

AUDIT REPORT OF  
BERKELEY COUNTY, WEST VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007



Lisa K. Thornburg, CPA

FINANCIAL STATEMENTS OF  
BERKELEY COUNTY, WEST VIRGINIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

BERKELEY COUNTY, WEST VIRGINIA  
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***INTRODUCTORY SECTION***

BERKELEY COUNTY, WEST VIRGINIA  
SCHEDULE OF FUNDS INCLUDED IN REPORT  
For the Fiscal Year Ended June 30, 2007

**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 Communication 911	Home Confinement
Federal Grant #09	Community Partnership Grant	Fiduciary
Wireless Communication	Enhanced 911 3%	Assessor's Valuation
Rainy Day Fund	Concealed Weapons	Voter's Registration
Enforcement Forfeiture	Prosecuting Attorney Forfeiture	Enforcement Block Grant
Universal Hiring Grant	Task Force Reimbursement	Homeland Security - Citizen's Corp
COPS Universal Hiring	FEMA Hazard Mitigation	County Health Insurance
Engineering Special Fees	Homeland Security - Law Enforcement	Homeland Security Planner
Emergency Shelter 2004	Judicial Center LEDA Grant	South Berkeley Little League
Homeland Security OES	Humane Society	Musselman Middle School
Emergency Shelter 2005	Ezekiel's Place	DOT Round House Grant
Dupont Soccer Grant	Fire Investigation	Eastern Panhandle AIDS Grant
Lambert Park	Courthouse Security Grant	

FIDUCIARY FUND TYPES

Agency Funds

State  
School  
County Offices  
Other Agency

BLENDED COMPONENT UNIT

Building Commission

BERKELEY COUNTY, WEST VIRGINIA  
COUNTY OFFICIALS  
For the Fiscal Year Ended June 30, 2007

<u>OFFICE</u>	<u>NAME</u>	<u>TERM</u>
	<u>Elected</u>	
County Commission:	Howard L. Strauss Steven C. Teufel Ronald K. Collins William L. Stubblefield	01-01-01 / 12-31-06 01-01-03 / 12-31-08 01-01-05 / 12-31-10 01-01-07 / 12-31-12
Clerk of the County Commission:	John W. Small, Jr.	01-01-05 / 12-31-10
Clerk of the Circuit Court:	Virginia Sine	01-01-05 / 12-31-10
Sheriff:	Randy W. Smith	01-01-05 / 12-31-08
Prosecuting Attorney:	Pamela Games-Neely	01-01-05 / 12-31-08
Assessor:	Preston Gooden	01-01-05 / 12-31-08
	<u>Appointed</u>	
Administrator	Deborah E. Hammond	

***FINANCIAL SECTION***

**Lisa K. Thornburg, CPA**

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Milton, WV 25541

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**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, 2007, 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 blended 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, 2007, 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, 2007, 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.

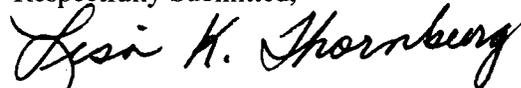
Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of Berkeley County, West Virginia, as of June 30, 2007, and the respective changes 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 December 30, 2009 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

December 30, 2009

BERKELEY COUNTY, WEST VIRGINIA  
STATEMENT OF NET ASSETS  
June 30, 2007

	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u> <u>Building Comm</u>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,512,740	\$ 429,269	\$ 4,942,009
Investments - restricted	0	4,560,517	4,560,517
Receivables, net			
Taxes	478,421	0	478,421
Due from:			
Other funds	2,548,229	0	2,548,229
Capital assets:			
Land	942,627	2,255,127	3,197,754
Building and equipment, net of depreciation	3,492,205	34,182,549	37,674,754
Building improvements, net of depreciation	1,445,910	0	1,445,910
Machinery and equipment	6,287,326	0	6,287,326
Construction in progress	0	760,796	760,796
Unamortized bond issue costs, net of amortization	0	1,055,332	1,055,332
Total assets	\$ 19,707,458	\$ 43,243,590	\$ 62,951,048
<b>LIABILITIES</b>			
Current liabilities payable from current assets:			
Accounts payable	\$ 549,309	\$ 0	\$ 549,309
Other accrued expenses	238,691	0	238,691
Leases payable	752,774	0	752,774
Due to			
Other funds	2,548,229	0	2,548,229
Other governments	11,220	0	11,220
Current liabilities payable from restricted assets:			
Accounts payable - construction	0	10,402	10,402
Prepaid lease income	0	143,721	143,721
Interest payable	0	119,216	119,216
Current portion of long-term debt	0	3,946,923	3,946,923
Total current liabilities	4,100,223	4,220,262	8,320,485

BERKELEY COUNTY, WEST VIRGINIA  
STATEMENT OF NET ASSETS  
June 30, 2007

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities Building Comm	
Noncurrent liabilities:			
Long term debt	\$ 0	\$ 32,685,925	\$ 32,685,925
Long term debt premium	0	10,725	10,725
Long term debt discount	0	(143,641)	(143,641)
Leases payable	2,547,221	0	2,547,221
Compensated absences payable	2,112,751	0	2,112,751
Total noncurrent liabilities	4,659,972	32,553,009	37,212,981
Total Liabilities	8,760,195	36,773,271	45,533,466
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,620,847	1,753,872	11,374,719
Restricted for: capital outlay	0	4,560,517	4,560,517
Unrestricted	1,326,416	155,930	1,482,346
Total net assets	10,947,263	6,470,319	17,417,582
Total liabilities and net assets	\$ 19,707,458	\$ 43,243,590	\$ 62,951,048

