

RFP# 12-066
Berkeley County

BERKELEY COUNTY, WEST VIRGINIA
Single Audit
For the Year Ended June 30, 2012

Perry & Associates
Certified Public Accountants, A.C.

BERKELEY COUNTY, WEST VIRGINIA

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BERKELEY COUNTY, WEST VIRGINA

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INDEPENDENT ACCOUNTANTS' REPORT

March 28, 2013

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

To the County Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of **Berkeley County**, West Virginia (the County), as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Berkeley County Building Commission. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and we base our opinion, insofar as it relates to the amounts included for the Berkeley County Building Commission, on the report of other auditors.

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

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

In our opinion, based on our audit and the report of other auditors, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Berkeley County, West Virginia, as of June 30, 2012, or the changes in financial position thereof for the year then ended.

Further, in our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the Berkeley County Building Commission as a blended component unit, and the aggregate remaining fund information of Berkeley County, West Virginia, as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General County and Coal Severance Tax Funds 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 March 28, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The budgetary comparison for the Assessor's Valuation Fund provides additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The budgetary comparison for the Assessor's Valuation Fund and the Schedule of Expenditures of Federal Awards are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
For the Fiscal Year Ended June 30, 2012

GOVERNMENTAL FUND TYPES

Major Funds

General County
Coal Severance Tax
E-911 Fees

Nonmajor Funds

Special Revenue Funds

Dog and Kennel	General School
Magistrate Court	Worthless Check
Emergency 911 Equip	Home Confinement
Federal Grants	Fiduciary
Project Life Saver	Grading Trust
Park Land Acquisition	Equine Protection
Gypsy Moth	Nuisance Appeal
Enhanced 911	Safe & Clean Agency
Planning Commission	Fire Dept Equipment
Assessor Valuation	Voters Registration
Special Law Enforcement Forfeiture	Prosecuting Attorney Forfeiture
Cops Universal Hiring Grant-Federal-100	Task Force Reimbursement-Federal
Homeland Security-Citizen Corp-Federal	Homeland Sec-Law Enforcement-Federal
ESPG-Federal	FEMA Hazard Mitigation-Federal
Homeland Security Grant-Federal	Community Library Reading Grant-State
Community Pride Grant	Youth Fair Grant-State
Poor House Farm Park	Panhandle Transit Grant-State
Sheriff's Dept Grant-State	South Berkeley Christmas
Park & Recreation 2000 Grant	Poor House Farm Arena
Dupont Soccer Complex	Court Security Grant-State
Western Potomac EDA	Humane Society Grant-State
Hazardous Mat'l Enviromental Grant-State	Records Management Grant
Back Creek VFD Grant	South Berkeley VFD Grant
Community Correction Grant	Berkeley Co Girls Softball
Historical Society Grant	Law Enforcement Capital Outlay Grant
Waste Management State Grant	

FIDUCIARY FUND TYPES

Agency Funds

State
School
County Offices
Other Agency

**BERKELEY COUNTY, WEST VIRGINIA
COUNTY OFFICIALS
For the Fiscal Year Ended June 30, 2012**

<u>OFFICE</u>	<u>NAME</u>	<u>TERM</u>
	<u>Elective Officials</u>	
County Council	William L. Stubblefield	01-01-07 / 12-31-12
	Elaine C. Mauck	01-01-11 / 12-31-12
	Anthony J. Petrucci	01-01-09 / 12-31-14
	James P. Whitacre	01-01-11 / 12-31-14
	Douglas E. Copenhaver Jr.	01-01-11 / 12-31-16
Clerk of the County Council	John W. Small, Jr.	01-01-11 / 12-31-14
Clerk of the Circuit Court:	Virginia M. Sine	01-01-11 / 12-31-14
Sheriff:	Kenneth M. Lemaster	01-01-09 / 12-31-12
Prosecuting Attorney:	Pamela Games-Neely	01-01-09 / 12-31-12
Assessor:	Patricia A. Kilmer	01-01-11 / 11-30-2011
Assessor:	Gearl G. Raynes	12-22-11 / 12-31-12
	<u>Appointive</u>	
Administrator	Deborah E. Hammond	

