

BERKELEY COUNTY FIRE SERVICE BOARD

FINANCIAL STATEMENTS

June 30, 2009 and 2008

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BERKELEY COUNTY FIRE SERVICE BOARD

BOARD OF DIRECTORS

June 30, 2009

NAME	TITLE	TERM
David Ditto	Chairman	03/06/2006 - 03/01/2009 *
Roger Williams	Vice-Chairman	12/08/2005 - 03/01/2011
Rodney Crowell	Board Member	08/01/2007 - 03/07/2010
Gregory Noll	Board Member	03/19/2009 - 03/19/2012
Gregory Rhoe	Board Member	01/08/2009 - 12/31/2011
Tom Bowers	Board Member	02/01/2007 - 03/01/2011
William Stubblefield	Board Member	Commission Representative
Hunter Wilson	Board Member	05/28/2009 - 05/28/2012 *

* David Ditto's term was extended by the Board through June 30, 2009 in order to complete the FY-2009-2010 budget; Hunter Wilson was appointed on May 28, 2009 by the Berkeley County Commission.

The Board of Directors consists of three fire service personnel, three citizens, and one Berkeley County Commissioner.

Each member of the board is approved by the Berkeley County Commission and is sworn in by the Berkeley County Clerk. Each board member's term is three years with a two-term limit maximum.

JAMIE L. DAVIS, CPA

A PROFESSIONAL LIMITED
LIABILITY COMPANY

962 MIDDLEWAY PIKE
POST OFFICE BOX 30
INWOOD, WEST VIRGINIA 25428

JAMIE@JLDCPA.COM

TELEPHONE
(304) 229-4609

FACSIMILE
(304) 229-4626

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Honorable Members of the Board
Berkeley County Fire Service Board

We have audited the accompanying financial statements of the governmental activity of the Berkeley County Fire Service Board as of June 30, 2009 and 2008, and for the years then ended which comprises the Board's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the management of Berkeley County Fire Service Board. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in the notes to the financial statements, the Board has implemented the financial accounting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, for the year ended June 30, 2004. However, the Board has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley County Fire Service Board as of June 30, 2009 and 2008, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009 on our consideration of Berkeley County Fire Service Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Jamie L. Davis, CPA, PLLC

Inwood, West Virginia
November 3, 2009

BERKELEY COUNTY FIRE SERVICE BOARD

STATEMENTS OF NET ASSETS

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 223,115	\$ 429,491
Short term investments	24,260	64,665
Fire fees receivable, net	725,010	540,503
Due from Ambulance Authority	4,225	2,205
Prepaid expenses	<u>62,862</u>	<u>50,323</u>
TOTAL CURRENT ASSETS	<u>1,039,472</u>	<u>1,087,187</u>
NONCURRENT ASSETS		
Property and equipment, net of accumulated depreciation	1,772,256	1,894,178
Debt issue costs, net of accumulated amortization	<u>86,201</u>	<u>52,702</u>
TOTAL NONCURRENT ASSETS	<u>1,858,457</u>	<u>1,946,880</u>
OTHER ASSETS		
Construction in progress	<u>1,792,511</u>	<u>726,195</u>
TOTAL ASSETS	<u><u>\$ 4,690,440</u></u>	<u><u>\$ 3,760,262</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 511,646	\$ 119,535
Accrued interest	7,186	8,542
Accrued payroll and related expenses	2,537	4,581
Accrued post employment benefits	12,521	5,533
Loan payable - current portion	<u>196,077</u>	<u>196,077</u>
TOTAL CURRENT LIABILITIES	<u>729,967</u>	<u>334,268</u>
NONCURRENT LIABILITIES		
Loan payable - net of current portion	<u>1,013,015</u>	<u>1,209,091</u>
TOTAL LIABILITIES	<u>1,742,982</u>	<u>1,543,359</u>
NET ASSETS		
Investment in property and equipment, net of related debt	599,087	524,933
Reserved for capital outlay	67,564	283,868
Reserved for debt service	143,988	136,621
Unreserved	<u>2,136,819</u>	<u>1,271,481</u>
TOTAL NET ASSETS	<u>2,947,458</u>	<u>2,216,903</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,690,440</u></u>	<u><u>\$ 3,760,262</u></u>