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, 2007

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities Building Comm	
<b>Functions / Programs</b>						
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 18,698,449	\$ 6,518,652	\$ 402,810	\$ (11,776,987)	\$ -	\$ (11,776,987)
Public safety	11,061,587	-	-	(11,061,587)	-	(11,061,587)
Health and sanitation	326,777	-	-	(326,777)	-	(326,777)
Culture and recreation	953,043	-	-	(953,043)	-	(953,043)
Social services	117,097	-	-	(117,097)	-	(117,097)
Total governmental activities	<u>31,156,953</u>	<u>6,518,652</u>	<u>402,810</u>	<u>(24,235,491)</u>	<u>-</u>	<u>(24,235,491)</u>
<b>Business type activities:</b>						
Building Commission	816,908	-	-	-	(816,908)	(816,908)
Total primary government	<u>\$ 31,973,861</u>	<u>\$ 6,518,652</u>	<u>\$ 402,810</u>	<u>(24,235,491)</u>	<u>(816,908)</u>	<u>(25,052,399)</u>
General revenues:						
Ad valorem property taxes				10,842,286	-	10,842,286
Other taxes				2,209,685	-	2,209,685
Coal Severance				483,783	-	483,783
Licenses and permits				65,331	-	65,331
Intergovernmental:						
Local				3,132	-	3,132
Lease income				-	1,972,124	1,972,124
Rents				-	150,000	150,000
Fines and forfeitures				734,329	-	734,329
Unrestricted investment earnings				419,330	16,304	435,634
Reimbursement				2,321,773	-	2,321,773
Miscellaneous				3,302,845	148,966	3,451,811
Total general revenues				<u>20,382,494</u>	<u>2,287,394</u>	<u>22,669,888</u>
Change in net assets				(3,852,997)	1,470,486	(2,382,511)
Net assets at beginning of year				<u>14,870,936</u>	<u>4,999,833</u>	<u>19,870,769</u>
Prior period adjustment:						
Correction to Capital Asset Values				(271)	-	(271)
Health insurance fund moved to Agency Funds				(70,405)	-	(70,405)
Net assets at beginning of year as restated				<u>14,800,260</u>	<u>4,999,833</u>	<u>19,800,093</u>
Net assets - ending				<u>\$ 10,947,263</u>	<u>\$ 6,470,319</u>	<u>\$ 17,417,582</u>

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

BERKELEY COUNTY, WEST VIRGINIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2007

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Coal Severance Tax	E-911 Fee Fund		
<b>ASSETS</b>					
<b>Current:</b>					
Cash and cash equivalents	\$ 2,760,762	\$ 90,890	\$ 106,377	\$ 1,554,711	\$ 4,512,740
Receivables:					
Taxes	478,421	-	-	-	478,421
Due from:					
Other funds	76,612	-	2,471,617	-	2,548,229
Total assets	<u>\$ 3,315,795</u>	<u>\$ 90,890</u>	<u>\$ 2,577,994</u>	<u>\$ 1,554,711</u>	<u>\$ 7,539,390</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 492,830	\$ 16,585	\$ 5,349	\$ 34,545	\$ 549,309
Accrued expenses	238,691	-	-	-	238,691
Due to:					
Other governments	11,220	-	-	-	11,220
Other funds	2,471,617	-	-	76,612	2,548,229
Deferred revenues:					
Tax revenue	320,542	-	-	-	320,542
Total liabilities	<u>3,534,900</u>	<u>16,585</u>	<u>5,349</u>	<u>111,157</u>	<u>3,667,991</u>
<b>Fund balances:</b>					
Reserved for:					
Encumbrances	71,913	-	-	6,199	78,112
Enhanced E-911 Equipment	-	-	-	88,325	88,325
Federal Grants	-	-	-	214,837	214,837
E-911 Operating Cost	-	-	2,572,645	-	2,572,645
Unreserved					
Major Funds	(291,018)	74,305	-	-	(216,713)
Special revenue funds	-	-	-	1,134,193	1,134,193
Total fund balances	<u>(219,105)</u>	<u>74,305</u>	<u>2,572,645</u>	<u>1,443,554</u>	<u>3,871,399</u>
Total liabilities and fund balances	<u>\$ 3,315,795</u>	<u>\$ 90,890</u>	<u>\$ 2,577,994</u>	<u>\$ 1,554,711</u>	<u>\$ 7,539,390</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, 2007

Total fund balances on the governmental fund's balance sheet	\$ 3,871,399
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore not reported in the funds.	
Land	942,627
Buildings and equipment	11,225,168
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds.	
Deferred taxes	320,542
Compensated absences and capital leases, are not due and payable in the current period.	
Compensated absences	(2,112,751)
Leases payable	<u>(3,299,995)</u>
Net assets of governmental activities	<u>\$ 10,946,990</u>

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, 2007

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Coal Severance Tax	E-911 Fee		
<b>REVENUES</b>					
Taxes:					
Ad valorem property taxes	\$ 10,838,058	\$ -	\$ -	\$ -	\$ 10,838,058
Other taxes	2,209,685	-	-	-	2,209,685
Coal severance tax	-	483,783	-	-	483,783
Licenses and permits	-	-	-	65,331	65,331
Intergovernmental:					
Federal	17,980	-	-	237,072	255,052
State	-	-	-	147,758	147,758
Local	-	-	-	3,132	3,132
Charges for services	3,467,056	-	2,159,222	892,374	6,518,652
Fines and forfeits	82,764	-	-	651,565	734,329
Interest and investment earnings	265,309	10,567	-	143,454	419,330
Miscellaneous	2,593,976	-	-	708,596	3,302,572
Reimbursement transfers	2,321,773	-	-	-	2,321,773
<b>Total revenues</b>	<b>21,796,601</b>	<b>494,350</b>	<b>2,159,222</b>	<b>2,849,282</b>	<b>27,299,455</b>
<b>EXPENDITURES</b>					
Current:					
General government	14,425,992	621,258	-	2,723,008	17,770,258
Public safety	8,035,055	-	1,349,837	1,110,225	10,495,117
Health and sanitation	232,954	-	-	88,400	321,354
Culture and recreation	950,850	-	-	-	950,850
Social services	94,125	-	-	-	94,125
Capital outlay	1,295,114	-	2,947,804	312,718	4,555,636
<b>Total expenditures</b>	<b>25,034,090</b>	<b>621,258</b>	<b>4,297,641</b>	<b>4,234,351</b>	<b>34,187,340</b>
<b>(Deficit) of revenues over expenditures</b>	<b>(3,237,489)</b>	<b>(126,908)</b>	<b>(2,138,419)</b>	<b>(1,385,069)</b>	<b>(6,887,885)</b>

BERKELEY COUNTY, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Coal Severance Tax	E-911 Fee		
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ -	\$ -	\$ -	\$ 70,878	\$ 70,878
Transfers (out)	-	-	-	(70,878)	(70,878)
Capital leases	262,417	-	2,947,804	-	3,210,221
<b>Total other financing sources (uses)</b>	<u>262,417</u>	<u>-</u>	<u>2,947,804</u>	<u>-</u>	<u>3,210,221</u>
Excess (deficit) of revenues and other financing sources over expenditures and other uses	(2,975,072)	(126,908)	809,385	(1,385,069)	(3,677,664)
Fund balances - beginning of year	4,470,433	201,213	-	2,899,031	7,570,677
Insurance fund moved to agency funds	-	-	-	(70,408)	(70,408)
Compensated Absences Expensed in prior year	48,794	-	-	-	48,794
Current adjustment; E-911 Fees, see note	(1,763,260)	-	1,763,260	-	-
Fund balances - beginning of year as restated	<u>2,755,967</u>	<u>201,213</u>	<u>1,763,260</u>	<u>2,828,623</u>	<u>7,549,063</u>
Fund balances - ending	<u>\$ (219,105)</u>	<u>\$ 74,305</u>	<u>\$ 2,572,645</u>	<u>\$ 1,443,554</u>	<u>\$ 3,871,399</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, 2007

