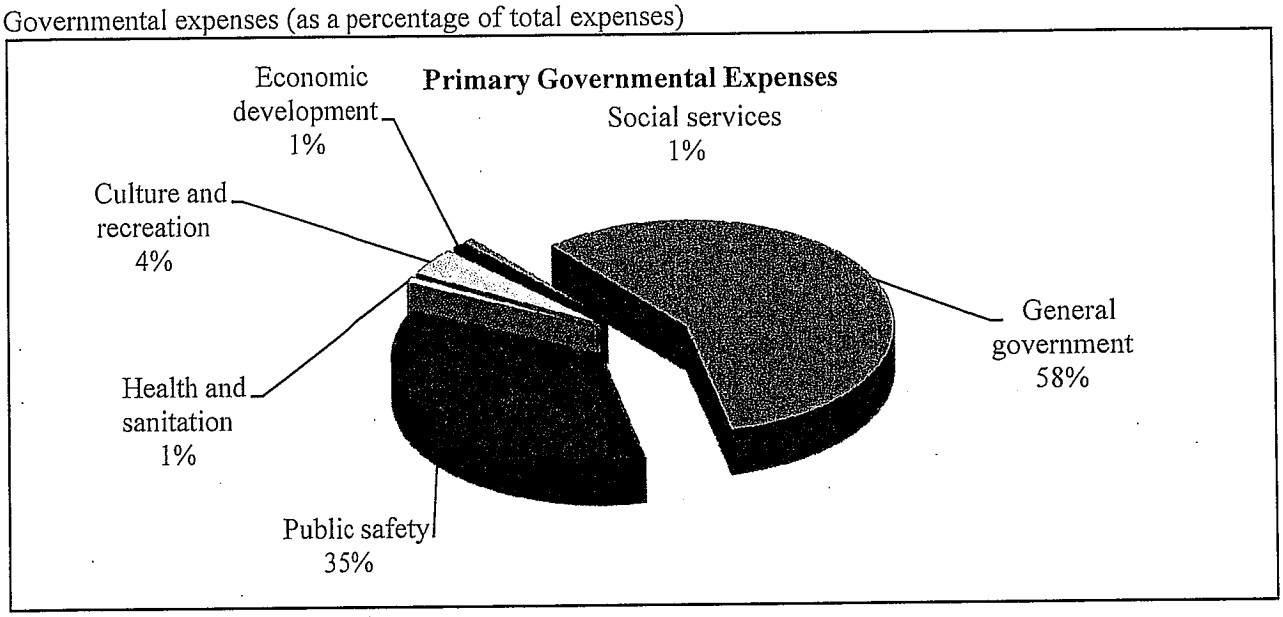
Governmental activities expenditures for economic development increased in the current year to assist the Berkeley County Development Authority with supporting a industrial park.

Chart 3
Governmental revenues (as a percentage of total revenues)



THE COUNTY AS A WHOLE (Continued)

Chart 4
Governmental expenses (as a percentage of total expenses)



FINANCIAL RATIOS

The following financial ratios should be used to assess the financial stability of the County over an extended period of time.

The Ratios of Working Capital and Days Cash in Investment and Reserve demonstrates the continuing ability to finance operations with cash. The relative stability of the Current Ratio and the Liabilities to Net Assets demonstrates the fact that the County's governmental activities has not financed its Working Capital and Days Cash and Investment in Reserve with a substantially increasing proportion of debt. However the County's business activities are leveraged with debt and construction payables as demonstrated with both the current ratio and liabilities to net assets.

"Working capital" is the amount by which current assets exceed current liabilities. Generally, the higher the working capital, the greater the amount of resources available to the County to provide services and pay its obligations. Working capital decreased over the prior year by $1.3 million for the governmental activities.

The "Current Ratio," which compares current assets to current liabilities, is an indicator of the ability to pay current obligations. Generally, the higher the current ratio, the greater the "cushion" between current obligations and the County's ability to pay them.

"Days cash in investments and reserve" represents the number of days that normal operations could continue with no revenue collection. This ratio compares: days cash in investments and reserve to average daily expenditures.

"Liabilities to net assets" indicates the extent of borrowing and determines the extent of liabilities used to finance assets. The liabilities to net assets for the business reflect the additional debt that was acquired during the current year.

FINANCIAL RATIOS (Continued)

	Governmental activities		Business Activities		Primary Government	
	2006	2005	2006	2005	2006	2005
Working capital (in millions)	$7.8	$9.1	$6.9	$3.1	$14.7	$12.2
Current Ratio	12.1	23.8	4.9	2.9	7.9	7.1
Days cash in investment and reserve	122	170	547	913	126	178
Liabilities to net assets	16%	11%	578%	756%	157%	122%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Governmental accounting standards requires all governmental entities to report their infrastructure assets such as roads and bridges in their financial statements. The infrastructure assets that are located in Berkeley County are owned, maintained and reported by the State of West Virginia.

At the end of June 30, 2006, the County had $34.9 million invested in capital assets net of accumulated deprecation, including police and fire equipment and buildings. This represents a net increase of $9.1 million, or about 35% percent, over last year for the primary government. This is the result of construction projects regarding the Judicial Center and Dunn Building in the amount $7.8 million. The remainder of the difference resulted from purchases of technology, public safety equipment and other renovations.

During the next fiscal year, the Berkeley County Building Commission is planning to start the design phase of the Judicial Center Project Phase II, which includes the Crawford Building.

The Berkeley County Commission is planning to purchase 8.6 acres of land from the Berkeley County Development Authority to be used for law enforcement, homeland security and emergency services.