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,922,722	\$ 2,169	\$ 8,924,891
Restricted assets:			
Investments	-	694,562	694,562
Receivables, net:			
Taxes	1,213,847	-	1,213,847
Capital assets net of depreciation:			
Land	850,602	1,889,399	2,740,001
Building	1,584,627	29,978,774	31,563,401
Machinery and equipment	3,342,130	-	3,342,130
Construction in progress	-	6,710,509	6,710,509
Building improvements	1,318,617	-	1,318,617
Unamortized bond issue expense, net of amortization	-	939,099	939,099
Total assets	<u>17,232,545</u>	<u>40,214,512</u>	<u>57,447,057</u>
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	400,468	391,595	792,063
OPEB payable	309,462	-	309,462
Due other gov't payable	22,500	-	22,500
Interest payable	-	219,100	219,100
Dormant checks	2,446	-	2,446
Current portion of long-term debt	<u>337,535</u>	<u>896,481</u>	<u>1,234,016</u>
Total current liabilities	<u>1,072,411</u>	<u>1,507,176</u>	<u>2,579,587</u>
Noncurrent liabilities:			
Leases payable	1,012,605	-	1,012,605
Compensated absences	587,483	-	587,483
Long term debt	-	33,303,351	33,303,351
Long term debt premium	-	8,838	8,838
Long term debt discount	-	(147,808)	(147,808)
Total non-current liabilities	<u>1,600,088</u>	<u>33,164,381</u>	<u>33,164,381</u>
Total Liabilities	<u>2,672,499</u>	<u>34,671,557</u>	<u>35,743,968</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,745,836	5,069,224	10,815,060
Restricted	4,637,980	694,562	5,332,542
Assigned	705,830	-	705,830
Unassigned	<u>3,470,400</u>	<u>(220,831)</u>	<u>3,249,569</u>
Total net assets	<u>14,560,046</u>	<u>5,542,955</u>	<u>20,103,001</u>
Total liabilities and net assets	<u>\$ 17,232,545</u>	<u>\$ 40,214,512</u>	<u>\$ 57,447,057</u>

See the accompanying notes to the basic financial statements

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions / Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 17,620,135	\$ 4,211,966	\$ 1,295,711	\$ (12,112,458)	\$ -	\$ (12,112,458)
Public safety	9,868,672	-	-	(9,868,672)	-	(9,868,672)
Health and sanitation	195,192	-	-	(195,192)	-	(195,192)
Culture and recreation	1,253,118	-	-	(1,253,118)	-	(1,253,118)
Social services	128,080	-	-	(128,080)	-	(128,080)
Total governmental activities	29,065,197	4,211,966	1,295,711	(23,557,520)	-	(23,557,520)
Business type activities:						
Building Commission	2,489,747	2,363,283	-	-	(126,464)	(126,464)
Total primary government	\$ 31,554,944	\$ 6,575,249	\$ 1,295,711	(23,557,520)	(126,464)	(23,683,984)
General revenues:						
Ad valorem property taxes				18,217,607	-	18,217,607
Other taxes				2,619,890	-	2,619,890
Licenses and permits				25,000	-	25,000
Fines and forfeitures				895,272	-	895,272
Unrestricted investment earnings				91,847	105	91,952
Miscellaneous				2,558,601	19,462	2,578,063
Reimbursement				639,476	-	639,476
Total general revenues				25,047,693	19,567	25,067,260
Change in net assets				1,490,173	(106,897)	1,383,276
Net assets, beginning of year				13,069,873	5,649,852	18,719,725
Net assets - ending				\$ 14,560,046	\$ 5,542,955	\$ 20,103,001

See the accompanying notes to the basic financial statements

BERKELEY COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	Major Funds				Total Governmental Funds
	General County Fund 001	Coal Severance Tax Fund 002	E-911 Fees Fund 019A	Other Nonmajor Governmental Funds	
ASSETS					
Current:					
Cash and cash equivalents	\$ 5,456,550	\$ 532,703	\$ 1,467,136	\$ 1,466,333	\$ 8,922,722
Receivables:					
Taxes	1,213,848	-	-	-	1,213,848
Due from:					
Other funds	4,590	22,342	-	-	26,932
Total assets	6,674,988	555,045	1,467,136	1,466,333	10,163,502
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	356,845	-	25,921	17,702	400,468
OPEB payable	265,241	-	28,253	15,968	309,462
Due to:					
Other gov't entities	-	-	-	22,500	22,500
Other funds	-	-	4,433	22,500	26,933
Dormant checks	2,446	-	-	-	2,446
Deferred revenues:					
Taxes	1,081,553	-	-	-	1,081,553
Total liabilities	1,706,085	-	58,607	78,670	1,843,362
Fund balances:					
Restricted	907,446	473,128	1,376,455	1,386,881	4,143,910
Assigned	591,057	81,917	32,074	782	705,830
Unassigned	3,470,400	-	-	-	3,470,400
Total fund balances	4,968,903	555,045	1,408,529	1,387,663	8,320,140
Total liabilities and fund balances	\$ 6,674,988	\$ 555,045	\$ 1,467,136	\$ 1,466,333	\$ 10,163,502

