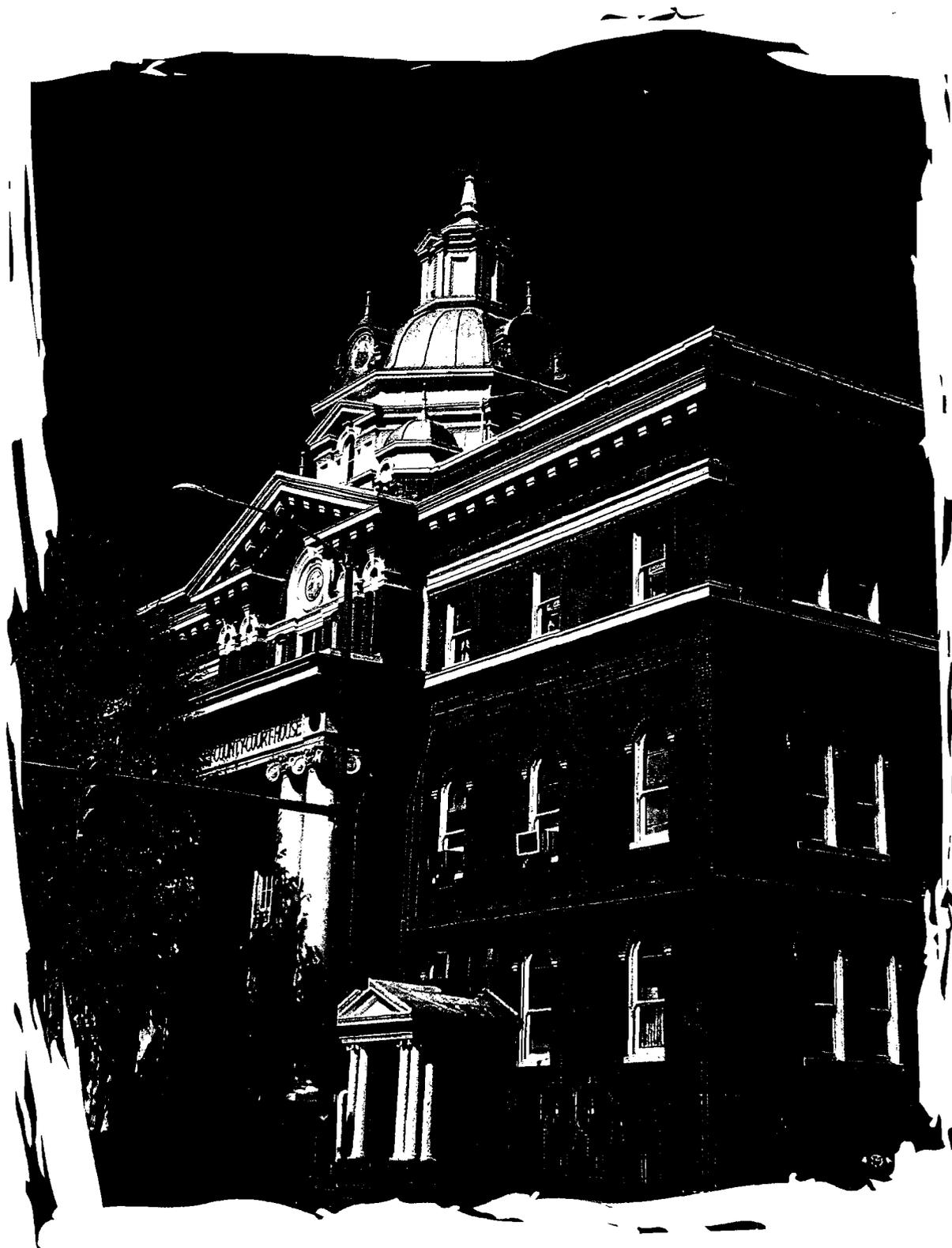


AUDIT REPORT OF
BERKELEY COUNTY, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009



Lisa K. Thornburg, CPA

BERKELEY COUNTY, WEST VIRGINIA

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

BERKELEY COUNTY, WEST VIRGINIA
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**BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT**

GOVERNMENTAL FUND TYPES

Major Funds

**General County
Coal Severance Tax
Building Commission**

Nonmajor Funds

Special Revenue Funds

Dog and Kennel	General School
Magistrate Court	Worthless Check
Emergency Communication 911	Home Confinement
Federal Grants	Fiduciary
Wireless Communications	Engineering Fees
Gypsy Moth	Enhanced E-911 Equipment
Planning Commission Fund	Berkeley Warrant
Assessor Valuation	Rainy Day
Concealed Weapons	Voter's Registration
Special Law Enforcement Forfeiture	Prosecuting Attorney Forfeiture
Law Enforcement Block Grant	COPS Universal Hiring Grant
Task Force Reimbursement-Federal	Homeland Security-Citizens Corps-Federa
Bullet Proof Vest-Federal	Homeland Sec-Law Enforcement-Federal
Homeland Security-OES-Federal	ESPG 2004-Federal
ESPG 2005-Federal	Homeland Security-Law Enforcement
FEMA Hazard Mitigation-Federal	Community Pride LEDA Grant
Community Pride LEDA Grant	Eastern WV Comm. Foundation Grant
Court Security Grant	Apollo Theater
Hazardous Material Environmental Grant	Courthouse Facilities Grant
LEDA Workforce Grant	Morgan Cabin Grant
Records Management Grant	Belle Boyd House Grant
Hedgesville VFD Grant	Back Creek Valley VFD Grant
South Berkeley VFD Grant	Bedington VFD Grant
Rooney Park Grant	Lambert Park Grant
War Memorial Park	Berkeley County Pride
Community Correction	Rooney Park LEDA
Girl Scouts LEDA	