At fiscal year end, capital assets at cost or estimated original values (in millions):

	Governmental activities		Business Activities		Primary Government	
	2006	2005	2006	2005	2006	2005
Land	$0.9	$0.9	$1.2	$1.1	$2.1	$2.0
Buildings	4.4	4.2	4.1	3.8	8.5	8.0
Improvements	2.5	2.3	0.0	0.0	2.5	2.3
Equipment	5.4	3.7	0.0	0.0	5.4	3.7
Construction Work in progress	0.0	0.0	21.2	13.8	21.2	13.8
Subtotal	13.2	11.1	26.5	18.7	39.7	29.8
Accumulated depreciation	(4.4)	(3.7)	(0.4)	(0.3)	(4.8)	(4.0)
Totals	$8.8	$7.4	$26.1	$18.4	$34.9	$25.8

More detailed information amount the County's capital assets is presented in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

The County's outstanding capital leases obligations for the years ended June 30, 2006 and June 30, 2005 were $0.5 million and $0.3 million respectively. The Governmental activities purchased additional technology which was financed with a capital lease of $0.3 million.

During the fiscal year ended June 30, 2006, the County's Business-type activities issued approximately $9.8 million in debt to be used for the renovation project at the Judicial Center.

At fiscal year end, capital lease and revenues bonds (in millions):

Governmental activities	2006	2005
Capital leases obligations, backed by the County	$0.5	$0.3
Business activities		
1999 Series revenue bonds	0.4	0.5
2004 A Series revenue bonds	9.7	9.9
2004 B Series revenue bonds	8.9	9.0
2005 Series revenue bonds	9.8	0.0
Subtotal	28.8	19.4
Total capital leases and bonds	$29.3	$19.7

More detailed information about the County's long term liabilities is presented in the notes to the basic financial statements.

GRANTS

The Berkeley County Commission serves as the sponsor of a number of state and federal grants for community agencies including the Berkeley County Roundhouse Authority, Martinsburg-Berkeley County Parks and Recreation Department and the Berkeley County Youth Fair, to name but a few. The funds received in these federal and state grants are in the form of pass-through funds whereby the Commission serves as the sponsor, a fund is established for the receipt and expenditure of the funds, and a check is written to the sponsor upon the receipt of the expended funds. These funds do not contribute to the County's general county fund.

The Berkeley County Commission also receives state and federal grants for operating programs of the County. These include state funds for the VOCA grant program operated through the Prosecuting Attorney's office, Local Law Enforcement Block grants for the purchase of equipment for the Sheriff's Law Enforcement Office, and COPS grants for the funding of law enforcement positions in the Sheriff's Law Enforcement Office. The Commission has also received a court security grant to assist in security purchases in the judicial center. These funds are competitive and are applied for on an annual basis. The continuation of these grants is contingent upon available funds at the state and federal level. The County Commission is also required to provide matching funds in the form of in-kind services or actual cash matches.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County Commission revised the General Fund budget several times to reflect changes in revenues and expenditures as information became available to provide better estimates. Other changes were made to reclassify revenues and expenditures into proper accounts.

Even with these adjustments, the actual revenues were approximately $1.2 million under budget and expenditures were about $5.3 million under budget. The excess deficit in revenues were mainly due to the re-class of reimbursements and the under-budgeted expenditures were the result of many smaller factors.

State budget revisions are completed in each instance in which revenues exceed fiscal year projections. Allocations are made to the expenditure accounts accordingly to address instances of expenditure above budgeted allocations and to address emergency request for funding that occur throughout the fiscal year.

ECONOMIC FACTORS

The County considered many factors when setting the upcoming budget for the fiscal year ending June 30, 2006. Among these were the population growth in Berkeley County which has averaged 4.45% for the past 4 years for a estimated total population of 92,140 in 2006.

The County Commission also considered the increasing cost of employment and employment related costs such as health insurance. Another consideration is the funding required for the capital improvements and debt service requirements for the Berkeley County Judicial Center project, which major construction began in the Spring of 2004.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Clerk's Office at 100 West King Street, Martinsburg, WV 25401.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 8,025,693	$ 255,029	$ 8,280,722
Investments	-	6,411,294	6,411,294
Receivables, net	439,326	-	439,326
Due from other governments	-	162,500	162,500
Capital assets:			
Land	920,205	1,241,963	2,162,168
Building and equipment, net of depreciation	7,919,420	3,704,959	11,624,379
Construction in progress	-	21,187,409	21,187,409
Other debits:			
Unamortized bond issue costs, net of amortization	-	902,236	902,236
Total assets	$ 17,304,644	$ 33,865,390	$ 51,170,034
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	$ 366,734	$ -	$ 366,734
Leases payable	189,944	-	189,944
Compensated absences payable	1,403,195	-	1,403,195
Due to other governments	162,500	-	162,500
Current liabilities payable from restricted assets:			
Accounts payable - construction	-	34,018	34,018
Bonds payable	-	606,822	606,822
Interest payable	-	193,762	193,762
Noncurrent liabilities:			
Bonds payable, net of bond discount and premium	-	28,030,955	28,030,955
Leases payable	311,335	-	311,335
Total liabilities	2,433,708	28,865,557	31,299,265

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET ASSETS			
Invested in capital assets, net of related debt	$ 8,338,346	$ 4,512,986	$ 12,851,332
Restricted for:			
Debt service	-	263,079	263,079
E911 fees	1,988,803	-	1,988,803
Dunn Building	-	14,255	14,255
Judicial Center	-	240,765	240,765
Public safety	21,390	-	21,390
Unrestricted	4,522,397	(31,252)	4,491,145
Total net assets	14,870,936	4,999,833	19,870,769
Total liabilities and net assets	$ 17,304,644	$ 33,865,390	$ 51,170,034