See the accompanying notes to the basic financial statements

**BERKELEY COUNTY, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total fund balances on the governmental fund's balance sheet.	\$	8,320,140
 Amounts reported for governmental activities in the statement of net assets are different because:		
 Capital assets purchased in fund level statements are expensed when purchase and not reported as financial resources in the funds. In the government wide financial statements capital assets are capitalized and depreciated over their useful life. Therefore, capital assets purchase in fund level statements must be added to fund level statement at asset cost net of depreciation. This is the current value of capital assets net of depreciation as reported in the Statement of Net Assets.		
		7,095,976
 Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds. This is the amount of delinquent property taxes that was estimated to be collectable, but would be collected more than sixty days after the end of the fiscal year. Government wide financial statements are reported on a full accrual basis with no deferred revenues. This is the amount of taxes deferred in the fund level financial statements that is reported as revenue in the government wide financial statements.		
		1,081,553
 Compensated absences are not due and payable in the current period and therefore are not reported in fund level statements. In government wide financial statement, all measurable costs are report as expenses regardless of when they may be paid. This is the gross amount of compensated absences that was calculated as payable by county goverment as of the end of the current fiscal year.		
		(587,483)
 Lease payments are reported in the fund level statements as current expenses when actually paid. In government wide financial statements, all future lease payments related to the purchase of capital assets are reported as debt against the capital asset value.		
		<u>(1,350,140)</u>
Net assets of governmental activities	\$	<u>14,560,046</u>

See the accompanying notes to the basic financial statements

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2012

	Major Governmental Funds				
	General County Fund 001	Coal Severance Tax Fund 002	E-911 Fees Fund 019A	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Ad valorem property taxes	\$ 18,133,173	\$ -	\$ -	\$ -	\$ 18,133,173
Other taxes	2,115,480	458,953	-	45,457	2,619,890
License and permits	-	-	-	25,000	25,000
Intergovernmental:					
Federal	-	-	-	715,739	715,739
State	291,167	-	-	288,805	579,972
Charges for services	2,010,962	-	2,023,506	177,498	4,211,966
Fines and forfeits	323,827	-	-	571,445	895,272
Interest and investment earnings	65,854	3,556	11,742	10,695	91,847
Miscellaneous	1,231,800	-	769	1,331,985	2,564,554
Reimbursement transfers	637,974	-	-	1,502	639,476
Total revenues	24,810,237	462,509	2,036,017	3,168,126	30,476,889
EXPENDITURES					
Current:					
General government	14,821,263	159,981	-	1,904,860	16,886,104
Public safety	6,868,975	8,286	1,855,011	864,861	9,597,133
Health and sanitation	189,769	-	-	-	189,769
Culture and recreation	1,252,159	-	-	-	1,252,159
Social services	106,147	-	-	-	106,147
Capital outlay	420,285	105,182	348,175	6,938	880,580
Total expenditures	23,658,598	273,449	2,203,186	2,776,659	28,911,892
Excess of revenues (Deficit) of revenues over expenditures	1,151,639	189,060	(167,169)	391,467	1,564,997
FUND BALANCES:					
Fund balances - beginning	3,817,264	365,985	1,575,698	996,196	6,755,143
Fund balances - ending	\$ 4,968,903	\$ 555,045	\$ 1,408,529	\$ 1,387,663	\$ 8,320,140

See the accompanying notes to the basic financial statements

**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, 2012**

Net change in fund balances - total governmental funds.	\$ 1,564,997
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives and reported as depreciation expense in the government wide financials. This is the amount of depreciation that was charged as and expense to the different government activities for the current fiscal year	(1,435,567)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives. This is the amount reported as expenditures for capital assets in the current fiscal year.	994,130
Compensated absences liability is not reported in the governmental funds because in does not require the use of current resources. However, the liability for compensated absences are accrued in the government wide financial statements on a year to year basis. This is the amount compensated absences for annual leave accrued as an expense in the current fiscal year as an expense in the government wide financial statements.	(81,470)
Lease payments are expensed when paid in fund level financial statements. However, assets obtained through a lease purchase agreement are capitalized and depreciated in the government wide financial statements. This is the gross amount lease payments, including interest, that were expensed in the current fiscal year.	363,649
Certain revenues are not available to fund current year expenditures and therefore are deferred in the fund level financial statements. However, all measurable revenues are accrued in the government wide financial statements from year to year. This is the amount accrued taxes increased in the government wide financial statements increased in the current fiscal year.	84,434
Change in net assets of governmental activities	\$ <u>1,490,173</u>