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

BERKELEY COUNTY FIRE SERVICE BOARD

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
EXPENDITURES		
Fire Protection:		
Salaries and benefits	\$ 96,812	\$ 100,619
Services and supplies	678,139	593,616
Interest on long-term debt	47,849	59,053
Depreciation	136,290	141,371
Amortization	<u>7,841</u>	<u>6,692</u>
Total expenditures	<u>966,931</u>	<u>901,351</u>
GENERAL REVENUES		
Fire fees	1,328,575	1,192,197
Lease income	17,161	21,225
Other revenues:		
Grants	45,792	-
Contributions from Hedgesville VFD	300,000	-
Provision for uncollectible fire fees	-	180,168
Interest	<u>5,958</u>	<u>20,160</u>
Total general revenues	<u>1,697,486</u>	<u>1,413,750</u>
CHANGE IN NET ASSETS	730,555	512,399
NET ASSETS		
Beginning of year	<u>2,216,903</u>	<u>1,704,504</u>
End of year	<u>\$ 2,947,458</u>	<u>\$ 2,216,903</u>

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

BERKELEY COUNTY FIRE SERVICE BOARD

BALANCE SHEETS - GOVERNMENTAL FUND

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 223,115	\$ 429,491
Short term investments	24,260	64,665
Fire fees receivable	13,869	10,962
Due from Ambulance Authority	4,225	2,205
Other current assets	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 265,469</u>	<u>\$ 507,323</u>
LIABILITIES		
Accounts payable	\$ 511,646	\$ 119,535
Accrued payroll and related expenses	2,537	4,581
Accrued post employment benefits	12,521	5,533
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>526,704</u>	<u>129,649</u>
FUND BALANCE		
Reserved for capital outlay	67,564	283,868
Reserved for debt service	143,988	136,621
Unreserved	(472,787)	(42,815)
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>(261,235)</u>	<u>377,674</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 265,469</u>	<u>\$ 507,323</u>

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

BERKELEY COUNTY FIRE SERVICE BOARD

RECONCILIATIONS OF THE GOVERNMENTAL FUND BALANCE SHEETS
TO THE GOVERNMENT - WIDE STATEMENTS OF NET ASSETS

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Total fund balance - governmental fund	\$ (261,235)	\$ 377,674
Total net assets reported for the governmental activity in the Statement of Net Assets is different because:		
Property, equipment, construction in progress, and costs of debt issuance used in the governmental fund are not financial resources and therefore are not reported as assets in the governmental fund.		
Property and equipment, net of accumulated depreciation	1,772,256	1,894,178
Debt issue costs, net of accumulated amortization	86,201	52,702
Construction in progress	1,792,511	726,195
Certain fire fees, considered to be collectible, will not be available soon enough to pay for current year expenditures, and therefore, are not reported as receivable in the governmental fund.		
Fire fees receivable	711,141	529,541
Some expenditures benefiting future periods were paid as of June 30, 2008, thus those amounts are shown as expended in the governmental fund.		
Prepaid expenses	62,862	50,323
Long-term debt is not due and payable in the current period and therefore, is not reported as a liability in the governmental fund.		
Loan payable	(1,209,092)	(1,405,168)
Accrued interest is not due and payable in the current period and therefore, is not reported as a liability in the governmental fund.		
Accrued interest	<u>(7,186)</u>	<u>(8,542)</u>
Net assets of the governmental activity	<u>\$ 2,947,458</u>	<u>\$ 2,216,903</u>

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

BERKELEY COUNTY FIRE SERVICE BOARD

STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Fire fees	\$ 1,146,975	\$ 1,154,207
Contribution from Hedgesville VFD	300,000	-
Grants received	45,793	-
Lease income	17,161	21,225
Interest	5,958	20,160
	<u>1,515,887</u>	<u>1,195,592</u>
Total revenues		
EXPENDITURES		
Capital Outlay	1,080,684	741,376
Debt service - principal	196,076	196,077
Repairs and maintenance	183,130	178,430
Insurance and bonds	145,894	154,283
Uniforms, gear and other non-capital outlay	112,485	19,420
Utilities	83,495	77,173
Supplies	77,021	84,842
Salaries and wages	67,295	69,632
Contracted services	66,988	18,425
Debt service - interest	49,205	56,488
Employee benefits	24,187	25,469
Postage	17,365	18,703
Education	16,217	15,938
Telephone	14,194	18,938
Payroll taxes	5,330	5,517
Printing	4,142	3,127
Dry hydrants	4,045	-
Travel	1,649	1,014
Advertising	1,649	453
Refunds	1,599	2,641
Bank charges	1,549	656
Dues and subscriptions	597	706
	<u>2,154,796</u>	<u>1,689,308</u>
Total expenditures		
Net change in fund balance	(638,909)	(493,716)
BEGINNING FUND BALANCE	<u>377,674</u>	<u>871,390</u>
ENDING FUND BALANCE	<u>\$ (261,235)</u>	<u>\$ 377,674</u>