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions / Programs							
Primary government:							
Governmental activities:							
General government	$ 13,849,054	$ 6,335,852	$ -	$ 136,180	$ (7,377,022)	$ -	$ (7,377,022)
Public safety	8,446,258	-	437,188	-	(8,009,070)	-	(8,009,070)
Health and sanitation	171,701	-	870	-	(170,831)	-	(170,831)
Culture and recreation	1,019,315	-	154,741	-	(864,574)	-	(864,574)
Social services	148,674	-	33,802	-	(114,872)	-	(114,872)
Economic development	200,000	-	-	-	(200,000)		
Interest and fiscal charges	16,858	-	-	-	(16,858)	-	(16,858)
Total governmental activities	23,851,860	6,335,852	626,601	136,180	(16,753,227)	-	(16,553,227)
Business type activities:							
Building Commission	178,839	1,456,811	-	1,005,225	-	2,283,197	2,283,197
Total primary government	$ 24,030,699	$ 7,792,663	$ 626,601	$ 1,141,405	(16,753,227)	2,283,197	(14,270,030)
	General revenues:						
	Ad valorem property taxes				9,903,493	-	9,903,493
	Property transfer tax				2,748,888	-	2,748,888
	Coal severance tax				202,978	-	202,978
	Other taxes				683,912	-	683,912
	Payments in lieu of taxes				177,456	-	177,456
	Intergovernmental:						
	Federal				65,847	-	65,847
	State				5,001	-	5,001
	Local				519,477	-	519,477
	Unrestricted investment earnings				375,681	551	376,232
	Refunds				364,300	-	364,300
	Miscellaneous				1,302,828	-	1,302,828
	Total general revenues				16,349,861	551	16,350,412
	Change in net assets				(403,366)	2,283,748	1,880,382
Net assets at beginning of year					15,274,302	2,716,085	17,990,387
Net assets - ending					$ 14,870,936	$ 4,999,833	$ 19,870,769

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	General	Coal Severance Tax	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Current:				
Cash and cash equivalents	$ 4,814,768	$ 201,213	$ 3,009,712	$ 8,025,693
Receivables:				
Taxes	439,326	-	-	439,326
Due from:				
Other funds	100,000	-	-	100,000
Total assets	$ 5,354,094	$ 201,213	$ 3,009,712	$ 8,565,019
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 356,052	$ -	$ 10,682	$ 366,734
Accrued expenses	48,794	-	-	48,794
Due to:				
Other governments	162,500	-	-	162,500
Other funds	-	-	100,000	100,000
Deferred tax revenue	316,314	-	-	316,314
Total liabilities	883,660	-	110,682	994,342
Fund balances:				
Reserved for:				
Encumbrances	475,172	-	-	475,172
E-911 Fees	1,988,803	-	-	1,988,803
Public safety	-	-	21,390	21,390
Unreserved, reported in:				
General fund	2,006,459	-	-	2,006,459
Special revenue funds	-	201,213	2,877,640	3,078,853
Total fund balances	4,470,434	201,213	2,899,030	7,570,677
Total liabilities and fund balances	$ 5,354,094	$ 201,213	$ 3,009,712	$ 8,565,019

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances on the governmental fund's balance sheet		$ 7,570,677
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore not reported in the funds.		
Land	$ 920,205	920,205
Buildings and equipment	12,383,928	
Less: accumulated depreciation	(4,464,508)	7,919,420
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds.		
Deferred taxes		316,314
Compensated absences and capital leases, are not due and payable in the current period.		
Compensated absences		(1,354,401)
Leases payable		(501,279)
Net assets of governmental activities		$ 14,870,936

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	General	Coal Severance Tax	Other nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem property taxes	$ 9,924,179	$ -	$ -	$ 9,924,179
Property transfer tax	2,709,145	-	-	2,709,145
Other taxes	683,912	-	39,743	723,655
Coal severance tax	-	202,978	-	202,978
Licenses and permits	1,458,109	-	22,079	1,480,188
Intergovernmental:				
Federal	37,189	-	484,680	521,869
State	-	-	175,579	175,579
Local	-	-	655,657	655,657
Charges for services	3,028,194	-	722,589	3,750,783
Fines and forfeits	130,307	-	813,624	943,931
Interest and investment earnings	304,338	6,085	65,257	375,680
Refunds	364,300		-	364,300
Reimbursements	-	-	160,950	160,950
Payments in lieu of taxes	177,456	-	-	177,456
Miscellaneous	1,302,275	-	553	1,302,828
Total revenues	20,119,404	209,063	3,140,711	23,469,178
EXPENDITURES				
General government	10,105,242	-	2,070,159	12,175,401
Public safety	7,138,935	-	897,939	8,036,874
Health and sanitation	165,408	-	870	166,278
Culture and recreation	867,401	-	149,722	1,017,123
Social services	91,900	-	33,802	125,702
Capital outlay	1,437,998	9,561	789,510	2,237,069
Economic development	-	200,000	-	200,000
Lease/ Contingency	1,306,811	-	-	1,306,811
Total expenditures	21,113,695	209,561	3,942,002	25,265,258
(Deficit) of revenues over expenditures	(994,291)	(498)	(801,291)	(1,796,080)

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	General	Coal Severance Tax	Other nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 316,488	$ -	$ 1,500,288	$ 1,816,776
Transfers (out)	(1,455,991)	-	(360,785)	(1,816,776)
Capital leases	394,943	-	-	394,943
Total other financing sources (uses)	(744,560)	-	1,139,503	394,943
Excess (deficit) of revenues and other financing sources over expenditures and other uses	(1,738,851)	(498)	338,212	(1,401,137)
Fund balances - beginning of year	6,209,285	201,711	2,560,818	8,971,814
Fund balances - ending	$ 4,470,434	$ 201,213	$ 2,899,030	$ 7,570,677

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Net change in fund balances - total governmental funds	$ (1,401,137)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Current capital outlay	2,237,068
Less: Disposals	(107,006)
Net increase in capital outlays	2,130,062
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(834,896)
Less: Disposals accumulated depreciation	89,340
	(745,556)
Capital lease proceeds are reported as financing sources in governmental funds and thus contributed to the change in fund balance. Repayment of principal on capital leases is an expenditure in the governmental funds, but it reduces the liability in the statement of net assets.	
Capital lease proceeds	(394,943)
Current lease payments recorded as expenditures	216,128
Compensated absences liability is not reported in the governmental funds but is reported in the government-wide level of activities.	
Current additions to compensated absences expense	(187,234)
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds.	
Deferred revenues	(20,686)
Change in net assets of governmental activities	$ (403,366)