FIDUCIARY FUND TYPES

Agency Funds

**State
School
County Offices
Other Agency**

COMPONENT UNIT

**Major Fund
Building Commission**

**BERKELEY COUNTY, WEST VIRGINIA
COUNTY OFFICIALS
For the Fiscal Year Ended June 30, 2009**

OFFICE	NAME	TERM
<u>Elected</u>		
County Commission:	Steven C. Teufel	01-01-03 / 12-31-08
	Ronald K. Collins	01-01-05 / 12-31-10
	William L. Stubblefield	01-01-07 / 12-31-12
	Anthony Petrucci	01-01-09 / 12-31-14
Clerk of the County Commission:	John W. Small, Jr.	01-01-05 / 12-31-10
Clerk of the Circuit Court:	Virginia M. Sine	01-01-05 / 12-31-10
Sheriff:	W. Randy Smith	01-01-05 / 12-31-08
	Kenneth LeMaster	01-01-09 / 12-31-12
Prosecuting Attorney:	Pamela Games-Neely	01-01-09 / 12-31-12
Assessor:	Preston Gooden	01-01-07 / 02-19-09
	Patsy Kilmer	02-19-09 / 12-31-10
<u>Appointed</u>		
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, the blended component unit, and the aggregate remaining fund information of Berkeley County, West Virginia (the County), as of and for the year ended June 30, 2009, 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 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 component unit, but other component units are not included. The financial statements of the Berkeley County Building Commission have not been audited, and we were not engaged to audit their financial statements as part of our audit of the County's basic financial statements. 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 presented.

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 Berkeley County, West Virginia as of June 30, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, 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, 2009, and the changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

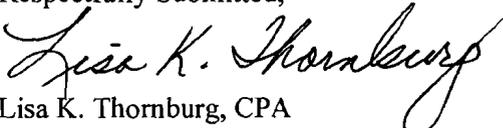
Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of Berkeley County, West Virginia, as of June 30, 2009, and the respective changes in financial position thereof, 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 May 28, 2010 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 County has not presented the management's discussion and analysis that is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

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, CPA

May 28, 2010

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Building Commission</u> <u>Activities</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,540,400.95	\$ 161,226.00	\$ 4,701,626.95
Restricted assets			
Investments	0.00	1,644,419.00	1,644,419.00
Receivables, net			
Taxes	445,481.39	0.00	445,481.39
Other governmental entities	62,065.04	0.00	62,065.04
Capital assets, net of depreciation:			
Land	764,947.00	1,889,399.00	2,654,346.00
Building	3,439,513.27	31,426,849.00	34,866,362.27
Machinery and equipment	4,338,229.22	0.00	4,338,229.22
Construction in progress	0.00	4,443,772.00	4,443,772.00
Building improvements	1,338,100.95	0.00	1,338,100.95
Unamortized bond issue costs, net of amortization	0.00	962,517.00	962,517.00
Total assets	\$ 14,928,737.82	\$ 40,528,182.00	\$ 55,456,919.82
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	\$ 190,392.46	\$ 285,500.00	\$ 475,892.46
OPEB payable	378,000.00	0.00	378,000.00
Wages and related cost	278,893.93	0.00	278,893.93
Leases payable	2,313,733.00	0.00	2,313,733.00
Compensated absences	550,120.41	0.00	550,120.41
Accrued interest	0.00	223,555.00	223,555.00
Current portion of long-term debt	0.00	3,909,892.00	3,909,892.00
Total current liabilities	3,711,139.80	4,418,947.00	8,130,086.80
Noncurrent liabilities:			
Long term debt	0.00	31,070,000.00	31,070,000.00
Long term debt premium	0.00	9,970.00	9,970.00
Long term debt discount	0.00	(132,179.00)	(132,179.00)
Total non-current liabilities	0.00	30,947,791.00	30,947,791.00
Total Liabilities	3,711,139.80	35,366,738.00	39,077,877.80
NET ASSETS			
Invested in capital assets, net of related debt	7,567,057.46	5,225,723.00	12,792,780.46
Unrestricted	3,650,540.56	(64,279.00)	3,586,261.56
Total net assets	11,217,598.02	5,161,444.00	16,379,042.02
Total liabilities and net assets	\$ 14,928,737.82	\$ 40,528,182.00	\$ 55,456,919.82

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

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Building Commission Activities	
Functions / Programs						
Primary government:						
Governmental activities:						
General government	\$ 17,800,766.29	\$ 4,051,775.60	\$ 731,157.40	\$ (13,017,833.29)	\$ 0.00	\$ (13,017,833.29)
Public safety	9,969,883.58	0.00	0.00	(9,969,883.58)	0.00	(9,969,883.58)
Health and sanitation	204,234.91	0.00	0.00	(204,234.91)	0.00	(204,234.91)
Culture and recreation	1,323,320.46	0.00	0.00	(1,323,320.46)	0.00	(1,323,320.46)
Social services	188,766.14	0.00	0.00	(188,766.14)	0.00	(188,766.14)
Total governmental activities	29,486,971.38	4,051,775.60	731,157.40	(24,704,038.38)	0.00	(24,704,038.38)
Business type activities:						
Building Commission	2,286,322.00	0.00	188,900.00	0.00	(2,097,422.00)	(2,097,422.00)
Total primary government	\$ 31,773,293.38	\$ 4,051,775.60	\$ 920,057.40	(24,704,038.38)	(2,097,422.00)	(24,704,038.38)
General revenues:						
Ad valorem property taxes				14,160,627.04	0.00	14,160,627.04
Other taxes				2,312,438.00	0.00	2,312,438.00
Licenses and permits				64,350.00	0.00	64,350.00
Lease income				0.00	2,167,664.00	2,167,664.00
Fines and forfeitures				1,158,441.99	0.00	1,158,441.99
Unrestricted investment earnings				166,102.48	39,631.00	205,733.48
Reimbursement				84,688.10	0.00	84,688.10
Miscellaneous				5,133,344.52	129,832.00	5,263,176.52
Total general revenues				23,079,992.13	2,337,127.00	25,417,119.13
Change in net assets				(1,624,046.25)	239,705.00	(1,384,341.25)
Transfers out				0.00	(195,000.00)	(195,000.00)
Increase in net assets				(1,624,046.25)	44,705.00	(1,579,341.25)
Net assets at beginning of year, restated				12,841,644.27	5,116,739.00	17,958,383.27
Net assets - ending				\$ 11,217,598.02	\$ 5,161,444.00	\$ 16,379,042.02