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

BERKELEY COUNTY FIRE SERVICE BOARD

RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND TO THE GOVERNMENT - WIDE STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Net change in fund balance - governmental fund	\$ (638,909)	\$ (493,716)
The change in net assets reported for the governmental activity in the Statement of Activities is different because:		
Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds.		
Accounts receivable	181,600	37,988
Provision for uncollectible fire fees	<u>-</u>	<u>180,168</u>
	181,600	218,156
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Current year capital outlay	1,122,024	741,376
Less depreciation expense	<u>(136,290)</u>	<u>(141,371)</u>
	985,734	600,005
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Increase in prepaid expenses	12,539	1,134
(Increase) Decrease in accrued interest	<u>1,356</u>	<u>(2,565)</u>
	13,895	(1,431)
Loan repayments are current expenditures to the governmental fund but decreases long-term liabilities in the Statement of Net Assets.		
Loan repayments	196,076	196,077
Other amounts reported in the Statement of Activities that do not require current financial resources.		
Amortization of debt issue costs	<u>(7,841)</u>	<u>(6,692)</u>
Change in net assets of the governmental activity	<u>\$ 730,555</u>	<u>\$ 512,399</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Berkeley County Fire Service Board ("Board") was created by the Berkeley County Commission on May 28, 1986 in accordance with House Bill 1199, duly passed and enrolled by the Legislature of the State of West Virginia on March 10, 1984. The objectives of the Board are to provide for the improvement, advancement, and development of fire services within Berkeley County. The Board has been identified as a component unit to the Berkeley County Commission, accordingly, the financial data of the Board is presented as a discrete component unit of the Berkeley County Commission.

The Board's financial statements include the accounts of all of the Board's operations. The criteria for including organizations as component units within the Board's reporting entity, as set forth by the Governmental Accounting Standards Board's ("GASB") Codification of Government Accounting and Financial Reporting Standards, include:

- 1.) Financial interdependency
- 2.) Selection of governing authority
- 3.) Designation of management
- 4.) Ability to significantly influence operations
- 5.) Accountability for fiscal matters

Based upon the application of these criteria, there were no additional units of government included as part of the reporting entity and the Berkeley County Fire Service Board is considered to be a separate reporting entity.

Basis of Presentation, Measurement Focus, Basis of Accounting

Government-Wide Financial Statements: The Board's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental activities for the Board.

The basic financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Board's assets and liabilities, including capital assets and long-term liabilities are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period the liability is incurred.

Governmental-Fund Financial Statements: The Board's Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Change in Fund Balance for its only fund. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when cash is received, except the revenues subject to accrual, which are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in the governmental fund. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Board defines “available” for purposes of revenue recognition in the governmental fund financial statements to be 30 days.

Governmental Fund Type

General Fund: The General Fund is the operating fund of the Board. It is used to account for all financial resources except those required to be accounted for by another fund. Currently, there are no financial resources required to be accounted for by another fund.

Budgets and Budgetary Accounting

The Board is not required by law to prepare an annual budget. Thus, a comprehensive analysis of actual to budgeted amounts is not presented in the accompanying financial statements.

Cash and Cash Equivalents

The Board considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment purchases are recorded at cost. Donated equipment is recorded at the fair value of the assets at the date of donation. Depreciation is computed by the straight-line method over estimated useful lives of five to thirty-five years.

Inventories

The Board considers inventories of materials and supplies utilized in the governmental fund as expended at the time of purchase. Therefore, they do not appear in the entity's financial statements.

Vacation and Sick Pay

Employees of the Board are entitled to vacation and sick pay in accordance with the length of service which, to the extent earned, is accrued as an expense and liability. Management has deemed this liability immaterial to the financial statements and, accordingly, no liability has been recorded.