Net change in fund balances - total governmental funds	\$ (3,677,664)
<p>Capital asset purchases are expensed in fund level financial statement; however, capital assets are capitalized and depreciated over the useful life of the asset in the government wide financials.</p>	
Current expenditures for capital outlay capitalized	1,345,415
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation expense	(1,227,197)
<p>Capital lease proceeds are reported as financing sources in governmental funds and thus contributed to the change in fund balance. Repayment of principal on capital leases is an expenditure in the governmental funds, but it reduces the liability in the statement of net assets.</p>	
Current lease payments recorded as expenditures	411,505
<p>Current additions to compensated absences expense is not reported in the governmental funds but is reported in the government-wide level of activities.</p>	
Current additions to compensated absences expense	(709,557)
<p>Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds. This is the amount deferred taxes increased for the current year.</p>	
Deferred tax revenues	4,228
Change in net assets of governmental activities	<u>\$ (3,853,270)</u>

The notes to the financial statements are an integral part of these 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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance wit Final Budge Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Taxes:						
Ad valorem property	\$ 10,083,927	\$ 10,197,639	\$ 10,838,057	\$ (34,866)	\$ 10,803,191	\$ 605,552
Other taxes	2,665,483	3,138,721	2,209,685	-	2,209,685	(929,036)
Licenses and permits	1,259,683	1,377,545		-	-	(1,377,545)
Intergovernmental:						
Federal	54,580	54,580	17,980	-	17,980	(36,600)
Charges for services	3,473,748	4,467,037	3,467,056	845,857	4,312,913	(154,124)
Fines and forfeits	110,685	110,685	82,764	-	82,764	(27,921)
Interest	167,826	303,461	265,309	-	265,309	(38,152)
Miscellaneous	585,329	635,334	2,593,976	523,808	3,117,784	2,482,450
Transfers	547,184	820,296	2,321,773	(487,920)	1,833,853	1,013,557
Total revenues	<u>18,948,445</u>	<u>21,105,298</u>	<u>21,796,600</u>	<u>846,879</u>	<u>22,643,479</u>	<u>1,538,181</u>
<b>EXPENDITURES</b>						
General government	10,702,296	13,835,688	14,413,486	(346,002)	14,067,484	(231,796)
Public safety	7,158,641	7,111,027	8,035,055	(339,215)	7,695,840	(584,813)
Health and sanitation	182,843	239,375	232,954	-	232,954	6,421
Culture and recreation	743,941	901,877	950,850	-	950,850	(48,973)
Social services	72,000	91,500	94,125	-	94,125	(2,625)
Capital projects	924,238	646,816	1,345,415	310,816	1,656,231	(1,009,415)
Total expenditures	<u>19,783,959</u>	<u>22,826,283</u>	<u>25,071,885</u>	<u>(374,401)</u>	<u>24,697,484</u>	<u>(1,871,201)</u>
(Deficiency) of revenues over expenditures	(835,514)	(1,720,985)	(3,275,285)	1,221,280	(2,054,005)	3,409,382
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital leases	-	-	262,417	-	262,417	262,417
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>262,417</u>	<u>-</u>	<u>262,417</u>	<u>262,417</u>
(Deficiency) of revenues and other financing sources over expenditures and other uses	(835,514)	(1,720,985)	(3,012,868)	1,221,280	(1,791,588)	3,671,799

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, 2007

	<u>Budgeted Amounts</u>		Actual Modified <u>Accrual Basis</u>	Adjustments Budget <u>Basis</u>	Actual Amounts Budget <u>Basis</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>				
Fund balances:						
Reserve for encumbrances	-	-	71,913	-	-	-
Fund balance as previously stated	800,000	4,814,766	4,470,434	-	4,814,766	-
Prior period adjustments:						
P\Y reserve for E-911 Fees	-	-	(1,763,260)	-	-	-
Compensated absence accrued P\Y	-	-	48,794	-	-	-
Fund balances - beginning of year as restated	<u>800,000</u>	<u>4,814,766</u>	<u>2,755,968</u>	<u>-</u>	<u>4,814,766</u>	<u>-</u>
Fund balances - ending	<u>\$ (35,514)</u>	<u>\$ 3,093,781</u>	<u>\$ (256,900)</u>	<u>\$ 1,221,280</u>	<u>\$ 3,023,178</u>	<u>\$ 3,671,799</u>

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, 2007

	<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>				
<b>REVENUES</b>						
Taxes:						
Coal severance tax	\$ 101,455	\$ 101,455	\$ 483,783	\$ -	\$ 483,783	\$ 382,328
Interest Income	2,044	2,044	10,567	-	10,567	8,523
<b>Total revenues</b>	<b>103,499</b>	<b>103,499</b>	<b>494,350</b>	<b>-</b>	<b>494,350</b>	<b>390,851</b>
<b>EXPENDITURES</b>						
General government	301,213	301,213	621,258	-	621,258	(320,045)
Contingency	3,499	3,499	-	-	-	3,499
<b>Total expenditures</b>	<b>304,712</b>	<b>304,712</b>	<b>621,258</b>	<b>-</b>	<b>621,258</b>	<b>(316,546)</b>
Excess (deficiency) of revenues over (under) expenditures	(201,213)	(201,213)	(126,908)	-	(126,908)	74,305
Fund balances - beginning	201,213	201,213	201,213	-	201,213	-
Fund balances - ending	\$ -	\$ -	\$ 74,305	\$ -	\$ 74,305	\$ 74,305

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, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>2,368,354</u>
<b>LIABILITIES</b>	
Due to other governments	\$ 1,087,129
Other payables	<u>1,281,225</u>
Total Liabilities	\$ <u>2,368,354</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, 2007**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as noted, the accounting policies of the 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 cannot be determined.

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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*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 and contributed operating grants as stated:

<u>Name of Organization</u>	<u>Operating Grant</u>
Berkeley County Landmark Commission	\$ 10,085
Berkeley County Historical Society	4,500
Eastern WV Regional Airport	11,250
Berkeley County Health Dept.	60,250
Berkeley County Solid Waste Authority	144,593
Martinsburg-Berkeley County Parks and Recreation	300,451
Martinsburg-Berkeley County Convention and Visitor's Center	135,450
Berkeley County Public Library	579,949
Berkeley County Senior Services	52,125
Eastern Panhandle Transit Authority	42,000
Berkeley County Development Authority	<u>300,000</u>
 Total grants contributed	 <u>\$ 1,640,653</u>

**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.

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The E-911 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 blended 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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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.