See the accompanying notes to the basic financial statements

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, 2012

	<u>Original</u>	<u>Final Budget</u>	<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES						
Taxes:						
Ad valorem property	\$ 18,677,122	\$ 18,677,122	\$ 18,133,173	\$ 188,201	\$ 18,321,374	\$ (355,748)
Other taxes	1,688,039	1,688,039	2,115,480	-	2,115,480	427,441
Intergovernmental:						
State	23,269	23,269	291,167	-	291,167	267,898
Charges for services	1,707,788	1,707,788	2,010,962	(61,526)	1,949,436	241,648
Fines and forfeits	301,478	301,478	323,827	-	323,827	22,349
Interest	60,862	60,862	65,854	(8,201)	57,653	(3,209)
Miscellaneous	1,146,891	1,146,891	1,231,800	(1,435)	1,230,365	83,474
Transfers	75,000	75,000	637,974	(599,955)	38,019	(36,981)
Total revenues	23,680,449	23,680,449	24,810,237	(482,916)	24,327,322	646,873
EXPENDITURES						
Current:						
General government	17,172,387	16,582,387	14,821,263	174,216	14,995,479	1,586,908
Public safety	7,662,478	7,799,578	6,868,975	53,773	6,922,748	876,830
Health and sanitation	210,831	210,831	189,769	771	190,540	20,291
Culture and recreation	1,256,287	1,256,287	1,252,159	-	1,252,159	4,128
Social services	106,147	106,147	106,147	-	106,147	-
Capital projects	499,454	952,354	420,285	-	420,285	532,069
Total expenditures	26,907,584	26,907,584	23,658,598	227,989	23,887,358	3,020,226
(Deficiency) of revenues over expenditures	(3,227,135)	(3,227,135)	1,151,639	(710,905)	439,964	3,667,099
Fund balances; beginning	3,227,135	3,227,135	3,817,264	555,922	3,261,342	34,207
Fund balances; ending	\$ -	\$ -	\$ 4,968,903	\$ (154,983)	\$ 3,701,306	\$ 3,701,306

See the accompanying notes to the basic financial statements

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, 2012

	<u>Original</u>	<u>Final Budget</u>	<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES						
Taxes:						
Coal severance tax	\$ 295,808	\$ 295,808	\$ 458,953	\$ -	\$ 458,953	\$ 163,145
Interest and investment	1,015	1,015	3,556	-	3,556	-
Total revenues	<u>296,823</u>	<u>296,823</u>	<u>462,509</u>	<u>-</u>	<u>462,509</u>	<u>163,145</u>
EXPENDITURES						
Current:						
General government	391,497	391,497	159,981	-	159,981	(231,516)
Public Safety	83,462	83,462	8,286	-	8,286	75,176
Capital outlay	188,455	188,455	105,182	-	105,182	83,273
Total expenditures	<u>663,414</u>	<u>663,414</u>	<u>273,449</u>	<u>-</u>	<u>273,449</u>	<u>(73,067)</u>
Excess (deficiency) of revenues over (under) expenditures	(366,591)	(366,591)	189,060	-	189,060	555,651
Fund balances - beginning	366,591	366,591	383,385	-	383,385	16,794
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,445</u>	<u>\$ -</u>	<u>\$ 572,445</u>	<u>\$ 572,445</u>

See the accompanying notes to the basic financial statements

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2012

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
ASSETS	<u>Building Commission</u>
Current assets:	
Cash and cash equivalents	\$ <u>2,169</u>
Restricted assets:	
Investments	<u>694,562</u>
Capital assets:	
Land	1,889,399
Buildings and equipment, net of accumulated depreciation of \$4,777,753	29,978,774
Construction in progress	<u>6,710,509</u>
Total capital assets	<u>38,578,682</u>
Other assets:	
Unamortized debt issue expense, net of accumulated amortization of \$290,501	<u>939,099</u>
Total assets	<u><u>40,214,512</u></u>
 LIABILITIES	
Current Liabilities Payable from Restricted Assets:	
Accounts payable	3,900
Accounts payable construction	387,695
Accrued interest	219,100
Current portion of long-term debt	<u>896,481</u>
Total current liabilities	<u>1,507,176</u>
Noncurrent liabilities:	
Long-term debt	33,303,351
Long-term debt premium	8,838
Long-term debt discount	<u>(147,808)</u>
Total noncurrent liabilities	<u>33,164,381</u>
Total liabilities	<u>34,671,557</u>
 NET ASSETS	
Invested in capital assets, net of related debt	5,069,224
Restricted	694,562
Unreserved fund balance	<u>(220,831)</u>
Total net assets	<u><u>5,542,955</u></u>
Total liabilities and net assets	<u><u>\$ 40,214,512</u></u>