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

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

<u>Functions / Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Primary Government		<u>Total</u>
				<u>Governmental Activities</u>	<u>Building Commission Activities</u>	
Primary government:						
Governmental activities:						
General government	\$ 17,800,766.29	\$ 4,051,775.60	\$ 731,157.40	\$ (13,017,833.29)	\$ 0.00	\$ (13,017,833.29)
Public safety	9,969,883.58	0.00	0.00	(9,969,883.58)	0.00	(9,969,883.58)
Health and sanitation	204,234.91	0.00	0.00	(204,234.91)	0.00	(204,234.91)
Culture and recreation	1,323,320.46	0.00	0.00	(1,323,320.46)	0.00	(1,323,320.46)
Social services	188,766.14	0.00	0.00	(188,766.14)	0.00	(188,766.14)
Total governmental activities	29,486,971.38	4,051,775.60	731,157.40	(24,704,038.38)	0.00	(24,704,038.38)
Business type activities:						
Building Commission	2,286,322.00	0.00	188,900.00	0.00	(2,097,422.00)	(2,097,422.00)
Total primary government	\$ 31,773,293.38	\$ 4,051,775.60	\$ 920,057.40	(24,704,038.38)	(2,097,422.00)	(24,704,038.38)
General revenues:						
Ad valorem property taxes				14,160,627.04	0.00	14,160,627.04
Other taxes				2,312,438.00	0.00	2,312,438.00
Licenses and permits				64,350.00	0.00	64,350.00
Lease income				0.00	2,167,664.00	2,167,664.00
Fines and forfeitures				1,158,441.99	0.00	1,158,441.99
Unrestricted investment earnings				166,102.48	39,631.00	205,733.48
Reimbursement				84,688.10	0.00	84,688.10
Miscellaneous				5,133,344.52	129,832.00	5,263,176.52
Total general revenues				23,079,992.13	2,337,127.00	25,417,119.13
Change in net assets				(1,624,046.25)	239,705.00	(1,384,341.25)
Transfers out				0.00	(195,000.00)	(195,000.00)
Increase in net assets				(1,624,046.25)	44,705.00	(1,579,341.25)
Net assets at beginning of year, restated				12,841,644.27	5,116,739.00	17,958,383.27
Net assets - ending				\$ 11,217,598.02	\$ 5,161,444.00	\$ 16,379,042.02

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

BERKELEY COUNTY, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

	<u>Major Funds</u>			Other Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	Coal Severance	<u>E-911 Fees</u>		
		<u>Tax</u>			
ASSETS					
Current:					
Cash and cash equivalents	\$ 2,804,452.32	\$ 62,572.39	\$ 782,889.71	\$ 890,486.53	\$ 4,540,400.95
Receivables:					
Taxes	445,481.39	0.00	0.00	0.00	445,481.39
Due from:					
Other governmental entities	45,613.89	0.00	0.00	16,451.15	62,065.04
Other funds	<u>4,732.80</u>	<u>11,718.65</u>	<u>1,334,485.17</u>	<u>0.00</u>	<u>1,350,936.62</u>
Total assets	<u>\$ 3,300,280.40</u>	<u>\$ 74,291.04</u>	<u>\$ 2,117,374.88</u>	<u>\$ 906,937.68</u>	<u>\$ 6,398,884.00</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 175,670.67	\$ 0.00	\$ 3,158.31	\$ 11,563.48	\$ 190,392.46
Refunds payable					
OPEB payable	324,000.00	0.00	34,500.00	19,500.00	378,000.00
Wages and benefits payable	278,893.93	0.00	0.00	0.00	278,893.93
Due to:					
Other governmental entities	0.00	0.00	0.00	0.00	0.00
Other funds	1,334,485.17	0.00	0.00	16,451.45	1,350,936.62
Deferred revenues:					
Taxes	<u>234,690.61</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>234,690.61</u>
Total liabilities	<u>2,347,740.38</u>	<u>0.00</u>	<u>37,658.31</u>	<u>47,514.93</u>	<u>2,432,913.62</u>
Fund balances:					
Reserved for:					
Encumbrances	349,710.00	0.00	14,750.00	0.00	364,460.00
Unreserved					
Major Funds	602,830.02	74,291.04	2,064,966.57	0.00	2,742,087.63
Special revenue funds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>859,422.75</u>	<u>859,422.75</u>
Total fund balances	<u>952,540.02</u>	<u>74,291.04</u>	<u>2,079,716.57</u>	<u>859,422.75</u>	<u>3,965,970.38</u>
Total liabilities and fund balances	<u>\$ 3,300,280.40</u>	<u>\$ 74,291.04</u>	<u>\$ 2,117,374.88</u>	<u>\$ 906,937.68</u>	<u>\$ 6,398,884.00</u>

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

**BERKELEY COUNTY, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Total fund balances on the governmental funds balance sheet; see page #7 \$ 3,965,970.38