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes:						
Ad valorem property	$ 10,083,927	$ 10,197,639	$ 9,924,179 (A)	$ (20,686)	$ 9,903,493	$ (294,146)
Other taxes	2,665,483	3,138,721	3,393,057	-	3,393,057	254,336
Licenses and permits	1,259,683	1,377,545	1,458,109	-	1,458,109	80,564
Intergovernmental:						
Federal	-	-	37,189	-	37,189	37,189
State	54,580	54,580	-	-	-	(54,580)
Charges for services	3,473,748	4,467,037	3,028,194	-	3,028,194	(1,438,843)
Fines and forfeits	110,685	110,685	130,307	-	130,307	19,622
Interest and investment earnings	167,826	303,461	304,338	-	304,338	877
Refunds	-	-	364,300	-	364,300	364,300
Reimbursements	547,184	820,296	-	-	-	(820,296)
Payments in lieu of taxes	35,514	177,456	177,456	-	177,456	-
Miscellaneous	585,329	635,334	1,302,275	-	1,302,275	666,941
Total revenues	18,983,959	21,282,754	20,119,404	(20,686)	20,098,718	(1,184,036)
EXPENDITURES						
Current:						
General government	10,702,296	14,015,032	10,105,242	-	10,105,242	3,909,790
Public safety	7,158,641	8,220,182	7,138,935	-	7,138,935	1,081,247
Health and sanitation	182,843	197,843	165,408	-	165,408	32,435
Culture and recreation	743,941	1,004,541	867,401	-	867,401	137,140
Social services	72,000	96,900	91,900	-	91,900	5,000
Capital projects	924,238	2,882,157	1,437,998	-	1,437,998	1,444,159
Lease	-	-	1,306,811	-	1,306,811	(1,306,811)
Total expenditures	19,783,959	26,416,655	21,113,695	-	21,113,695	5,302,960
(Deficiency) of revenues over expenditures	(800,000)	(5,133,901)	(994,291)	(20,686)	(1,014,977)	4,118,924

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
OTHER FINANCING SOURCES (USES)						
Transfers in	$ -	$ -	$ 316,488	$ -	$ 316,488	$ 316,488
Transfers (out)	-	-	(1,455,991)	-	(1,455,991)	(1,455,991)
Capital leases	-	-	394,943	-	394,943	394,943
Total other financing sources (uses)	-	-	(744,560)	-	(744,560)	(744,560)
(Deficiency) of revenues and other financing sources over expenditures and other uses	(800,000)	(5,133,901)	(1,738,851)	(20,686)	(1,759,537)	3,374,364
Fund balances - beginning of the year	800,000	4,865,015	6,209,285	-	6,209,285	1,344,270
Fund balances - ending	$ -	$ (268,886)	$ 4,470,434	$ (20,686)	$ 4,449,748	$ 4,718,634

NOTES:

(A) Taxes receivable are not included for budgetary purposes.

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Coal severance tax	$ 98,500	$ 98,500	$ 202,978	$ 104,478
Interest and investment earnings	1,500	1,500	6,085	4,585
Total revenues	100,000	100,000	209,063	109,063
EXPENDITURES				
General government	100,000	100,000	-	100,000
Economic development	-	-	200,000	(200,000)
Capital outlay	-	201,711	9,561	192,150
Excess (deficiency) of revenues over (under) expenditures	-	(201,711)	(498)	201,213
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	(201,711)	(498)	201,213
Fund balances - beginning	-	201,711	201,711	-
Fund balances - ending	$ -	$ -	$ 201,213	$ 201,213

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2006

	Business - type Activities Enterprise Fund Building Commission
ASSETS	
Current:	
Cash and cash equivalents	$ 255,029
Due from other governments	162,500
Total current assets	417,529
Restricted:	
Investments	6,411,294
Capital assets:	
Land	1,241,963
Buildings and equipment	4,076,444
Construction in progress	21,187,409
Less: accumulated depreciation	(371,485)
Total capital assets, net of accumulated depreciation	26,134,331
Other debits:	
Unamortized debt issue expense, net of accumulated amortization of $52,347	902,236
Total other debits	902,236
Total assets	$ 33,865,390
LIABILITIES	
Current liabilities payable from restricted assets:	
Accounts payable - construction	$ 34,018
Revenue bonds payable	606,822
Interest payable	193,762
Total current liabilities payable from restricted assets	834,602
Noncurrent liabilities:	
Bonds payable, net of bond discount $128,103 and premium $11,103	28,030,955
Total liabilities	28,865,557

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2006

	Business - type Activities Enterprise Fund Building Commission
NET ASSETS	
Invested in capital assets, net of related debt	$ 4,512,986
Restricted for:	
Debt Service	263,079
Dunn Building	14,255
Judicial Center	240,765
Unrestricted	(31,252)
Total net assets	4,999,833
Total liabilities and net assets	$ 33,865,390

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

	Business-type Activities Enterprise Funds Building Commission
OPERATING REVENUES:	
Lease income	$ 1,456,811
Interest income	551
Total revenues	1,457,362
OPERATING EXPENSES:	
Professional fees	19,159
Depreciation	104,179
Total operating expenses	123,338
Operating income	1,334,024
NONOPERATING REVENUES (EXPENSES):	
Contribution in aid of construction	672,278
Contributions from the Berkeley County Commission	332,947
Amortization of debt issue expenses	(29,618)
Interest and fiscal charges	(23,783)
Trustee fees	(2,100)
Total nonoperating revenues (expenses)	949,724
Increase in net assets	2,283,748
Net assets at beginning of year	2,716,085
Net assets at end of year	$ 4,999,833