See the accompanying notes to the basic financial statements

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012

	Business-type Activities <u>Enterprise Fund</u>
	<u>Building Commission</u>
Operating revenues:	
Lease income	\$ 2,363,283
Intergovernmental:	
Local	19,462
Total operating revenues	<u>2,382,745</u>
 Operating expenses:	
Professional fees	13,200
Depreciation	874,798
Total operating expenses	<u>887,998</u>
 Operating income	<u>1,494,747</u>
 Other income (expenses):	
Interest income	105
Amortization of debt issue expenses	(42,801)
Bank trustee fees	(4,810)
Interest expense	(1,554,138)
Total other income (expenses)	<u>(1,601,644)</u>
 Change in net assets	<u>(106,897)</u>
 Net assets at beginning of year	<u>5,649,852</u>
 Net assets at end of year	<u>\$ 5,542,955</u>

See the accompanying notes to the basic financial statements

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
	<u>Building Commission</u>
Cash flows from operating activities:	
Cash received for leases	\$ 2,363,283
Cash received from intergovernmental contributions and grants - local	19,462
Cash paid to vendors	<u>(18,101)</u>
 Total cash provided (used) by operating activities	 <u>2,364,644</u>
 Cash flows from investing activities:	
Investment income	<u>105</u>
 Cash flows provided by investing activities:	
Payments for land, buildings, and equipment	(1,362)
Principal paid on notes payable	(825,000)
Increase in restricted assets	(14,924)
Payments for bank trustee fees	(4,810)
Interest pain on revenue bonds	<u>(1,518,632)</u>
 Net cash provided (used) by capital and related financing activities	 <u>(2,364,728)</u>
 Net increase (decrease) in cash and cash equivalents	 21
 Cash and cash equivalents - beginning of year	 <u>2,148</u>
 Cash and cash equivalents - end of year	 <u>\$ 2,169</u>
 Reconciliation of operating income to cash flow from Operating activities:	
 Operating income	 \$ 1,494,747
Adjustments to reconcile:	
Depreciation expense	874,798
Decrease in accounts payable	<u>(4,901)</u>
 Net cash flows provided from operating activities	 <u>\$ 2,364,644</u>

See the accompanying notes to the basic financial statements

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,118,643
Total assets	<u>1,118,643</u>
LIABILITIES	
Due to other governments	1,118,643
Total Liabilities and Net Assets	<u>\$ 1,118,643</u>

See the accompanying notes to the basic financial statements

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Blended Component Unit

The entity below is legally separate from the County and meets Generally Accepted Accounting Principles criteria for component units. This entity is blended with the primary government because they provide services entirely or almost entirely to the County.

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

Discretely presented Component Units

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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.

Name of Organizations:

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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.

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

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

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

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

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

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

The government reports the following major governmental funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

The government reports the following major component unit:

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

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

D. Assets, Liabilities, and Net Assets or Equity

1. *Deposits and Investments*

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

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

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

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

2. *Receivables and Payables*

Interfund Transactions

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

BERKELEY COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012

Property Tax Receivable

Property tax receivable were estimated to be \$1,213,847; this amount is net of an allowance for uncollectible and represents approximately 89% percent of the property taxes outstanding at June 30, 2012

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

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

The rates levied by the County per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2012, were as follows:

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

3. *Inventories and Prepaid Items*

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

4. *Restricted Assets*

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

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

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

BERKELEY COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012

5. *Capital Assets and Depreciation*

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

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period. The County capitalized \$261,557 of interest expense, net of \$91,846.73 of interest income, for the year ended June 30, 2012.

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

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

6. *Compensated Absences*

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

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

Liability classification	FYE 6/30/11	FYE 6/30/12	Increase
Annual Leave	\$ 506,013	\$ 587,483	\$ 81,470

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. Restrictions, if any, would be classified as follows:

Nonspendable fund balance:

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

Restricted fund balance:

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

Committed fund balance:

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

Assigned fund balance:

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

Unassigned fund balance:

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets as of June 30, 2012.

The governmental fund balance sheet includes a reconciliation between fund balance total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. The details of this \$6,239,906 difference are as follows:

Total fund balances for governmental funds		\$ 8,320,140
Total capital asset values net of depreciation not reported in fund level statements	\$ 7,095,976	
Total property tax revenue accrued as revenue in the government wide financial statements but deferred in the fund level financial statements.	1,081,553	
Total compensated absence liability at the end of the fiscal year.	(587,483)	
Total equipment lease liability at the end of the fiscal year.	<u>(1,350,140)</u>	
Net adjustment to increase fund level ending fund balances to ending net assets of government activities:	<u>\$ 6,239,906</u>	<u>6,239,906</u>
Net Asset of governmental activities		<u>\$ 14,560,046</u>