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets purchased in fund level statements are expensed when purchased and not reported as financial resources in the funds. In the government wide financial statements, capital assets are capitalized and depreciated over their useful life. Therefore, capital assets purchases in fund level statement must be added to fund level statements 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; see Notes to Financial Statements. 9,880,790.44

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; see page #7. 234,690.61

Compensated absences are not due and payable in the current period and therefore are not reported in fund level statements. In government wide financial statements, all measurable costs are report as expenses regardless of when they may be paid. This is the gross amount of compensated absences that was calculated as payable by county government as of the end of the current fiscal year; see page #5. (550,120.41)

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; see page #5. (2,313,733.00)

Net assets of governmental activities \$ 11,217,598.02

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

**BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Major Funds</u>			<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Coal Severance Tax</u>	<u>E-911 Fees</u>		
REVENUES					
Taxes:					
Ad valorem property taxes	\$ 14,077,898.71	\$ 0.00	\$ 0.00	\$ 0.00	\$ 14,077,898.71
Other taxes	1,969,545.09	298,837.21	0.00	44,055.70	2,312,438.00
Licenses and permits	0.00	0.00	0.00	64,350.00	64,350.00
Intergovernmental	107,634.77	0.00	0.00	591,017.63	698,652.40
Charges for services	1,724,625.03	0.00	2,074,598.97	230,832.60	4,030,056.60
Fines and forfeits	447,068.31	0.00	0.00	706,793.29	1,153,861.60
Interest and investment earnings	142,401.89	1,075.27	0.00	22,625.32	166,102.48
Miscellaneous	2,337,187.18	0.00	90,248.20	855,488.45	3,282,923.83
Reimbursement transfers	70,704.08	0.00	0.00	51,484.00	122,188.08
Total revenues	<u>20,877,065.06</u>	<u>299,912.48</u>	<u>2,164,847.17</u>	<u>2,566,646.99</u>	<u>25,908,471.70</u>
EXPENDITURES					
Current:					
General government	12,639,804.85	275,796.21	0.00	1,486,464.99	14,402,066.05
Public safety	6,735,818.14	7,175.00	1,669,761.99	1,017,560.18	9,430,315.31
Health and sanitation	198,812.41	0.00	0.00	0.00	198,812.41
Culture and recreation	1,321,127.96	0.00	0.00	0.00	1,321,127.96
Social services	121,255.85	0.00	0.00	45,173.67	166,429.52
Capital outlay	131,128.05	0.00	509,071.96	250,108.56	890,308.57
Total expenditures	<u>21,147,947.26</u>	<u>282,971.21</u>	<u>2,178,833.95</u>	<u>2,799,307.40</u>	<u>26,409,059.82</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(270,882.20)</u>	<u>16,941.27</u>	<u>(13,986.78)</u>	<u>(232,660.41)</u>	<u>(500,588.12)</u>
FUND BALANCES:					
Beginning fund balance, restated	<u>1,223,422.22</u>	<u>57,349.77</u>	<u>2,093,703.35</u>	<u>1,092,083.16</u>	<u>4,466,558.50</u>
Fund balances - ending	<u>\$ 952,540.02</u>	<u>\$ 74,291.04</u>	<u>\$ 2,079,716.57</u>	<u>\$ 859,422.75</u>	<u>\$ 3,965,970.38</u>

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

BERKELEY COUNTY, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Net change in fund balances - total governmental funds; see page #9. \$ (500,588.12)

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 an expense to the different government activities for the current fiscal year; see Notes to the Financial Statements. (1,216,575.03)

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. See Notes to the Financial Statements. 232,936.00

Total difference between beginning and ending equipment lease liabilities for the current fiscal year. This amount was reported as an expense in the fund level statements, but results in a reduction in the lease liability that is reported as debt against capital assets in the statement of activities. (73,317.37)

Compensated absences liability is not reported in the governmental funds because it does not require the use of current resources. However, the liability for compensated absences is accrued in the government wide financial statements on a year to year basis. This is the amount compensated absences decreased in the current fiscal year in the government wide financial statements; see Notes to the Financial Statements. (149,229.96)

Certain revenues are not available to fund current year expenditures and therefore are deferred in the fund level financial statements. However, all measurable revenues are accrued in the government wide financial statements from year to year. This is the amount accrued taxes increased in the government wide financial statements in the current fiscal year; see Notes to the Financial Statements. 82,728.23

Change in net assets of governmental activities \$ (1,624,046.25)

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, 2009

	<u>Budgeted Amounts</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>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes:						
Ad valorem property	\$ 14,432,159	\$ 14,733,115	\$ 14,077,899	\$ (151,962)	\$ 14,307,208	\$ (425,907)
Other taxes	2,417,952	1,922,794	1,969,545	0	1,969,545	46,751
Intergovernmental	0	39,722	107,635	0	107,635	67,913
Charges for services	1,941,312	1,671,940	1,724,625	0	1,724,625	52,685
Fines and forfeits	437,546	437,322	447,068	0	447,068	9,746
Interest	254,546	156,808	142,402	0	142,402	(14,406)
Miscellaneous	2,523,760	1,351,108	2,337,187	(549)	1,443,253	92,145
Transfers	107,671	87,267	70,704	0	70,704	(16,563)
Total revenues	22,114,946	20,400,076	20,877,065	(152,512)	20,212,441	(187,635)
EXPENDITURES						
Current:						
General government	14,785,598	13,534,392	12,639,805	(305,452)	12,882,029	652,363
Public safety	6,720,358	8,885,941	6,735,818	(134,569)	6,500,068	2,385,873
Health and sanitation	208,215	208,369	198,812	(436)	198,812	9,557
Culture and recreation	1,301,236	1,301,236	1,321,128	0	1,281,828	19,408
Social services	103,360	121,257	121,256	0	121,256	1
Capital projects	96,179	329,989	131,128	0	113,783	216,206
Total expenditures	23,214,946	24,381,184	21,147,947	(440,021)	21,097,776	3,283,408
(Deficiency) of revenues over expenditures	(1,100,000)	(3,981,108)	(270,882)	287,509	(885,335)	3,095,773
Fund balances; beginning	1,100,000	3,981,108	1,223,422	0	1,185,619	(2,795,489)
Fund balances; ending	\$ 0	\$ 0	\$ 952,540	\$ 0	\$ 300,284	\$ 300,284