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

	Business-type Activities Enterprise Funds Building Commission
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from leases	$ 1,306,811
Cash received for rents	50,000
Cash paid for professional fees	(19,159)
Bid fees received	400
Net increase in cash from operating activities	1,338,052
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	171,132
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED ACTIVITIES:	
Payments for construction work in progress	(5,964,442)
Payments for land, buildings, and equipment	(67,832)
Payments of accounts payable	(1,025,967)
Principal paid on notes payable	(426,908)
Bond closing costs	(63,862)
Proceeds from revenue bonds	9,622,866
Increase in restricted assets	(2,934,343)
Proceeds from the Berkeley County Commission	161,180
Cash paid for trustee fees	(2,100)
Interest paid on revenue bonds	(1,067,355)
Net cash flows used by capital and related financing activities	(1,768,763)
Net decrease in cash and cash equivalents	(259,579)
Cash and cash equivalents - beginning of year	514,608
Cash and cash equivalents - end of year	$ 255,029
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 1,334,024
Adjustments to reconcile:	
Depreciation expense	104,179
Bid fees included in miscellaneous revenue	400
Increase in due from other governments	(100,000)
Adjustment for interest included in financing activities	(551)
Net cash provided by operating activites	$ 1,338,052

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

	Business-type Activities Enterprise Funds Building Commission
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Acquisition costs on issuance of bonds	$ (214,000)
Discounts on issuance of bonds	$ 11,322
Amortization of bond acquisition costs	$ (29,618)
Amortization of bond discount costs	$ (5,240)
Amortization of bond premium	$ 220

See accompanying notes and Independent Auditor's Report.

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,749,622
LIABILITIES	
Due to other governments	$ 1,749,622

See accompanying notes and Independent Auditor's Report.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Blended Component Unit

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

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

Discretely Presented Component Units

Although required by generally accepted accounting principles, the County has elected not to include any other component units in these financial statements and the effects of this exclusion cannot be determined.

Related Organizations

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

Name of Organization	Operating Grant
Airport Authority	$ 50,875
Berkeley County Board of Health	50,250
Berkeley County Senior Services	82,400
Berkeley County Solid Waste Authority	84,853
Berkeley County Development Authority	118,966
Berkeley County Historic Landmarks Commission	8,740
Martinsburg - Berkeley County Convention and Visitors	133,299
Martinsburg - Berkeley County Parks and Recreation	208,299
Eastern Panhandle Transit Authority	12,000

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Combining financial statements for the non-major governmental funds are included as supplementary information in the County's full set of financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

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

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

The government reports the following major governmental funds:

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

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

The Building Commission fund consists of items and amounts that provide facilities to the public. The legally separate entity leases these facilities to the primary government in accordance with lease agreements which mirror the securing debt requirements. The interfund lease agreements between the County and Building Commission were eliminated in these financial statements. The board promulgates rules and regulations governing the usage and maintenance of the facilities.

Additionally, the government reports the following fund types:

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

Interfund Transactions

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

Property Tax Receivable

The property tax receivable is equal to 75% percent of the property taxes outstanding at June 30, 2006.

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

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

The rates levied by the County per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 2006, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense
Class I	$ 7,020,297	11.64 ¢
Class II	$ 1,861,854,870	23.28 ¢
Class III	$ 881,956,655	46.56 ¢
Class IV	$ 314,954,236	46.56 ¢

3. Inventories and Prepaid Items

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

4. Restricted Assets

Restricted assets are liquid assets generated from revenues that have third party limitations on their use. The county would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use therof to a future project or replacement equipment acquisition.

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

The "reserve for construction account" is used to report those proceeds of revenue bonds that are restricted for use in construction.

5. Capital Assets and Depreciation

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period. The County capitalized $931,088 of interest for the year ended June 30, 2006.

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

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

6. Compensated Absences

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

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

Employees are allowed to carry over a maximum of thirty (30) days of vacation benefits at the end of a calendar year. When a permanent full time employee retires, any unused accrued vacation benefits are paid to the employee at the time of retirement based on the employee's salary at the time of retirement.

7. Long-Term Obligations

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

8. Fund Equity

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including capital leases and compensated absences, are not due and payable in the current period and therefore are not reported in the funds." The details of this $1,855,680 difference are as follows:

Capital leases payable	$ (501,279)
Compensated absences	(1,354,401)
Net adjustment to decrease fund balance-total governmental funds to arrive at net assets-governmental activities	$ (1,855,680)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures." However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlays exceeded depreciation and disposals for the current period. The details of the $1,384,506 difference are as follows:

Capital outlays	$ 2,237,068
Disposals	(107,006)
Depreciation expense	(834,896)
Accumulated depreciation related to disposals	89,340
Net adjustment to increase net change in fund balance-total governmental funds to arrive at changes in net assets of governmental activities	$ 1,384,506

Another element of that reconciliation shows that the issuance of long-term debt (i.e. leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this $178,815 difference are as follows:

Capital lease financing	$ (394,943)
Current lease payments	216,128
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	$ (178,815)

Another element of that reconciliation states that "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 governmental funds." The details of this $1,354,401 difference are as follows:

Compensated absences	$ (1,354,401)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	$ (1,354,401)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts. The governing body made the following material supplementary budgetary appropriations throughout the year.

Description	Amount
Increase in alcoholic beverages tax revenue to estimated revenues	$ 92,240
Increase in other taxes revenue to estimated revenues	330,998
Increase in charges for services to estimated revenues	1,111,151
Increase in interest and investment earnings to estimated revenues	135,635
Increase in reimbursements to estimated revenues	273,112
Increase in general government expenditures to expend beginning balance	(3,312,736)
Increase in public safety expenditures to expend beginning balance	(1,061,541)
Increase in culture and recreation expenditures to expend beginning balance	(260,600)
Increase in capital project expenditures to expend beginning balance	(1,957,919)
Net other non-material adjustments to beginning budget	315,759
Total	$ (4,333,901)

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

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2006, expenditures exceeded appropriations in several non major special revenue funds. These over expenditures were funded by available fund balance.