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

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

Net change in fund balance in fund level financial statement		\$ 1,564,997
Total current year depreciation expense reported in the statement of activities exceeded current asset additions in the current year by this amount.	(441,437)	
Any change in the compensated absence liability at the end of the fiscal year is reported as an increase or decrease of the accrued cost reported in the statement of activities but is not reported in fund level statement because is does not require the use of current resources. During the current fiscal year the future liability for compensated absences increased this amount.	(81,470)	
Lease payments are expensed when paid in fund level statements. However, assets obtained through a lease purchase agreement are capitalized and depreciated in government wide financial statements. This is the gross amount of lease payments that were expensed in current fiscal year.	363,649	
Any change in the amount of property taxes deferred in the fund level statements at the end of the fiscal year is reported as an increase or decrease of property tax revenue in the statement of activities. This is the amount that deferred property taxes increase in the current fiscal year in the fund level statements and was accrued as revenue in the statement of activities.	84,434	

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Net adjustment to decrease net change in fund balance-total governmental funds to arrive at changes in net assets of governmental activities	\$ 1,490,173
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

B. Excess of Expenditures and encumbrances Over available funds:

For the year ended June 30, 2012, expenditures and encumbrances exceeded available funds in certain non major special revenue funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Interest Rate Risk:

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

Credit Risk:

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

Concentration of Credit Risk:

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

Custodial Credit Risk - Deposits

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Custodial risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk; however, WV State Code 7-6-2 requires the county Council to request and approve a bond with good and sufficient sureties payable to the State of West Virginia, in a sum as the county Council shall direct, and which may not be less than the maximum sum that is deposited in the depository at any one time. As of June 30, 2012, the County reported deposits of \$8,922,721.50; of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$8,690,150.50 was collateralized by one or more "Irrevocable Standby Letters of Credit" issued by Federal Home Loan Bank of Pittsburgh, PA. for its member MVB Bank, Inc., the County's Depository.

B. Receivables

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

	<u>General</u>
Receivables:	
Taxes:	\$ 1,467,389
Less allowance for Uncollectible	(253,542)
Net Total Receivables	\$ 1,213,847

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

	<u>Unavailable</u>
Deferred tax revenue (General Fund)	\$ 1,081,553

C. Capital Assets

Primary Government:

	Beginning Balance 7/1/2011	Increases	Decreases	Ending Balance 6/30/2012
Current changes in capital assets and accumulated depreciation:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 745,502	\$ 105,100	\$ -	\$ 850,602
Capital assets being depreciated:				
Buildings	2,952,500	511,368	-	3,463,868
Improvements	1,603,199	177,362	-	1,780,561
Equipment	9,644,819	200,300	-	9,845,119
Total assets being depreciated	14,200,518	889,030	-	15,089,548
Less: Total accumulated depreciation	7,408,607	1,435,567	-	8,844,174
Total capital assets being depreciated, net	6,791,911	(546,537)	-	6,245,374
Governmental activities capital assets, net	\$ 7,537,413	\$ (441,437)	\$ -	\$ 7,095,976

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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

Governmental activities:

General government	\$	1,165,856
Public safety		241,395
Health and sanitation		5,423
Culture and recreation		21,933
Social services		960
Total depreciation expense-governmental activities	\$	<u>1,435,567</u>

Blended Component Unit

Current changes in capital assets and accumulated depreciation:

	Beginning Balance <u>7/1/2011</u>	Increases	Decreases	Ending Balance <u>6/30/2012</u>
Capital assets, not being depreciated:				
Land	\$ 1,889,399	\$ -	\$ -	\$ 1,889,399
Construct in progress-capitalized interest	261,557	-	-	261,557
Construction in progress	<u>3,897,653</u>	<u>2,551,299</u>	-	<u>6,448,952</u>
Total capital assets not being depreciated	<u>6,048,609</u>	<u>2,551,299</u>	-	<u>8,599,908</u>

Capital assets net of depreciation:

	Beginning Balance <u>7/1/2011</u>	Increases	Decreases	Ending Balance <u>6/30/2012</u>
Building improvements and equipment	36,920,131	-	(2,163,604)	34,756,527
Less: total accumulated depreciation	<u>(3,902,955)</u>	<u>(874,798)</u>	-	<u>(4,777,753)</u>
Total capital assets being depreciated, net	<u>33,017,176</u>	<u>(874,798)</u>	<u>(2,163,604)</u>	<u>29,978,774</u>
Business-type activities capital assets, net	\$ <u>39,065,785</u>	\$ <u>1,676,501</u>	\$ <u>(2,163,604)</u>	\$ <u>38,578,682</u>

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

Business-type activities:

Berkeley County Building Commission	\$	<u>874,798</u>
Total depreciation expense-business-type activities	\$	<u>874,798</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund or entity</u>	<u>Amount</u>
General County	E-911 Fee	\$ 4,433
General County	Criminal Justice	157
Coal Severance	Criminal Justice	<u>22,343</u>

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Total \$ 26,933

E. Long-Term Debt

Governmental activities:

Capital Leases

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

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

Due in fiscal year ending June 30, 2013	\$ 337,535
Due in fiscal year ending June 30, 2014	337,535
Due in fiscal year ending June 30, 2015	337,535
Due in fiscal year ending June 30, 2016	<u>337,535</u>
Total minimum lease payments	1,350,140
Less amount representing interest	<u>168,768</u>
Present value of minimum lease payments	\$ <u>1,181,372</u>

Changes in General Long-Term Liabilities, Governmental Activities:

	Beginning Balances 6/30/2011	Current Additions	Current Reductions	Ending Balance 6/30/2012	Due Within One Year
Capital leases	\$ <u>1,713,789</u>	\$ -	\$ <u>363,649</u>	\$ <u>1,350,140</u>	\$ <u>337,535</u>
Governmental activities					
Long-term liabilities	\$ <u>1,713,789</u>	\$ -	\$ <u>363,649</u>	\$ <u>1,350,140</u>	\$ <u>337,535</u>

Building Commission, a Blended Component Unit General Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2012

1. Series 2004A general revenue bonds, original face value of \$9,995,000, with interest payable in semi annual installments, and principal payable in annual installments, beginning December 1, 2004, at 1.45% increasing to 4.95% interest and concluding December 1, 2031, issued to refinance a \$9,995,000 general revenue bond and to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.

\$ 8,245,000

2. Series 2004B general revenue bonds, original face value of \$9,000,000 with interest payable in semi-annual installments, and principal payable in annual installments, beginning March 1, 2005 at 3.75% and increasing to 5% interest and concluding September 1, 2034, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.

7,800,000

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

3. Series 2005 general revenue bonds, original face value of \$9,000,000 with interest payable in semi-annual installments, and principal payable in annual installments, beginning December 1, 2005 at 3.25% and increasing to 5.55% interest and concluding December 1, 2035, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	8,685,000
4. Series 2006 general revenue bonds, original face value of \$5,300,000 with interest payable in semi-annual installments, and principal payable in annual installments, beginning in 2007 at 4.77% and concluding 2037, issued to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	4,810,000
5. Series 2009 lease revenue bonds, original face value of \$1,500,000 with interest payable in semi-annual installments, and principal payable in annual installments, beginning December 2010 at 4.75% increasing to 5.50% interest and concluding December 1, 2029, issued to provide funding for the building known as the Blueridge Outlet Center.	1,400,000
6. Series 2011 lease revenue bond, in the principal amount not to exceed, \$5,500,000 with interest payable monthly at an annual interest rate of 4.56 beginning September 1, 2011 until September 1, 2012 concluding September 1, 2041. The bond refunded Series 2007 bond and provided financing of Public Safety Building.	3,259,832
Total long term debt	\$ 34,199,832

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

	Blended Component Unit Activities		
	Principal	Interest	Total
Due in fiscal year ending June 30, 2013	\$ 896,480	\$ 1,530,009	\$ 2,426,490
Due in fiscal year ending June 30, 2014	942,557	1,495,606	2,438,164
Due in fiscal year ending June 30, 2015	980,238	1,459,144	2,439,381
Due in fiscal year ending June 30, 2016	1,018,043	1,420,271	2,438,314
Due in fiscal year ending June 30, 2017	1,055,978	1,379,308	2,435,286
Due in fiscal year ending June 30, 2018-2022	6,013,938	6,165,724	12,179,662
Due in fiscal year ending June 30, 2023-2027	7,500,773	4,662,030	12,162,803
Due in fiscal year ending June 30, 2038-2032	9,182,353	2,687,825	11,870,178
Due in fiscal year ending June 30, 2033-2037	5,840,002	791,372	6,631,374
Due in fiscal year ending June 30, 2038-2042	769,470	76,868	846,338
Totals	\$ 34,199,832	\$ 21,668,157	\$ 55,867,990

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 34,949,892	\$ 3,259,832	\$ (4,009,892)	\$ 34,199,832	\$ 896,480
Total bonds payable	34,949,892	3,259,832	(4,009,892)	34,199,832	896,480

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

V. Other Information

A. Risk Management

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

B. Contingent Liabilities

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

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

The government's counsel, as of June 30, 2012, was not aware of pending or threatened litigation that would have a material effect on the financial condition of the government if judgement was rendered against the county.

C. Deferred Compensation Plan

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

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

D. Other Post Employment Benefits

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

The 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.