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

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</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>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes:						
Coal severance tax	\$ 101,455.00	\$ 101,455.00	\$ 298,837.21	\$ 0.00	\$ 298,837.21	\$ 197,382.21
Interest and investment	8,243.00	8,243.00	1,075.27	0.00	1,075.27	
Miscellaneous	0.00	0.00	0.00	0.00	0.00	0.00
Total revenues	109,698.00	109,698.00	299,912.48	0.00	299,912.48	197,382.21
EXPENDITURES						
Current:						
General government	117,400.00	126,474.00	275,796.21	0.00	275,796.21	(149,322.21)
Public Safety	0.00	0.00	7,175.00	0.00	7,175.00	(7,175.00)
Total expenditures	117,400.00	126,474.00	282,971.21	0.00	282,971.21	(156,497.21)
Excess (deficiency) of revenues over (under) expenditures	(7,702.00)	(16,776.00)	16,941.27	0.00	16,941.27	33,717.27
Fund balances - beginning	7,702.00	16,776.00	57,349.77	0.00	57,349.77	40,573.77
Fund balances - ending	\$ 0.00	\$ 0.00	\$ 74,291.04	\$ 0.00	\$ 74,291.04	\$ 74,291.04

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

BERKELEY COUNTY, WEST VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,153,252.07</u>
LIABILITIES	
Due to other governments	\$ <u>1,153,252.07</u>

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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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.

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 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 has not been determined.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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

Berkeley County Landmark Commission
Berkeley County Historical Society
Eastern WV Regional Airport
Berkeley County Health Dept.
Berkeley County Solid Waste Authority
Martinsburg-Berkeley County Parks and Recreation
Martinsburg-Berkeley County Convention and Visitor's Center
Berkeley County Public Library
Berkeley County Senior Services
Eastern Panhandle Transit Authority
Berkeley County Development Authority

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.

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.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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. The State Auditor's Office requires an annual budget be submitted for approval for this fund.

The 911 Fees fund, a special revenue fund, is used to account for the revenues and expenditures of the county's 911 emergency center.

The government reports the following major component unit:

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 intergovernmental lease agreements between the County and the Building Commission were eliminated in these financial statements. The board promulgates rules and regulations governing the usage and maintenance of the facilities.

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.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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.

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

2. Receivables and Payables

Interfund Transactions

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

Property Tax Receivable

Property tax receivable were estimated to be \$445,481.36; this amount is net of an allowance for uncollectible and represents approximately 50% percent of the property taxes outstanding at June 30, 2009

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.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

The rates levied by the County per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2009, were as follows:

<u>Class of Property</u>	<u>Assessed Valuation For Tax Purposes</u>	<u>Current Expense Per \$100</u>
Class I	\$ -	9.96 Cents
Class II	\$ 3,368,293,930	19.92 Cents
Class III	\$ 1,460,494,002	39.84 Cents
Class IV	\$ 468,978,812	39.84 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.

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 Building Commission capitalized \$229,507 of interest expense, net of \$36,237 of interest income, for the year ended June 30, 2009.

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	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
Infrastructure	40 to 50 years	100,000.00

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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:

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	2.00 days

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

Liability classification	FYE 6/30/08	FYE 6/30/09	Increase
Annual Leave	\$ 462,639.72	\$ 550,120.41	\$ 87,480.69
Totals	\$ 462,639.72	\$ 550,120.41	\$ 87,480.69

The county had previously included sick leave as a liability; however, since the sick leave is not paid out upon termination, it should not be included as a liability. The beginning net assets were adjusted by the amount of \$1,884,808.67 which represents the amount of sick leave accrued at June 30, 2008.

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.

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

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.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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, 2009.

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 \$7,251,627.64 difference are as follows:

Total fund balances for governmental funds		\$ 3,965,970.38
Total capital asset values net of depreciation not reported in fund level statements	\$ 9,880,790.44	
Total property tax revenue accrued as revenue in the government wide financial statements but deferred in the fund level financial statements.	234,690.61	
Total compensated absence liability at the end of the fiscal year.	(550,120.41)	
Total equipment lease liability at the end of the fiscal year.	<u>(2,313,733.00)</u>	
Net adjustment to increase fund level ending fund balances to ending net assets of government activities:	<u>\$ 7,251,627.64</u>	<u>7,251,627.64</u>
Net assets of governmental activities		<u>\$ 11,217,598.02</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		\$ (500,588.12)
Total current year depreciation expense reported in the statement of activities, but not reported in the fund level financial statements.	(1,216,575.03)	
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. See Notes to the Financial Statements.	232,936.00	
Total difference between beginning and ending equipment lease liabilities for the current fiscal year. This amount was reported as an expense in fund level statements, but results in a reduction of the lease liability the is reported as debt against capital assets in the statement of activities.	(73,317.37)	
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.	(149,229.96)	
Any change in the amount of property taxes deferred in the fund level statements at the end of the fiscal year is reported as an increase or decrease of property tax revenue in the statement of activities. This is the amount that deferred property taxes increase in the current fiscal year in the fund level statements and was accrued as revenue in the statement of activities.	<u>82,728.23</u>	
Net adjustment to decrease net change in fund balance-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,624,046.25)</u>	