C. Deficit Fund Equity

The Community Partnership Grant Fund had a deficit fund balance of $3,132 as of June 30, 2006. The fund incurred this deficit because project funding was not received in a timely manner.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk - Deposits
Custodial risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2006, $8,105,693 of the County's bank balance of $8,205,693 was exposed to custodial credit risk. Of the bank balance, $100,000 was covered by Federal Depository Insurance Corporation coverage. The remaining balance of $8,105,693 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Deposit Policies
The County has not formally adopted policies that limit its allowable deposits.

At year end the government's investment balances were as follows:

Investments	Maturities	Fair Value
Prime Obligations Fund	Daily	$ 6,411,294
Total investments		$ 6,411,294

Interest Rate Risk

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deeds of trust for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with SEC which have fund assets over three hundred million dollars. Berkeley County, West Virginia, has no investment policy that would further limit its investment choices.

Concentration Risk

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds. The County has no policy that would further limit the amount that they may invest in any one issuer.

B. Receivables

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

	General
Receivables:	
Taxes	$ 618,769
Less allowance for Uncollectible	(179,443)
Net Total Receivables	$ 439,326

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

	Unavailable
Deferred tax revenue (General Fund)	$ 316,314

C. Capital Assets

Capital Asset activity for the fiscal year ended June 30, 2006 was as follows:

Primary Government: Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 892,473	$ 27,732	$ -	$ 920,205
Capital assets being depreciated:				
Buildings	4,222,481	220,656	-	4,443,137
Improvements	2,370,377	149,609	-	2,519,986
Equipment	3,688,739	1,839,071	(107,006)	5,420,804
Less: Total accumulated depreciation	(3,718,951)	(834,896)	89,340	(4,464,507)
Total capital assets being depreciated, net	6,562,646	1,374,440	(17,666)	7,919,420
Governmental activities capital assets, net	$ 7,455,119	$ 1,402,172	$ (17,666)	$ 8,839,625

Blended Component Unit: Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,070,596	$ 171,367	$ -	$ 1,241,963
Construction in progress	13,767,535	7,419,874	-	21,187,409
Total capital assets not being depreciated	14,838,131	7,591,241	-	22,429,372
Capital assets being depreciated:				
Equipment	-	19,398	-	19,398
Buildings and Improvements	3,826,660	230,386	-	4,057,046
Less: total accumulated depreciation	(267,306)	(104,179)	-	(371,485)
Total capital assets being depreciated, net	3,559,354	145,605	-	3,704,959
Business-type activities capital assets, net	$ 18,397,485	$ 7,736,846	$ -	$ 26,134,331

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 466,728
Public safety	337,580
Health and sanitation	5,423
Culture and recreation	2,193
Social services	22,972
Total depreciation expense-governmental activities	$ 834,896
Business-type activities:	
Berkeley County Building Commission	$ 104,179

Construction in Progress

The Building Commission is in the construction phase of the Berkeley County Judicial Center project which is funded by lease revenue bonds issued in 2004 and 2005. The Building Commission expended $19,524,818 as of June 30, 2006.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Community Partnership Grant	$ 100,000
Total		$ 100,000

Interfund Transfers:

Transferred from:	Transferred to:	Reason for transfer	Amount
General	Non-Major	Reimbursement of expenditures	$ 1,455,991
Non-major	General	Reimbursement of expenditures	292,826
Non-major	General	Budget revision	23,662

E. Leases

The County had the following long term capital lease obligations relating to governmental activities which financed $723,391 in equipment as of June 30, 2006:

1. A lease purchase agreement dated October 2001 for (1) Fire Truck for the Office of Emergency Services payable in annual installments of $25,589, and a final payment of $25,589 in October 2007.

Due in fiscal year ending June 30, 2007	$ 25,589
Due in fiscal year ending June 30, 2008	25,589
Total minimum lease payments	51,178
Less: amount representing interest	4,280
Present value of minimum lease payments.	$ 46,898

2. A lease purchase agreement dated September 2002 for (2) photocopiers for the Prosecuting Attorney Department payable to IBM in monthly installments of $594, and a final payment of $594 due August 2006.

Due in fiscal year ending June 30, 2007	$ 1,187
Less amount representing interest	9
Present value of minimum lease payments	$ 1,178

3. A lease purchase agreement dated September 2003 for office equipment payable to Xerox in 60 monthly installments of $357 ending August 5, 2008.

Due in fiscal year ending June 30, 2007	$	4,280
Due in fiscal year ending June 30, 2008		4,280
Due in fiscal year ending June 30, 2009		713
Total minimum lease payments		9,273
Less amount representing interest		598
Present value of minimum lease payments	$	8,675

4. A lease purchase agreement dated August 2003 for office equipment payable to Xerox in 36 monthly installments of $46 ending July 2006.

Due in fiscal year ending June 30, 2007	$	49
Less amount representing interest		-
Present value of minimum lease payments	$	49

5. A lease purchase agreement dated September 2003 for office equipment payable to Xerox in 60 monthly installments of $153 ending August 2008.

Due in fiscal year ending June 30, 2007	$	1,836
Due in fiscal year ending June 30, 2008		1,836
Due in fiscal year ending June 30, 2009		306
Total minimum lease payments		3,978
Less amount representing interest		256
Present value of minimum lease payments	$	3,722

6. A lease purchase agreement dated September 2005 for office equipment payable to Xerox in 60 monthly installments of $165 ending August 2008.

Due in fiscal year ending June 30, 2007	$	1,984
Due in fiscal year ending June 30, 2008		1,984
Due in fiscal year ending June 30, 2009		331
Total minimum lease payments		4,299
Less amount representing interest		277
Present value of minimum lease payments	$	4,022

7. A lease purchase agreement dated March 2005 for office equipment payable to Court Square Leasing in 36 monthly installments of $62 ending March 2007.

Due in fiscal year ending June 30, 2007	$	558
Less amount representing interest		14
Present value of minimum lease payments	$	544

8. A lease purchase agreement dated June 2004 for a digital copier payable to Court Square Leasing in 36 monthly installments of $102 ending May 2007.