Fund Balance Reserve

Fund balance reserves indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Election to Exclude Management's Discussion & Analysis under GASB Statement No. 34

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Also, the GASB issued GASB Statement No.'s 37 and 38 in June 2001 which amended GASB Statement No. 34. These statements establish financial reporting standards for state and local governments by revising the basic financial statement requirements and also requiring a management's discussion and analysis ("MD&A") to introduce the basic financial statements and to provide an analytical overview of the entity's financial activities. For the years ended June 30, 2009 and 2008, management has elected to exclude the MD&A from these financial statements. With the exception of the MD&A, the Board has adopted the provisions of these GASB Statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and deposits presented in the accompanying financial statements were held with banking institutions in either checking or certificate of deposit accounts. The cash deposits held at financial institutions can be categorized according to three levels of risk:

- Category 1 - Deposits which are insured or collateralized with securities held by the Board or by its agent in the Board's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.
- Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the Board's cash and certificates of deposit are classified in the following manner:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>
As of June 30, 2009	\$ -	\$ 123,637	\$ 99,478	\$ 223,115
As of June 30, 2008	\$ -	\$ 200,000	\$ 229,491	\$ 429,491

SHORT-TERM INVESTMENTS

As of June 30, 2009 and 2008, the Board's short-term investments consist solely of certificates of deposit.

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

FIRE FEES RECEIVABLE

At June 30, 2009 and 2008, fire fees receivable including penalties and interest, as reported in the Statement of Net Assets amounted to \$725,010 and \$540,303, respectively. This balance is made up of the following years' levies:

<u>Levy Year</u>	<u>Balance June 30, 2009</u>	<u>Balance June 30, 2008</u>
1988 and Prior	\$ 4,358	\$ 3,510
1989	4,803	5,225
1990	6,672	7,135
1991	8,461	8,855
1992	9,101	9,415
1993	9,920	10,230
1994	12,260	12,320
1995	12,474	12,860
1996	14,381	14,315
1997	17,947	18,150
1998	20,154	20,232
1999	23,573	24,130
2000	29,242	29,290
2001	34,552	34,647
2002	49,240	51,015
2003	57,876	58,447
2004	60,418	60,463
2005	88,689	92,528
2006	96,418	98,095
2007	130,930	149,808
2008	<u>275,211</u>	<u>-</u>
Total Fire Fee Receivable	966,680	720,670
Less reserve for uncollectible fire fees	<u>(241,670)</u>	<u>(180,167)</u>
	<u>\$ 725,010</u>	<u>\$ 540,503</u>

Effective August 1, 2007, the Board cancelled their contract with the collection agency and all subsequent collection of past due fire fees have been handled in-house by the Board's personnel. The Board's reserve for uncollectible fire fees is 25% of the total fire fees outstanding.

PROPERTY AND EQUIPMENT

Fixed assets as of June 30, 2009 and 2008 consist of the following:

	<u>Balance July 1, 2008</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance June 30, 2009</u>
Real Property	\$ 276,460	\$ -	\$ -	\$ 276,460
Equipment	2,591,775	14,368	-	2,606,143
Total	<u>\$ 2,868,235</u>	<u>\$ 14,368</u>	<u>\$ -</u>	<u>\$ 2,882,603</u>

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

PROPERTY AND EQUIPMENT (Continued)

	Balance <u>July 1, 2007</u>	Adjustments and <u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>June 30, 2008</u>
Real Property	\$ 250,000	\$ 26,460	\$ -	\$ 276,460
Equipment	2,587,976	3,799	-	2,591,775
Total	<u>\$ 2,837,976</u>	<u>\$ 30,259</u>	<u>\$ -</u>	<u>\$ 2,868,235</u>

Accumulated depreciation as of June 30, 2009 and 2008 consists of the following:

	Balance <u>July 1, 2008</u>	Adjustments and <u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>June 30, 2009</u>
Real Property	\$ 114,849	\$ 6,393	\$ -	\$ 121,242
Equipment	859,208	129,897	-	989,105
Total	<u>\$ 974,057</u>	<u>\$ 136,290</u>	<u>\$ -</u>	<u>\$ 1,110,347</u>

	Balance <u>July 1, 2007</u>	Adjustments and <u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>June 30, 2008</u>
Real Property	\$ 108,570	\$ 6,279	\$ -	\$ 114,849
Equipment	724,116	135,092	-	859,208
Total	<u>\$ 832,686</u>	<u>\$ 141,371</u>	<u>\$ -</u>	<u>\$ 974,057</u>

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

	Balance <u>July 1, 2008</u>	Additions	<u>Accumulated Depreciation</u>		Balance <u>June 30, 2009</u>
			<u>Prior Year</u>	<u>Current Year</u>	
Real Property	\$ 161,611	\$ -	\$ 114,849	\$ 6,393	\$ 155,218
Equipment	1,732,567	14,368	859,208	129,897	1,617,038
Total	<u>\$ 1,894,178</u>	<u>\$ 14,368</u>	<u>\$ 974,057</u>	<u>\$ 136,290</u>	<u>\$ 1,772,256</u>