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Interest Rate Risk:

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

Credit Risk:

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

Concentration of Credit Risk:

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

Custodial Credit Risk - Deposits

Custodial risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk; however, WV State Code 7-6-2 requires the county commission to request and approve a bond with good and sufficient sureties payable to the State of West Virginia, in a sum as the county commission 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, 2009, the County reported deposits of \$4,540,400.95; of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$4,290,400.95 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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	\$ 890,962.72
Gross Receivables	890,962.72
Less allowance for Uncollectible	<u>(445,481.36)</u>
Net Total Receivables	\$ <u>445,481.36</u>

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:

	<u>Unavailable</u>
Deferred tax revenue (General Fund)	\$ <u>455,886.86</u>

Deferred taxes for the current and prior fiscal years were as follows:

Fiscal Year Ended June 30, 2009	\$ 234,690.61
Fiscal Year Ended June 30, 2008	\$ <u>151,962.28</u>
Increase in current fiscal year	\$ <u>82,728.33</u>

C. Capital Assets

Primary Government:

Current changes in capital assets and accumulated depreciation:

	<u>Beginning Balance 7/1/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance Restated</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land - restated	\$ 764,947.00	\$ 0.00	\$ 0.00	\$ 764,947.00
Capital assets being depreciated:				
Buildings	4,321,407.46	0.00	0.00	4,321,407.46
Improvements	1,701,792.00	0.00	0.00	1,701,792.00
Equipment	10,132,027.00	232,936.00	(42,584.00)	10,322,379.00
Less: Total accumulated depreciation	<u>(6,055,744.00)</u>	<u>(1,216,575.03)</u>	<u>42,584.00</u>	<u>(7,229,735.03)</u>
Total capital assets being depreciated, net	<u>16,155,226.46</u>	<u>232,936.00</u>	<u>0.00</u>	<u>16,345,578.46</u>
Governmental activities capital assets, net	\$ <u>10,864,429.46</u>	\$ <u>(983,639.03)</u>	\$ <u>42,584.00</u>	\$ <u>9,880,790.43</u>

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

Governmental activities:

General government	\$ 780,352.26
Public safety	406,271.14
Health and sanitation	5,422.50
Culture and recreation	2,192.50
Social services	<u>22,336.63</u>
Total depreciation expense-governmental activities	\$ <u>1,216,575.03</u>

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

Blended Component Unit

Current changes in capital assets and accumulated depreciation:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,954,567	\$ -	\$ 65,168	\$ 1,889,399
Construction in progress	1,921,914	2,521,858	-	4,443,772
Total capital assets not being depreciated	3,876,481	2,521,858	65,168	6,333,171
Capital assets being depreciated:				
Buildings, Improvements and Equipment	33,655,826	-	-	33,655,826
Less: total accumulated depreciation	(1,431,959)	(797,018)	-	(2,228,977)
Total capital assets being depreciated, net	32,223,867	(797,018)	-	31,426,849
Business-type activities capital assets, net	\$ 36,100,348	\$ 1,724,840	\$ 65,168	\$ 37,760,020

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

Business-type activities:

Berkeley County Building Commission	\$ <u>797,018.00</u>
Total depreciation expense-business-type activities	\$ <u>797,018.00</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
E-911 Fees	General County Fund	\$ <u>1,334,485</u>
Total		\$ <u>1,334,485</u>

E. Leases

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 have been recorded at the present value of future minimum lease payments as of the inception date in the General County Fund.

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

Due in fiscal year ending June 30, 2010	\$ 556,241
Due in subsequent years	<u>2,253,277</u>
Total minimum lease payments	2,809,518
Less amount representing interest	<u>495,785</u>
Present value of minimum lease payments	\$ <u>2,313,733</u>

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

F. Long-Term Debt

Building Commission, a Blended Component Unit Lease Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2009

1 Series 2004A lease 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 lease revenue bond and to provide additional funding for the renovation of the buildings known as the Blue Ridge Outlet Center.	\$ 9,005,000
2 Series 2004B lease 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.	8,365,000
3 Series 2005 lease 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.	9,295,000
4 Series 2006 lease 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.	5,130,000
5 Series 2007 lease revenue bonds, original face value of \$3,185,000 with interest payable quarterly, and principal payable in annual installments, beginning September 2008 at 3.10% and concluding June 1, 2010, issued to provide funding to purchase additional property to be used as part of the Judicial Center.	<u>3,184,892</u>
Total long term debt	\$ <u>34,979,892</u>

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

Fiscal Year Ended	Blended Component Unit		
	Principal	Interest	Total
2010	\$ 3,909,892	\$ 1,478,374	\$ 5,388,266
2011	755,000	1,363,321	2,118,321
2012	775,000	1,337,416	2,112,416
2013	805,000	1,309,763	2,114,763
2014	835,000	1,280,193	2,115,193
2015-2019	3,670,000	4,785,190	8,455,190
2020-2024	5,515,000	5,031,188	10,546,188
2025-2029	6,870,000	3,644,572	10,514,572
2030-2034	8,000,000	1,854,717	9,854,717
2035-2038	3,845,000	307,808	4,152,808
Totals	\$ <u>34,979,892</u>	\$ <u>22,392,542</u>	\$ <u>57,372,434</u>