Due in fiscal year ending June 30, 2007	$	1,122
Less amount representing interest		33
Present value of minimum lease payments	$	1,089

9. A lease purchase agreement dated March 2004 for an animal control vehicle payable to Ford Motor Credit in 4 annual installments of $5,138 ending March 2007.

Due in fiscal year ending June 30, 2007	$	5,138
Less amount representing interest		300
Present value of minimum lease payments	$	4,838

10. A lease purchase agreement dated November 2003 for a 2003 Kia Sorrento payable to the Bank of Clarke County in 48 monthly installments of $457 ending October, 2007.

Due in fiscal year ending June 30, 2007	$	5,488
Due in fiscal year ending June 30, 2008		1,829
Total minimum lease payments		7,317
Less amount representing interest		236
Present value of minimum lease payments	$	7,081

11. A lease purchase dated July, 2004 for a 2004 Crown Victoria Police Interceptor payable to Comvest Ltd in 48 monthly installments of $477 ending July, 2008.

Due in fiscal year ending June 30, 2007	$	5,723
Due in fiscal year ending June 30, 2008		5,723
Due in fiscal year ending June 30, 2009		477
Total minimum lease payments		11,923
Less amount representing interest		544
Present value of minimum lease payments	$	11,379

12. A lease purchase dated December, 2004 for a 2005 Crown Victoria Police Interceptor payable to Comvest Ltd in 48 monthly installments of $485 ending October, 2008.

Due in fiscal year ending June 30, 2007	$	5,818
Due in fiscal year ending June 30, 2008		5,818
Due in fiscal year ending June 30, 2009		1,939
Total minimum lease payments		13,575
Less amount representing interest		695
Present value of minimum lease payments.	$	12,880

13. A lease purchase dated July, 2005 for a 2006 Crown Victoria payable to Comvest Ltd in 48 monthly installments of $477 ending September, 2008.

Due in fiscal year ending June 30, 2007	$	5,729
Due in fiscal year ending June 30, 2008		5,729
Due in fiscal year ending June 30, 2009		1,432
Total minimum lease payments		12,890
Less amount representing interest		639
Present value of minimum lease payments	$	12,251

14. A lease purchase dated July, 2004 for a 2005 Crown Victoria Police Cruiser payable to Comvest Ltd in 48 monthly installments of $502 ending December, 2008.

Due in fiscal year ending June 30, 2007	$	6,033
Due in fiscal year ending June 30, 2008		6,033
Due in fiscal year ending June 30, 2009		3,016
Total minimum lease payments		15,082
Less amount representing interest		825
Present value of minimum lease payments	$	14,257

15. A lease purchase dated July, 2004 for a 2005 Crown Victoria payable to Comvest Ltd in 48 monthly installments of $488 ending February, 2009.

Due in fiscal year ending June 30, 2007	$	5,859
Due in fiscal year ending June 30, 2008		5,859
Due in fiscal year ending June 30, 2009		3,911
Total minimum lease payments		15,629
Less amount representing interest		913
Present value of minimum lease payments	$	14,716

16. A lease purchase dated December, 2005 for a three copiers payable to Xerox in 60 monthly installments of $377 ending December, 2010.

Due in fiscal year ending June 30, 2007	$	4,526
Due in fiscal year ending June 30, 2008		4,526
Due in fiscal year ending June 30, 2009		4,526
Due in fiscal year ending June 30, 2010		4,526
Due in fiscal year ending June 30, 2011		2,263
Total minimum lease payments		20,367
Less amount representing interest		2,634
Present value of minimum lease payments	$	17,733

17. A lease purchase dated April, 2006 for various computer equipment payable to IBM in 36 monthly installments of $10,465 ending April, 2009.

Due in fiscal year ending June 30, 2007	$ 125,582
Due in fiscal year ending June 30, 2008	125,582
Due in fiscal year ending June 30, 2009	104,652
Total minimum lease payments	355,816
Less amount representing interest	15,849
Present value of minimum lease payments	$ 339,967

A summary of the payments related to all of the lease obligations are as follows:

Due in fiscal year ending June 30, 2007	$ 206,501
Due in fiscal year ending June 30, 2008	194,788
Due in fiscal year ending June 30, 2009	121,303
Due in fiscal year ending June 30, 2010	4,526
Due in fiscal year ending June 30, 2011	2,263
Total minimum lease payments	529,381
Less amount representing interest	28,102
Present value of minimum lease payments	$ 501,279

F. Long-Term Debt

Building Commission, a Blended Component Unit Lease Revenue Bonds

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2006
1999 Series Bonds	9/30/2009	6%	$ 600,000	$ 220,223	$ 379,777
2004 A Series Bonds	12/1/2031	1.45%-4.95%	9,995,000	295,000	9,700,000
2004 B Series Bonds	9/1/2034	3.75%-5%	9,000,000	125,000	8,875,000
2005 Series Bonds	12/1/2035	3.25%-4.55%	9,800,000	-	9,800,000
Total revenue bonds			$ 29,395,000	$ 640,223	$ 28,754,777

Year Ended	Blended Component Unit Activities	
	Principal	Interest
2007	$ 606,822	$ 1,257,208
2008	677,031	1,233,774
2009	702,520	1,208,625
2010	723,404	1,182,359
2011	650,000	1,155,035
2012 - 2016	3,580,000	5,409,335
2017 - 2021	4,350,000	4,621,211
2022 - 2026	5,400,000	3,539,180
2027 - 2031	6,810,000	2,088,921
2032 - 2036	5,255,000	532,250
Totals	$ 28,754,777	$ 22,227,898

Revenue bond debt service requirements to maturity are as follows:

Changes in General Long-Term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance.	Due Within One Year
Capital leases	$ 322,464	$ 394,943	$ (216,128)	$ 501,279	$ 189,944
Compensated absences	1,167,167	236,028	-	1,403,195	-
Governmental activities Long-term liabilities	$ 1,489,631	$ 630,971	$ (216,128)	$ 1,904,474	$ 189,944

	Blended Component Unit				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease revenue					
Bonds payable	$ 19,381,685	$ 9,800,000	$ (426,908)	$ 28,754,777	$ 606,822
Less: deferred amounts:					
Debt premium	-	11,322	(220)	11,102	(377)
Debt discount	(133,343)	-	(5,240)	(128,103)	(5,034)
Total bonds payable	$ 19,248,342	$ 9,811,322	$ (432,368)	$ 28,637,776	$ 601,411

G. Restricted Assets

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

	Governmental Activities	Blended Component Unit
Debt Service	$ -	$ 263,079
E911 Fees	1,988,803	-
Dunn Building	-	14,255
Judicial Center	-	240,765
Public Safety	21,390	-
Total restricted assets	$ 2,010,193	$ 518,099

V. Other Information

A. Supplemental Disclosure of Cash Flow Information

The Building Commission capitalized $931,088 of interest expense, net of $196,126 of interest income for the year ended June 30, 2006.