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.

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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 Taxes Receivable*

Property taxes receivable were estimated to be \$501,609; this amount is net of an allowance for uncollectable taxes of \$126,530 and represent approximately 80% percent of the property taxes outstanding at June 30, 2007.

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 of 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, 2007, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense Per \$100
Class I	\$ 6,714,576	10.01 Cents
Class II	\$ 2,503,551,771	20.02 Cents
Class III	\$ 1,093,573,217	40.04 Cents
Class IV	\$ 361,529,361	40.04 Cents

3. Inventories and Prepaid Items

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

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

**4. Restricted Assets**

Certain assets of the Berkeley County Building Commission are classified as restricted assets because their use is restricted by bond or loan 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 County capitalized \$1,153,039 of interest expense, net of \$219,857 of interest income, for the year ended June 30, 2007.

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, 2007**

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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

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.

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, 2007**

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

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

<u>Description</u>	<u>Amount</u>
Increase in Ad Valorem Taxes revenue	\$ 113,712
Increase in other tax revenue	473,238
Increase in license and permits revenue	117,862
Increase in charges for service revenue	993,289
Increase in interest revenue	135,635
Increase in miscellaneous revenues	50,005
Increase in reimbursements revenue	273,112
Increase in general government expenditures	3,133,392
Increase in health and sanitation expenditures	56,532
Increase in culture and recreation expenditures	157,936
Decrease in public safety expenditures	(47,614)
Decrease in capital outlay expenditures	(277,422)

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

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2007, expenditures exceeded appropriations in several non major special revenue funds. These over expenditures were funded by available fund balance.

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Prime Obligations Fund	Daily	\$ 4,560,517
Total investments		<u>\$ 4,560,517</u>

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 the 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 issue equals or exceeds 5% of the total amount of investments. At year end, the government had the following investments held with these issuers:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percent</u>
Prime Obligations Fund	\$ 4,560,517	100%

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, 2007, the County reported deposits of \$4,512,740; of the bank balance, \$100,000 was covered by Federal Deposit Insurance Corporation coverage. The remaining balance of \$4,412,740 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

A reconciliation of cash and investments as shown on the Statement of Net Assets of the primary government is as follows:

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

Primary government:		
Cash and cash equivalents	\$	4,512,740
Total	\$	4,512,740

**B. Receivables**

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

		General
Receivables:		
Taxes	\$	604,951
Gross Receivables		604,951
Less allowance for Uncollectible		126,530
Net Total Receivables	\$	478,421

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

		Unavailable
Deferred tax revenue (General Fund)	\$	320,542

**C. Capital Assets**

The County restated the following capital asset balances and accumulated depreciation as June 30, 2007 for the Primary Government:

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

Primary Government:

	Beginning Balance as Previously Stated	Increases	Decreases	Ending Balance Restated
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land - restated	\$ 920,205	\$ 22,421	\$ -	\$ 942,626
Capital assets being depreciated:				
Buildings	4,443,137	766,670	-	5,209,807
Improvements	2,519,986	-	(808,851)	1,711,135
Equipment	5,420,804	19,760	-	5,440,564
Less: Total accumulated depreciation	(4,464,507)	-	-	(4,464,507)
Total capital assets being depreciated, net	7,919,420	786,430	(808,851)	7,896,999
Governmental activities capital assets, net	<u>\$ 8,839,625</u>	<u>\$ 808,851</u>	<u>\$ (808,851)</u>	<u>\$ 8,839,625</u>
Current changes in capital assets:				
Governmental activities:				
	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 942,627	\$ -	\$ -	\$ 942,627
Total capital assets not being depreciated	942,627	-	-	942,627
Capital assets being depreciated:				
Buildings	5,209,807	-	-	5,209,807
Improvements	1,711,133	14,432	-	1,725,565
Equipment	5,440,560	4,637,642	-	10,078,202
Total assets being depreciated	12,361,500	4,652,074	-	17,013,574
Less: Total accumulated depreciation	4,464,504	1,278,856	-	5,743,360
Total capital assets being depreciated, net	7,896,996	10,583,004	-	11,270,214
Governmental activities capital assets, net	<u>\$ 8,839,623</u>	<u>\$ 10,583,004</u>	<u>\$ -</u>	<u>\$ 12,212,841</u>

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

Blended Component Unit

<u>Building Commission</u>	Balance at 7/1/2006	Increases	Decreases	Balance at 6/30/2007
Capital assets, not being depreciated:				
Land	\$ 1,241,963	\$ 1,013,164	\$ 0	\$ 2,255,127
Buildings, improvements, and equipment	4,076,444	31,032,696	0	35,109,140
Construction in progress and capitalized interest	1,662,591	933,183	(2,595,774)	0
Construction in progress	<u>19,524,818</u>	<u>7,445,991</u>	<u>(26,210,013)</u>	<u>760,796</u>
Total capital assets not being depreciated	<u>26,505,816</u>	<u>40,425,034</u>	<u>(28,805,787)</u>	<u>38,125,063</u>

Capital assets Net of Depreciation

A summary of changes in capital assets net of depreciation and values based on current and prior year depreciation allowance:

	Balance at 7/1/2006	Accumulated Depreciation Increases	Decreases	Balance at 6/30/2007
Land	2,255,127			2,255,127
Buildings, Improvements, and Equipment	35,109,140	374,151	552,440	34,182,549
Construction Work in progress	<u>760,796</u>	<u>0</u>	<u>0</u>	<u>760,796</u>
Business-type activities capital assets, net	<u>\$ 38,125,063</u>	<u>\$ 374,151</u>	<u>\$ 552,440</u>	<u>\$ 37,198,472</u>

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

Governmental activities:

General government	\$ 859,188
Public safety	389,081
Health and sanitation	5,423
Culture and recreation	2,193
Social services	<u>22,972</u>
Total depreciation expense-governmental activities	<u>\$ 1,278,857</u>

Business-type activities:

Berkeley County Building Commission	<u>\$ 552,440</u>
Total depreciation expense - business-type activities	<u>\$ 552,440</u>

**BERKELEY COUNTY, WEST VIRGINIA**  
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**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2007, 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>2,471,617</u>
Total		\$ <u><u>2,471,617</u></u>

Interfund Transfers:

<u>Transferred from fund:</u>	<u>Transferred to fund:</u>	<u>Reason for transfer</u>	<u>Amount</u>
General County	Community Partnership Grant	Contribution	\$ 3,133
Dog and Kennel	General County Fund	Reimbursement	62,439
Magistrate Court	General County Fund	Reimbursement	75,000
Worthless Check	General County Fund	Reimbursement	16,510
Home Confinement	General County Fund	Reimbursement	105,306
Fiduciary	General County Fund	Reimbursement	114,575
Engineer Special Fees	General County Fund	Reimbursement	847,689
Rainy Day	General County Fund	Reimbursement	398,123
Assessor Valuation	General County Fund	Reimbursement	417,472
Cops Grant	General County Fund	Reimbursement	154,046
Total Transfers			\$ <u><u>2,194,292</u></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.