BERKELEY COUNTY, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2009

Changes in Long-Term Liabilities

	Beginning Balances 6/30/08	Current Additions	Current Reductions	Ending Balance 6/30/09	Due Within One Year
Governmental activities:					
Capital leases	\$ 2,771,864	\$ 0	\$ 458,131	\$ 2,313,733	\$ 556,241
Compensated absences, restated	462,640	87,480	0	550,120	0
Governmental activities long-term liabilities	\$ 3,234,504	\$ 87,480	\$ 458,131	\$ 2,863,853	\$ 556,241
Business-type activities - Berkeley County Building Commission:					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease revenue bonds payable	\$ 35,684,892	\$ 0	\$ 705,000	\$ 34,979,892	\$ 3,909,892
Business-type activities long-term liabilities	\$ 35,684,892	\$ 0	\$ 705,000	\$ 34,979,892	\$ 3,909,892

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-Building Commission	\$ 0	\$ 1,644,419
E911 Fees, General County Fund, Fund #001	1,334,485	0
E911 Fees, Fund #019	2,117,375	0
Enhanced E-911 Equipment, Fund #037	148,816	0
Total restricted assets	\$ 3,600,676	\$ 1,644,419

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 carries insurance with Smith Nadenboush Insurance Company from the State Board of Risk for umbrella general liability insurance for these various risks.

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 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.

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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

VI. Employee Retirement Systems and Plans

A.1 Plan Descriptions, Contribution Information and Funding Policies

Public Employee Retirement System (PERS)

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 Sheriffs who are covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
County's contribution rate	10.50%
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

BERKELEY COUNTY, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

Public Employees' Retirement System (PERS)

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.

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 contribution obligations and benefit provisions

West Virginia State Code

Funding policy and contributions

Certain fees for reports generated by sheriff's offices are paid to this plan in accordance with West Virginia State Code. WVDRS members are required to contribute 8.5% of their annual covered salary and the county is required to contribute 10.5%. The contribution requirements of WVDRS members are established and may be amended only by the State of West Virginia Legislature.

Period required to vest

Five years

Benefits and eligibility for distribution

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

Deferred retirement option

No deferred retirement option is available.

Provisions for cost of living adjustments or death benefits

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

West Virginia Deputy Sheriff Retirement System (WVDRS)

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

SUPPLEMENTARY INFORMATION

BERKELEY COUNTY, WEST VIRGINIA
 BUDGETARY COMPARISON SCHEDULE -
 ASSESSOR'S VALUATION FUND
 For the Fiscal Year Ended June 30, 2009

	<u>Budget Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Other taxes	\$ 755,960.00	\$ 755,960.00	\$ 791,638.06	\$ 791,638.06	\$ 35,678.06
Intergovernmental:					
Map sales	500.00	500.00	24.00	24.00	(476.00)
Interest	<u>29,000.00</u>	<u>29,000.00</u>	<u>5,357.47</u>	<u>5,357.47</u>	<u>(23,642.53)</u>
Total revenues	<u>785,460.00</u>	<u>785,460.00</u>	<u>797,019.53</u>	<u>797,019.53</u>	<u>11,559.53</u>
Expenditures:					
General government	826,587.00	826,587.00	692,323.22	692,323.22	134,263.78
Capital outlay	<u>115,302.00</u>	<u>115,302.00</u>	<u>141,155.11</u>	<u>141,155.11</u>	<u>(25,853.11)</u>
Total expenditures	<u>941,889.00</u>	<u>941,889.00</u>	<u>833,478.33</u>	<u>833,478.33</u>	<u>108,410.67</u>
Excess (deficiency) of revenues over (under) expenditures	(156,429.00)	(156,429.00)	(36,458.80)	(36,458.80)	119,970.20
Fund balance at beginning of year	<u>156,429.00</u>	<u>156,429.00</u>	<u>161,237.76</u>	<u>161,237.76</u>	<u>4,808.76</u>
Fund balance at end of year	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 124,778.96</u>	<u>\$ 124,778.96</u>	<u>\$ 124,778.96</u>

ACCOMPANYING INFORMATION

Lisa K. Thornburg, CPA

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Milton, West Virginia 25541
(304) 743-8192

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

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

We have audited the financial statements of the governmental activities, each major fund, the blended component unit, and the aggregate remaining fund information of Berkeley County, West Virginia, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. These significant deficiencies are identified in the accompanying schedule of findings and responses as items 2009-01 through 2009-05.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-01 through 2009-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*. This finding is identified as item 2009-06 in the schedule of findings and responses.

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

Respectfully submitted,



Lisa K. Thornburg, CPA

May 28, 2010

BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2009

Cash on Hand in Sheriff's Tax Office
2009-01

CONDITION:

It was noted during the audit that the sheriff's tax office maintains some cash overpayments from taxpayers in the safe but no accurate listing is kept of the amounts on hand.

CRITERIA:

Proper internal controls require that all cash items be properly accounted for and recorded.

CAUSE:

The tax office did not have procedures in place to require that all overpayments be listed and accounted for.

EFFECT:

This increases the risk that cash assets could be misplaced or misappropriated.

RECOMMENDATION:

It is recommended that these tax overpayments be recorded and deposited with a list maintained of the amounts in case a taxpayer returns to claim their funds. In the alternative a listing should be made of these funds by date and amount and kept with the other items in the safe to be included in periodic cash counts.

MANAGEMENT'S RESPONSE (Unaudited):

This remark is a repeat from the last audit and a list has since been made to identify these payments to the extent possible.

**BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2009**

**Committee Accounts Recordkeeping
2009-02**

CONDITION:

It was noted during the audit that the Committee Accounts maintained by the sheriff's office do not provide adequate documentation for the funds received and disbursed for the committees. Specifically, it was noted that:

1. Some bank statements were missing.
2. Bank accounts were utilized that did not provide the cancelled checks or copies of the cancelled checks.
3. For the bank accounts that did provide the cancelled checks, some checks were missing from the records.
4. Checks were written to the "Berkeley County Sheriff" and deposited into the county's Tax Account.
5. Some individual committee's ledgers were not available.
6. No documentation was available to support some disbursements.
7. Payments were made from copies of invoices. Copies of the same invoice/statement were used for multiple payments without an updated invoice/statement from the vendor showing the new balance. The amount of the payment and the invoice amount did not always agree.
8. Some ledger entries did not agree with the payee on the check.
9. No documentation was available for checks written to provide spending cash for the individual committees.