B. Leases in Financial Statements of Lessors

The County is the lessor of real property under an operating lease agreement with Shepherd University. The lease calls for the County to provide 29,714 square feet, consisting of the first floor of the Dunn Building. The lease was extended as of July 1, 2005 for the 5 year period ending June 30, 2010.

The separate cost and carrying amount of the leased property is not readily available and is included in land and building on the balance sheet.

Minimum future rentals to be received on non-cancelable leases as of June 30, 2006 for each of the next four years and in the aggregate are $150,000 per year and $600,000, respectively.

C. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with Smith Nadenboush Insurance Company from the State Board of Risk for umbrella general liability insurance for these various risks.

The County pays the State Workers' Compensation System (Brickstreet) a premium based on a rate per $100 of salaries. The rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grant or cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material effect on the financial condition of the government.

The County has the option to enter into a lease agreement with Motorola, Inc. for upgrades to fire houses and ambulance authorities. The lease term is for 10 years and provides for annual payments of approximately $337,500, beginning January 1, 2007.

E. Deferred Compensation Plan

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

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

F. Other Post Employment Benefits

The government does not provide post retirement health benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County, however, employees who elect COBRA are covered under the County's self-insured health plan as are all active employees and those retired employees who maintain County health plan coverage.

G. Subsequent Events

On September 28, 2006, the County entered into an agreement to lease VESTA Pallas E911 equipment. The lease term is for 3 years with annual payments of approximately $150,100. The County entered into a 3 year maintenance contract for the above equipment with annual payments of approximately $47,800.

VI. Employee Retirement Systems and Plans

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

Public Employees Retirement System

Eligibility to participate	All county full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State statute
Funding policy and contributions	PERS members are required to contribute 4.5% of their salary, and the County is required to contribute 10.5%. The contribution requirements of PERS members are established and may be amended only by the State of West Virginia Legislature. The County's contributions to PERS for the fiscal year ended June 30, 2006 totaled $229,028 for employees' share and $534,399 for employer's share.
Period required to vest	Five years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death	Yes
Annual pension cost and amount contributed	For the current fiscal year ended, the annual cost was $763,427 for all covered employees with a contributed percentage of 100%.

West Virginia Deputy Sheriff Retirement System (WVDRS)

Eligibility to participate	West Virginia Deputy sheriffs first employed after the effective date and any deputy sheriffs hired prior to the effective date who elect to become members.
Authority establishing contribution obligations and benefit provisions	State statute
Funding policy and contributions	Certain fees for reports generated by sheriffs' offices are paid to this plan in accordance with West Virginia State Code. WVDRS members are required to contribute 8.5% of their annual covered salary and the county is required to contribute 9.5%. The contribution requirements of WVDRS members are established and may be amended only by the State of West Virginia Legislature. The government's contribution to WVDRS for the current fiscal year ending June 30, 2006 was $141,778 for employees' share and $175,138 for employer's share.
Period required to vest	Five years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 or more years of contributing service or age 50 if the sum of his/her age plus years of credited service is equal to or greater than 70. The final average salary (three highest consecutive years in the last ten years) times the years of service times 2.25% equal the annual retirement benefit.
Deferred retirement option	No
Provisions for:	
Cost of living	No
Death	Yes
Annual pension cost and amount contributed	For the current fiscal year ended, the annual cost was $316,916 for all covered employees with a contributed percentage of 100%.

VI.B.2. Trend Information

	Public Employees' Retirement System (PERS)		WV Deputy Sheriff Retirement System (WVDRS)	
Fiscal Year	Annual Pension Cost	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2006	$ 763,427	100%	$ 316,916	100%
2005	$ 573,133	100%	$ 280,778	100%
2004	$ 526,517	100%	$ 241,612	100%
2003	$ 450,042	100%	$ 202,514	100%

PERS and WVDRS issue a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305.

BERKELEY COUNTY, WEST VIRGINIA
BUDGETARY COMPARISON SCHEDULE -
ASSESSOR'S VALUATION FUND
For the Fiscal Year Ended June 30, 2006

	Budget Amounts		Actual	Adjustments	Actual Amounts	Variance with
	Original	Final	Modified Accrual Basis	Budget Basis	Budget Basis	Final Budget Positive (Negative)
Revenues:						
Other taxes	$ 481,290	$ 481,290	$ 420,018	$ -	$ 420,018	$ (61,272)
Intergovernmental:						
Map sales	100	100	412	-	412	312
Interest	12,500	12,500	122,103	-	122,103	109,603
Total revenues	493,890	493,890	542,533	-	542,533	48,643
Expenditures:						
General government	555,783	555,783	499,286	-	499,286	56,497
Capital outlay	198,107	198,107	152,000	-	152,000	46,107
Total expenditures	753,890	753,890	651,286	-	651,286	102,604
Excess (deficiency) of revenues over (under) expenditures	(260,000)	(260,000)	(108,753)	-	(108,753)	151,247
Fund balance at beginning of year	260,000	260,000	529,520	-	-	-
Fund balance at end of year	$ -	$ -	$ 420,767	$ -	$ (108,753)	$ 151,247

See Accountants' Report.