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The assets acquired through capital leases are as follows:

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

Due in fiscal year ending June 30, 2008	\$ <u>25,589</u>
Total minimum lease payments	25,589
Less: amount representing interest	<u>426</u>
Present value of minimum lease payments.	<u><u>\$ 25,163</u></u>

2. A lease purchase agreement dated October 2002 for office equipment payable to Xerox in 60 monthly installments of \$185 ending October 2007.

Due in fiscal year ending June 30, 2008	\$ <u>557</u>
Total minimum lease payments	557
Less amount representing interest	<u>9</u>
Present value of minimum lease payments.	<u><u>\$ 548</u></u>

3. A lease purchase agreement dated August 2003 for a 2004 Ford Cruiser payable to the Bank of Clarke County in 48 monthly installments of \$477 with a final payment due July 2007.

Due in fiscal year ending June 30, 2008	\$ <u>477</u>
Total minimum lease payments	477
Less amount representing interest	<u>2</u>
Present value of minimum lease payments.	<u><u>\$ 475</u></u>

4. A lease purchase agreement dated September 2003 for a Xerox Copy Center payable to Xerox Finance in 60 monthly installments of \$153 with a final payment due August 2008.

Due in fiscal year ending June 30, 2008	\$ 1,836
Due in fiscal year ending June 30, 2009	<u>306</u>
Total minimum lease payments	2,142
Less amount representing interest	<u>128</u>
Present value of minimum lease payments.	<u><u>\$ 2,014</u></u>

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5. A lease purchase agreement dated September 2003 for a Xerox CC55H Copier payable to Xerox in 60 monthly installments of \$357 ending August 5, 2008.

Due in fiscal year ending June 30, 2008	\$ 4,280
Due in fiscal year ending June 30, 2009	<u>1,070</u>
Total minimum lease payments	5,350
Less amount representing interest	<u>297</u>
Present value of minimum lease payments	<u><u>\$ 5,053</u></u>

6. A lease purchase agreement dated September 2003 for a Xerox DC440A Copier payable to Xerox in 48 monthly installments of \$328 ending August 2008.

Due in fiscal year ending June 30, 2008	\$ <u>983</u>
Total minimum lease payments	983
Less amount representing interest	<u>5</u>
Present value of minimum lease payments	<u><u>\$ 978</u></u>

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

Due in fiscal year ending June 30, 2008	\$ <u>2,287</u>
Total minimum lease payments	2,287
Less amount representing interest	<u>30</u>
Present value of minimum lease payments	<u><u>\$ 2,257</u></u>

8. A lease purchase agreement dated March 2004 for a 2004 Ford Ranger 4X4 Super Cab payable to Ford Motor Credit in 4 annual installments of \$5,138 with a final payment due March 2008.

Due in fiscal year ending June 30, 2008	\$ <u>5,138</u>
Total minimum lease payments	5,138
Less amount representing interest	<u>193</u>
Present value of minimum lease payments	<u><u>\$ 4,945</u></u>

**BERKELEY COUNTY, WEST VIRGINIA**  
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9. A lease purchase agreement dated March 2004 for a 2004 Ford Ranger 4X4 Super Cab payable to Ford Motor Credit in 4 annual installments of \$5,080 with a final payment due March 2008.

Due in fiscal year ending June 30, 2008	\$ <u>5,080</u>
Total minimum lease payments	5,080
Less amount representing interest	<u>190</u>
Present value of minimum lease payments	\$ <u><u>4,890</u></u>

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

Due in fiscal year ending June 30, 2008	\$ 125,582
Due in fiscal year ending June 30, 2009	<u>104,652</u>
Total minimum lease payments	230,234
Less amount representing interest	<u>15,872</u>
Present value of minimum lease payments	\$ <u><u>214,362</u></u>

11. A lease purchase dated July 2004 for Office Equipment payable to Court Square Leasing in 36 monthly installments of \$102 ending July, 2007.

Due in fiscal year ending June 30, 2008	\$ 102
Total minimum lease payments	102
Less amount representing interest	<u>-</u>
Present value of minimum lease payments	\$ <u><u>102</u></u>

12. A lease purchase dated December, 2004 for a 2005 Crown Victoria Police Cruiser payable to Comvest Ltd in 48 monthly installments of \$503 ending December, 2008.

Due in fiscal year ending June 30, 2008	\$ 6,036
Due in fiscal year ending June 30, 2009	<u>3,013</u>
Total minimum lease payments	9,049
Less amount representing interest	<u>377</u>
Present value of minimum lease payments	\$ <u><u>8,672</u></u>

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13. A lease purchase dated August 2004 for a Savin C3828 Copier payable to Court Square Leasing in 60 monthly installments of \$246 with a final payment due August 2009.

Due in fiscal year ending June 30, 2008	2,952
Due in fiscal year ending June 30, 2009	2,952
Due in fiscal year ending June 30, 2010	\$ <u>492</u>
Total minimum lease payments	6,396
Less amount representing interest	<u>460</u>
Present value of minimum lease payments	\$ <u><u>5,936</u></u>

14. A lease purchase dated August 2004 for Xerox Office Equipment payable to Xerox Finance in 60 monthly installments of \$165 with a final payment due August 2008.

Due in fiscal year ending June 30, 2008	1,984
Due in fiscal year ending June 30, 2009	\$ <u>331</u>
Total minimum lease payments	2,315
Less amount representing interest	<u>460</u>
Present value of minimum lease payments	\$ <u><u>1,855</u></u>

15. A lease purchase dated September 2004 for a 2004 Crown Victoria Police Cruiser payable to Comvest Ltd in 48 monthly installments of \$477 with a final payment due September 2008.