VI. Employee Retirement Systems and Plans

A.1 Plan Descriptions Contribution Information and Funding Policies

Public Employee Retirement System (PERS)

BERKELEY COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012

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

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

Eligibility to participate:	All full-time county employees, except Deputy Sheriff's who are covered by other pension plans
Authority establishing contributions, obligations, and benefit provisions	State Statute
Plan member's contribution rate	4.50%
County's contribution rate	14.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death	Yes

A.2 Trend Information

Public Employees' Retirement System (PERS)

Fiscal Year	Annual Pension Cost	Percentage Contributed
2012	\$ 1,355,596	100%
2011	\$ 1,159,585	100%
2010	\$ 1,027,347	100%
2009	\$ 997,884	100%
2008	\$ 1,007,740	100%

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

BERKELEY COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012

VI.B.1 Plan Descriptions Contribution Information and Funding Policies

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 contributions, obligations, and benefit provisions:

State Statute

Funding policy and contributions :

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

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

Period required to vest: Five years

Benefits and eligibility for distribution:

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

Deferred retirement option:

No deferred retirement option is available.

Provisions for cost of living adjustments or death benefits:

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

West Virginia Deputy Sheriff Retirement System (WVDRS)

Fiscal Year	Annual Pension Cost	Percentage Contributed
2012	\$ 496,596	100%
2011	\$ 420,076	100%
2010	\$ 403,772	100%
2009	\$ 410,714	100%
2008	\$ 440,678	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.

SUPPLEMENTAL INFORMATION

BERKELEY COUNTY, WEST VIRGINIA
 BUDGETARY COMPARISON SCHEDULE -
 ASSESSOR'S VALUATION FUND
 For the Fiscal Year Ended June 30, 2012

	Budget Amounts		Actual	Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	Modified Accrual Basis	Budget Basis	Final Budget Positive (Negative)
Revenues:					
Miscellaneous	\$ 917,276	\$ 917,276	\$ 917,378	\$ 917,378	\$ 102
Interest	2,724	2,724	2,725	2,725	1
Total revenues	<u>920,000</u>	<u>920,000</u>	<u>920,103</u>	<u>920,103</u>	<u>103</u>
Expenditures:					
General government	874,002	874,002	930,644	930,644	(56,642)
Capital outlay	<u>57,870</u>	<u>57,870</u>	-	-	57,870
Total expenditures	<u>931,872</u>	<u>931,872</u>	<u>930,644</u>	<u>930,644</u>	<u>1,228</u>
Excess (deficiency) of revenues over (under) expenditures	(11,872)	(11,872)	(10,541)	(10,541)	1,331
Fund balance at beginning of year	<u>242,391</u>	<u>242,391</u>	<u>242,391</u>	<u>242,391</u>	-
Fund balance at end of year	<u>\$ 230,519</u>	<u>\$ 230,519</u>	<u>\$ 231,850</u>	<u>\$ 231,850</u>	<u>\$ 1,331</u>

OTHER INFORMATION

BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through/ Project Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through State of West Virginia Division of Homeland Security and Emergency Management:			
Hazard Mitigation Grant Program	97.039	FEMA-1838-DR-WV-0002	\$ 474,793
Emergency Management Performance Grant	97.042	EMW-2011-EP-00071	155,147
Total U. S. Department of Homeland Security			<u>629,940</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct:			
Edward Bryne JAG Grant - ARRA	16.808	2009-SB-B9-3289	<u>112,235</u>
Pass-Through State of West Virginia:			
State Criminal Alien Assistance Program	16.606	2011-AP-BX-0890	3,269
Drug & Violent Crime Taskforce	16.579	N/A	<u>10,590</u>
Total U. S. Department of Justice			<u>126,094</u>
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>Pass-through State of West Virginia Development Office:</u>			
Emergency Solutions Grant Program	14.231	N/A	<u>48,157</u>
Total U. S. Department of Housing and Urban Development			<u>48,157</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 804,191</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 2 – Surplus Property

The accompanying schedule of expenditures of federal awards (the Schedule) does not include surplus equipment received by Berkeley County during Fiscal Year 2012. This equipment was received by Berkeley County without any type of current appraisal and the value of each asset could not be determined without significant cost to the County.

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

March 28, 2013

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

To the County Council:

We have audited the 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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents, and have issued our report dated March 28, 2013, wherein we qualified our report because the financial statements do not include financial data for all the County's legally separate component units. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated March 28, 2013.

This report is intended solely for the information and use of management, the County Council, federal awarding agencies and pass-through entities, and others within the County. It is not intended for anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

March 28, 2013

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

To the County Council:

Compliance

We have audited the compliance of **Berkeley County**, West Virginia (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of audit findings identifies the County's major federal program. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with these requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the County Council, federal awarding agencies and pass-through entities, and others within the County. It is not intended for anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

BERKELEY COUNTY, WEST VIRGINIA
 SCHEDULE OF AUDIT FINDINGS
 OMB CIRCULAR A -133 § .505
 JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #97.039 Hazard Mitigation Grant Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.