CRITERIA:

Proper internal controls require that all bank accounts be reconciled with the ledgers, that adequate documentation be maintained to support all entries in the ledgers, only bank accounts which provide the cancelled checks or copies of cancelled checks should be utilized for public moneys, and all disbursements for spending cash for the committees should be made out to the committee or the facility caring for the committee.

CAUSE:

The sheriff's office did not have adequate procedures and controls in place to ensure that committee accounts are properly maintained and reconciled.

EFFECT:

This increases the risk that committee assets could be erroneously recorded or misappropriated.

BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2009

RECOMMENDATION:

It is recommended that the items noted above be corrected and that all bank accounts provide cancelled checks or copies of cancelled checks. Supporting documentation should be maintained for each committee and the accounts should be reconciled each month. In addition, bank statements should have cut off dates at the end of the month in order to facilitate reconciliation with the ledgers. Another employee should review these monthly reconciliations and verify their accuracy.

It is further recommended that the sheriff obtain duplicate copies from the bank for the missing bank statements and copies of checks, and that the sheriff obtain copies of the missing invoices from the vendors. All of these duplicate copies should be reviewed by someone unrelated to the committee bookkeeping functions in order to document and verify the propriety of these disbursements.

MANAGEMENT'S RESPONSE (Unaudited):

This is a partial repeat from the last audit and there has been insufficient time to implement the corrective actions recommended. As of July 1, 2010, a teller will be reconciling the statements. In addition, the office will try to use bank accounts which provide copies of the cancelled checks. The office has informed DHHR and the nursing homes that they will have to purchase the personal items and then the office will reimburse them.

Paid Check Images
2009-03

CONDITION:

Check images provided by the bank with the monthly statements are not large enough to be legible. It is not possible to make out the details of the payee, date or check number.

CRITERIA:

Proper internal controls require that all documents related to purchasing and reconciling deposits and disbursements be maintained and kept available for review and documentation.

CAUSE:

The individual images are too small and the various details of the payee, date and amount do not always copy clearly.

EFFECT:

Control over cash transactions is compromised when supporting documentation is routinely not available or legible.

RECOMMENDATION:

Arrangements should be made with the bank to provide images of a size that will routinely provide a copy with details of a quality that is legible.

BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2009

Insurance for Former Employees

2009-04

CONDITION:

The County is not always reimbursed in full (when appropriate to be so reimbursed) for the cost of some insurance coverages that have been allowed to be continued after employment with the County has been

CRITERIA:

Proper internal control requires that records of amounts due are routinely verified as having been received, recorded and properly applied.

CAUSE:

Controls are not in place to insure the routine review of these particular amounts due to the County, the receipt and application of these amounts due and to provide enforceable remedial/corrective actions in the event of default by the persons receiving benefits.

EFFECT:

Control over receipts and expenditures is compromised when the entity is paying for benefits that are to be reimbursed to the County.

RECOMMENDATION:

A process should be implemented whereby all such reimbursable amounts and the receipt thereof are routinely recorded and reviewed, with enforceable provisions put into place to address the event of default in payment of amounts due to the County.

Supporting Documentation for Expenditures

2009-05

CONDITION:

It was noted during the audit that adequate supporting documentation was not available for some county expenditures. Specifically, payment was made with only a county purchase order to support the purpose of the payment.

BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2009

CRITERIA:

Proper internal controls require that disbursements be made upon properly approved prenumbered purchase orders with supporting invoices attached. In the case of transfers between funds or other expenditures where there are no invoices, the prenumbered purchase order should have a copy of the order of the county commission approving such transfer or other payment attached.

CAUSE:

The county did not follow their purchasing procedures in all cases.

EFFECT:

This increases the risk that improper payments could be made.

RECOMMENDATION:

It is recommended that all expenditures be made based on adequate supporting documentation and in compliance with the county's purchasing procedures.

MANAGEMENT'S RESPONSE (Unaudited)

All purchase orders supplied to the County Clerk's Finance Office will contain sufficient documentation for audit verification at a future date. The Commission has prepared a memorandum to all elected officials and department heads to reinforce that this audit finding has been identified and addressed.

**BERKELEY COUNTY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2009**

**Expenditure in Excess of Amounts Allocated
in the Levy Estimate - Coal Severance Tax Fund
2009-06**

CONDITION:

It was determined during this examination that the County incurred expenditures and/or encumbrances for certain items in the Coal Severance Tax Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the following categories exceeded budget amounts:

<u>Category</u>	<u>Budgeted</u>	<u>Spent</u>	<u>Variance</u>
General Government	\$ 126,474	\$ 275,796	\$(149,322)
Public Safety	\$ -	\$ 7,125	\$ (7,125)

CRITERIA:

West Virginia Code § 11-8-26 states in part that:

"...a local fiscal body shall not expend money or incur obligations:

- (1) In an unauthorized manner;
- (2) For an unauthorized purpose;
- (3) *In excess of the amount allocated to the fund in the levy order;*
- (4) *In excess of the funds available for current expenses...* (Italics supplied.)

CAUSE:

The County failed to revise the budget to insure that adequate appropriations are available prior to actual disbursements being made.

EFFECT:

By not adequately monitoring the budget, the County compromises its budgetary control and expends funds without appropriation authority.

RECOMMENDATION:

The County should implement controls that will insure compliance with budgetary requirements.