Due in fiscal year ending June 30, 2008	\$ 5,729
Due in fiscal year ending June 30, 2009	<u>1,432</u>
Total minimum lease payments	7,161
Less amount representing interest	<u>376</u>
Present value of minimum lease payments	\$ <u><u>6,785</u></u>

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

Due in fiscal year ending June 30, 2008	\$ 5,818
Due in fiscal year ending June 30, 2009	<u>1,939</u>
Total minimum lease payments	7,757
Less amount representing interest	<u>420</u>
Present value of minimum lease payments.	\$ <u><u>7,337</u></u>

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17. A lease purchase dated March 2005 for Fax Machine payable to Court Square Leasing in 36 monthly installments of \$62 ending March 2008.	
Due in fiscal year ending June 30, 2008	\$ 558
Total minimum lease payments	558
Less amount representing interest	<u>21</u>
Present value of minimum lease payments.	<u>\$ 537</u>
18. A lease purchase dated March, 2005 for a 2005 Crown Victoria payable to Comvest Ltd in 48 monthly installments of \$488 ending February, 2009.	
Due in fiscal year ending June 30, 2008	\$ 5,859
Due in fiscal year ending June 30, 2009	<u>3,906</u>
Total minimum lease payments	9,765
Less amount representing interest	<u>619</u>
Present value of minimum lease payments	<u>\$ 9,146</u>
19. A lease purchase dated July 2005 for a (2) Xerox CC123 Copiers payable to Xerox Finance in 60 monthly installments of \$285 with a final payment due July 2010.	
Due in fiscal year ending June 30, 2008	\$ 3,415
Due in fiscal year ending June 30, 2009	3,415
Due in fiscal year ending June 30, 2010	3,415
Due in fiscal year ending June 30, 2011	<u>285</u>
Total minimum lease payments	10,530
Less amount representing interest	<u>1,070</u>
Present value of minimum lease payments	<u>\$ 9,460</u>
20. A lease purchase dated July, 2005 for a 2006 Crown Victoria payable to Comvest Ltd in 48 monthly installments of \$477 ending September, 2008.	
Due in fiscal year ending June 30, 2008	\$ 5,729
Due in fiscal year ending June 30, 2009	<u>1,432</u>
Total minimum lease payments	7,161
Less amount representing interest	<u>376</u>
Present value of minimum lease payments	<u>\$ 6,785</u>

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21. A lease purchase dated November 2005 for (3) Xerox CC232 Copiers payable to Xerox in 60 monthly installments of \$377 with a final payment due December, 2010.

Due in fiscal year ending June 30, 2008	\$	4,526
Due in fiscal year ending June 30, 2009		4,526
Due in fiscal year ending June 30, 2010		4,526
Due in fiscal year ending June 30, 2011		<u>1,885</u>
 Total minimum lease payments		 15,463
Less amount representing interest		<u>1,664</u>
 Present value of minimum lease payments	 \$	 <u><u>13,799</u></u>

22. A lease purchase dated September 2006 Xerox Fax Machine payable to Xerox Finance in 60 monthly installments of \$165 with a final payment due September 2011.

Due in fiscal year ending June 30, 2008	\$	1,980
Due in fiscal year ending June 30, 2009		1,980
Due in fiscal year ending June 30, 2010		1,980
Due in fiscal year ending June 30, 2011		1,980
Due in fiscal year ending June 30, 2012		<u>330</u>
 Total minimum lease payments		 8,250
Less amount representing interest		<u>912</u>
 Present value of minimum lease payments	 \$	 <u><u>7,338</u></u>

23. A lease purchase dated January, 2006 with the first payment due January 2007 for Communication Center Equipment and payable to Motorola, Inc. in 10 annual installments of \$337,535 ending January 2016.

Due in fiscal year ending June 30, 2008	\$	337,535
Due in fiscal year ending June 30, 2009		337,535
Due in fiscal year ending June 30, 2010		337,535
Due in fiscal year ending June 30, 2011		337,535
Due in fiscal year ending June 30, 2012		337,535
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		 3,037,815
Less amount representing interest		<u>759,454</u>
 Present value of minimum lease payments	 \$	 <u><u>2,278,361</u></u>

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24. A lease purchase dated August, 2006 for a Xerox Copier payable to Xerox Finance in 48 monthly installments of \$303 and ending September 2010.

Due in fiscal year ending June 30, 2008	\$	3,636
Due in fiscal year ending June 30, 2009		3,636
Due in fiscal year ending June 30, 2010		3,636
Due in fiscal year ending June 30, 2011		<u>606</u>
Total minimum lease payments		11,514
Less amount representing interest		<u>936</u>
Present value of minimum lease payments	\$	<u><u>10,578</u></u>

25. A lease purchase dated September, 2006 for a Sharp Copier and payable to Sharp Electronics Company in 60 monthly installments of \$231 ending September 2011.

Due in fiscal year ending June 30, 2008	\$	2,772
Due in fiscal year ending June 30, 2009		2,772
Due in fiscal year ending June 30, 2010		2,772
Due in fiscal year ending June 30, 2011		2,772
Due in fiscal year ending June 30, 2012		<u>462</u>
Total minimum lease payments		11,550
Less amount representing interest		<u>1,276</u>
Present value of minimum lease payments	\$	<u><u>10,274</u></u>

26. A lease purchase dated November, 2006 for Ivotronic Voting Equipment and payable to State of WV in 60 monthly installments of \$4,000 ending October 2011.

Due in fiscal year ending June 30, 2008	\$	48,000
Due in fiscal year ending June 30, 2009		48,000
Due in fiscal year ending June 30, 2010		48,000
Due in fiscal year ending June 30, 2011		48,000
Due in fiscal year ending June 30, 2012		<u>20,000</u>
Total minimum lease payments		212,000
Less amount representing interest; this agreement is to be free of interest.		<u>22,550</u>
Present value of minimum lease payments	\$	<u><u>189,450</u></u>

**BERKELEY COUNTY, WEST VIRGINIA**  
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27. A lease purchase dated January 1, 2007 for E-911 Vesta Equipment payable to Verizon Credit in 48 monthly installments of \$11,662.89 ending January 2012.

Due in fiscal year ending June 30, 2008	\$ 139,955
Due in fiscal year ending June 30, 2009	139,955
Due in fiscal year ending June 30, 2010	139,955
Due in fiscal year ending June 30, 2011	<u>81,641</u>
 Total minimum lease payments	 501,505
Less amount representing interest; this agreement is to be free of interest.	<u>45,972</u>
 Present value of minimum lease payments	 <u>\$ 455,533</u>

28. A lease purchase dated January, 2007 for a Xerox WCP 3545 Workcenter payable to Xerox Finance in 60 monthly installments of \$365 ending January 2012.

Due in fiscal year ending June 30, 2008	\$ 4,379
Due in fiscal year ending June 30, 2009	4,379
Due in fiscal year ending June 30, 2010	4,379
Due in fiscal year ending June 30, 2011	4,379
Due in fiscal year ending June 30, 2012	<u>2,190</u>
 Total minimum lease payments	 19,706
Less amount representing interest	<u>2,342</u>
 Present value of minimum lease payments	 <u>\$ 17,364</u>

Total Leases:

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

Due in fiscal year ending June 30, 2008	752,773
Due in fiscal year ending June 30, 2009	667,231
Due in fiscal year ending June 30, 2010	546,690
Due in fiscal year ending June 30, 2011	479,083
Due in fiscal year ending June 30, 2012	360,517
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	 4,156,433
Less amount representing interest	<u>856,438</u>
 Present value of minimum lease payments	 <u>\$ 3,299,995</u>

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F. Long-Term Debt

Building Commission, a Blended Component Unit General Revenue Bonds

The Building Commission had the following long-term debt outstanding at June 30, 2007

1. Series 1999 general revenue bonds, original face value of \$600,000, payable in annual installments, \$ with principal and interest beginning September 30, 2000, at 6% interest and concluding September 30, 2009, issued for the acquisition of the office building known as the Spring Street Building located at 205 East King Street, Martinsburg, WV.	292,956
2. 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.	9,475,000
3. 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.	8,710,000
4. 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.	9,670,000
5. 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.	5,300,000
6. Series 2007 general revenue bonds, original face value of \$3,185,000 with interest payable in quarterly installments, and principal payable in annual installments, beginning September 21, 2007 at 3.77% and concluding June 30, 2008, issued to provide funding to purchase additional property to be used as part of the Judicial Center.	3,184,892
Total long term debt	<u>\$ 36,632,848</u>

**BERKELEY COUNTY, WEST VIRGINIA**  
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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 Activities		
	Principal	Interest	Total
2008	\$ 3,946,923	\$ 1,608,845	\$ 5,555,768
2009	787,520	1,463,520	2,251,040
2010	813,405	1,439,644	2,253,049
2011	745,000	1,402,822	2,147,822
2012	765,000	1,376,666	2,141,666
2013 - 2017	4,280,000	6,423,852	10,703,852
2018 - 2022	5,245,000	5,438,154	10,683,154
2023 - 2027	6,560,000	4,104,530	10,664,530
2028 - 2032	8,295,000	2,333,019	10,628,019
2033 - 2037	5,195,000	563,625	5,758,625
Totals	\$ 36,632,848	\$ 26,154,677	\$ 62,787,525

Changes in General Long-Term Liabilities

Governmental Activities

	Beginning Balances 6/30/2006	Current Additions	Current Reductions	Ending Balance 6/30/2007	Due Within One Year
Capital leases-restated	\$ 501,279	\$ 3,210,221	\$ (411,505)	\$ 3,299,995	\$ 752,773
Compensated absences	1,403,195	709,556	-	2,112,751	-
Governmental activities Long-term liabilities	\$ 1,904,474	\$ 3,919,777	\$ (411,505)	\$ 5,412,746	\$ 752,773

Blended Component Unit - Building Commission

	Beginning Balance 6/30/2006	Additions	Reductions	Ending Balance 6/30/2007
<u>General Revenue Bonds</u>				
1999 Series Bonds	\$ 379,777	\$ 0	\$ 86,822	\$ 292,956
2004A Series Bonds	9,700,000	0	225,000	9,475,000
2004B Series Bonds	8,875,000	0	165,000	8,710,000
2005 Series Bonds	9,800,000	0	130,000	9,670,000
2006 Series Bonds	0	5,300,000	0	5,300,000
2007 Series Bonds	0	3,184,892	0	3,184,892
Total bonds payable	\$ 28,754,777	\$ 8,484,892	\$ 606,822	\$ 36,632,848

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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	\$ 0	\$ 4,560,517
E911 Fees, General County Fund, Fund #001	2,417,617	0
E911 Fees, Fund #019	106,377	0
Enhanced E-911 Equipment, Fund #037	99,325	0
Total restricted assets	\$ 2,623,319	\$ 4,560,517

H. Restated balances:

Primary Government:

Major Funds Group

Reserve Balance as Stated June 30, 2006

During the Fiscal Year Ended June 30, 2007, the amount reported as a reserve for E-911 Fees was restated. The amount presented in the June 30, 2006 financial statement prepared by an outside service provider did not agree with the summary revenues and expenditures maintained by the finance department for E-911 Fees. The reserve for E-911 Fees was restated as follows:

General County Fund:

	Reserve Balance as Stated June 30, 2006	Increases	Decreases	Reserve Balance as Restated June 30, 2006
Fund balance reserved for E-911 Fees	\$ 1,988,803	\$ -	\$ 225,543	\$ 1,763,260

Primary Government:

Major Funds Group

During the Fiscal Year Ended June 30, 2007, Fund 19A, E-911 Fee Fund, was created by an Order of the Berkeley County Commission. Upon creation of Fund 19A, certain account balances in the General County Fund were restated prior to closing entries to account for E-911 Fees held in the fund. Account balances were restated as follows:

General County Fund:

	Beginning Account Balance as of June 30, 2006	Increases	Decreases	Beginning Account Balances June 30, 2006 restated
Reserved for E-911 Fees-restated	\$ 1,988,803	-	225,543	2,214,346
Unreserved fund balance	2,006,459	\$ 225,543	\$ -	\$ 2,232,002
Totals	\$ 3,995,262	225,543	225,543	4,446,348

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Primary Government:

Major Funds Group

During the Fiscal Year Ended June 30, 2007, most revenues and expenditures for E-911 Fees were accounted for in the General County Fund. Of the E-911 Fees accounted for in the General Fund, a surplus of revenues over expenditures was realized in the amount of \$708,357. That surplus was added to the existing balance reported as Reserved for E-911 Fees June 30, 2006 and reclassified as due other funds as follows:

General County Fund:

Reclassification of existing balances:

	Beginning Reserved Balance June 30, 2006	Current Increases	Decreases	Account Balance at June 30, 2007 after restatement
Due other funds	\$ 1,763,260	\$ 708,357	\$ -	\$ 2,471,617

Primary Government:

Special Revenue Fund Group

For the Fiscal Year Ended June 30, 2007, the county restated the beginning fund balance total for the Special Revenue Fund Account Group to eliminate the balance of the Health Insurance Program. That fund should have been included in the Agency Fund Total. The fund balance was restated as follows:

	Fund balance as previously stated July 1, 2006	Increases	Decreases	Fund Balance as Restated July 1, 2006
Special Revenue Fund Balance	\$ 2,899,030	\$ -	\$ 70,407	\$ 2,828,623

**BERKELEY COUNTY, WEST VIRGINIA**  
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Primary Government:

Capital Assets:

The County restated the following capital asset balances and accumulated depreciation as of June 30, 2006:

	Beginning Balance as Previously Stated	Increases	Decreases	Ending Balance Restated
Capital assets, not being depreciated:				
Land	\$ 920,205	\$ 22,422	\$ -	\$ 942,627
Total capital assets not being depreciated	<u>920,205</u>	<u>22,422</u>	<u>-</u>	<u>942,627</u>
Capital assets being depreciated:				
Buildings - restated	4,443,137	766,670	-	5,209,807
Improvements - restated	2,519,986	-	(809,126)	1,710,860
Equipment - restated	5,420,804	19,760	-	5,440,564
Less: Total accumulated depreciation	<u>(4,464,504)</u>	<u>-</u>	<u>-</u>	<u>(4,464,504)</u>
Total capital assets being depreciated, net	<u>7,919,423</u>	<u>786,430</u>	<u>(809,126)</u>	<u>7,896,727</u>
Governmental activities capital assets, net	<u>\$ 8,839,628</u>	<u>\$ 808,852</u>	<u>\$ (809,126)</u>	<u>\$ 8,839,354</u>

V. Other Information

A. Supplemental Disclosure of Cash Flow Information

The Building Commission capitalized \$1,153,039 of interest expense, net of \$219,857 of interest income for the year ended June 30, 2007.

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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**B. Leases in Financial Statements of Lessors**

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

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

Minimum future rentals to be received on non-cancelable leases as of June 30, 2007 for each of the next four years and in the aggregate are \$150,000 per year and \$450,000, respectively.

**C. Risk Management**

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

**D. Contingent Liabilities**

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

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

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

**E. Deferred Compensation Plan**

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

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

**F. Other Post Employment Benefits**

The government applies 100% percent of unused sick leave that the employee has accumulated as of their retirement date to apply to the premiums of their retirees until all of the retirees' sick leave is used for premiums. The retiree can then choose to pay 100 percent of the premium to continue coverage. The government's regular health, vision and dental care providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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

**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 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
Funding policy and contribution rates	PERS members are required to contribute 4.5% of their salary, and the County is required to contribute 10.5%. The contribution requirements for PERS members are established and may be amended only by the State of West Virginia Legislature. The County's contribution to the PERS for the fiscal year ended June 30, 2007 totaled \$269,923 for the employees' share and \$629,821 for the employer share.
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death	Yes

**BERKELEY COUNTY, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007**

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A.2 Trend Information-Public Employees' Retirement System

**County Employees Other than Deputy Sheriffs**

Fiscal Year	Annual Pension	Percentage
	Cost	Contributed
2007	\$ 899,744	100%
2006	\$ 763,427	100%
2005	\$ 573,133	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.

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 9.5%. The contribution requirements of WVDRS members are established and may be amended only by the State of West Virginia Legislature. The government's contribution to WVDRS for the current fiscal year ending was \$173,978 for employees' share and \$214,914 for employer's share.

Period required to vest:

Five years

Benefits and eligibility for distribution:

A member who has attained age 60 and has earned 5 or more years of contributing service or age 50 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.

**BERKELEY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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Annual pension cost and amount contributed:

For the current fiscal year ended, the annual cost was \$388,893 for all covered employees with a contributed percentage of 100%.

**B.2 Trend Information-West Virginia Deputy Sheriff's Retirement System (WVDSR)**

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2007	\$ 388,893	100%
2006	\$ 316,916	100%
2005	\$ 280,778	100%

**B.3 Financial report availability:** WVDRS 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.

***SUPPLEMENTARY INFORMATION***

BERKELEY COUNTY, WEST VIRGINIA  
 BUDGETARY COMPARISON SCHEDULE -  
 ASSESSOR'S VALUATION FUND  
 For the Fiscal Year Ended June 30, 2007

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

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

***ACCOMPANYING INFORMATION***

**Lisa K. Thornburg, CPA**

2514 Bedford Chapel Road  
Milton, West Virginia 25541  
(304) 743-8192

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

Honorable Members of the County  
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, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 30, 2009. 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 2007-01 through 2007-05.

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 2007-01 through 2007-05 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

December 30, 2009

**BERKELEY COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2007**

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Cash on Hand in Sheriff's Tax Office  
2007-01

**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.

**BERKELEY COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2007**

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Committee Accounts Recordkeeping

2007-02

**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. Some ledger entries did not agree with the payee on the check.
8. 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.

**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.

**BERKELEY COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2007**

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Reporting of Deposit Composition - Circuit Clerk

2007-03

**CONDITION:**

We noted that the combination of cash verses non-cash items, reported and deposited by the Office of the Circuit Clerk did not match in numerous instances.

**CRITERIA:**

Internal controls provided by accurate receipting practices which indicate the type of payment (i.e. cash, check, or money order) enhance the confirmation that items deposited match the items received.

**CAUSE:**

Controls are not in place to cause the accurate indication of the type of item received.

**EFFECT:**

The lack of consistent accuracy in receipting increases the risk that errors or irregularities in recording, processing, summarizing, and reporting financial data could occur and not be detected in a timely manner.

**RECOMMENDATION:**

The Office of the Circuit Clerk should take the steps required to regularly monitor and confirm that personnel who issue receipts are recording the proper information regarding the type of payment received.

**MANAGEMENT'S RESPONSE: (unaudited)**

The Circuit Clerk has advised that this issue will be addressed with the appropriate staff for the purpose of reporting correct information.

**BERKELEY COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2007**

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Balances Due Third Parties - Circuit Clerk

2007-04

**CONDITION:**

We noted that while significant progress has been made, the Office of the Circuit Clerk does not have a detailed schedule of obligations to match the amount of money being held for third parties.

**CRITERIA:**

Proper reconciliation of financial obligations with funds available require that the identification of all amounts owed and the parties involved be matched to available funds at any point in time.

**CAUSE:**

Controls have not been in place to assure the regular and complete matching of third party obligations to available funds.

**EFFECT:**

The lack of a complete schedule of obligations and the reconciliation of those obligations to available funds increases the risk that errors or irregularities in recording, processing, summarizing, and reporting financial data could occur and not be detected in a timely manner.

**RECOMMENDATION:**

The Office of the Circuit Clerk should continue efforts to complete the reconciliation of obligations and available funds.

**MANAGEMENT'S RESPONSE: (unaudited)**

The Circuit Clerk has advised that she will cause a renewed effort toward the above described reconciliation by use of automated resources such as the automated report that lists collections that have not yet been distributed.

**BERKELEY COUNTY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2007**

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Documentation for Expenditures

2007-05

**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.

**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.