	Balance <u>July 1, 2007</u>	Additions	<u>Accumulated Depreciation</u>		Balance <u>June 30, 2008</u>
			<u>Prior Year</u>	<u>Current Year</u>	
Real Property	\$ 141,430	\$ 26,460	\$ 108,570	\$ 6,279	\$ 161,611
Equipment	1,863,860	3,799	724,116	135,092	1,732,567
Total	<u>\$ 2,005,290</u>	<u>\$ 30,259</u>	<u>\$ 832,686</u>	<u>\$ 141,371</u>	<u>\$ 1,894,178</u>

CONSTRUCTION IN PROGRESS

Construction in progress represents all costs incurred for the construction of a new fire station for Hedgesville VFD. The Board has elected to capitalize all direct construction costs and construction period interest of the project until the station is complete. The total costs incurred for the years ended June 30, 2009 and 2008 were \$1,066,316 and \$711,117, respectively.

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

LONG-TERM DEBT OBLIGATIONS

Long-term debt transactions for the years ended June 30, 2009 and 2008 consist of the following:

	Balance <u>July 1, 2008</u>	Adjustments and <u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>June 30, 2009</u>
Total long-term debt	\$ 1,405,168	\$ -	\$ 196,076	\$ 1,209,092

	Balance <u>July 1, 2007</u>	Adjustments and <u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>June 30, 2008</u>
Total long-term debt	\$ 1,601,245	\$ -	\$ 196,077	\$ 1,405,168

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

	<u>2009</u>	<u>2008</u>
A line of credit payable to a bank, not to exceed \$1,960,766, refinancing all prior outstanding loans and capital leases, \$1,626,066 issued May 2004 with \$334,700 issued in January 2005, fixed interest rate of 3.8% per annum payable quarterly beginning August 2004, annual principal payments of 10% of the maximum debt load beginning August 2005 and ending August 2014. The loan is secured by the assets of the Fire Board.	\$ 1,173,169	\$ 1,369,245
Construction loan payable to a bank, originally issued in October 2006 not to exceed \$1,500,000, but restated in December 2008 not to exceed \$2,000,000 to be used for the construction of a fire station for Hedgesville VFD, the note has variable interest beginning at 5.1% per annum, interest is payable in quarterly payments beginning on March 1, 2009, with principal amounts of \$100,000 per year due beginning on December 1, 2010 and ending December 1, 2029. The loan is secured by all assets of the project and is guaranteed by Hedgesville VFD.	35,923	35,923
	<u>\$ 1,209,092</u>	<u>\$ 1,405,168</u>

The annual principal payments on loans subsequent to June 30, 2009, and thereafter, are as follows:

Year Ending <u>June 30,</u>	
2010	\$ 196,077
2011	232,000
2012	196,077
2013	196,077
2014	196,077
Thereafter	192,784
Total	<u>\$ 1,209,092</u>

Berkeley County Fire Service Board

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

LONG-TERM DEBT OBLIGATIONS (Continued)

Interest expense for the years ended June 30, 2009 and 2008 was \$51,680 and \$58,523, respectively. Interest charged to expense was \$47,849 and \$56,488, respectively. Capitalized interest amounted to \$3,635 and \$2,035 for the years ended June 30, 2009 and 2008, respectively.

RESERVED FUND BALANCE

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

	<u>2009</u>	<u>2008</u>
Reserves for capital outlay	\$ 67,564	\$ 283,868
Reserves for debt service	143,988	136,621
Total reservations of fund balance	<u>\$ 211,552</u>	<u>\$ 420,489</u>

FIRE FEES

The Board's fire fees are levied July 1 on the square footage of residential and commercial structures in Berkeley County, West Virginia. Fire fees are due September 30 and are delinquent by April 30 of the following year. Residential structures under 2,500 square fee are levied at \$30 per year, over 2,500 square feet is \$40 per year. Commercial structures range in yearly fees from \$80 to \$975 from 2,500 to 20,001 (and up) square feet. Residential structures must be occupied to be assessed a fire fee.

LEASES

The Board leases ambulatory vehicle space and extrication equipment to the Berkeley County Ambulance Authority. The total lease income as a result of this agreement was \$17,161 and \$21,255 for the years ended June 30, 2009 and 2008, respectively.

RISK MANAGEMENT

The board is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Board maintains general commercial liability and workers compensation insurance through private companies as part of its risk management program.

EMPLOYEES' RETIREMENT SYSTEM

The governing body of the Berkeley County Fire Service Board has elected to become a participant in the Public Employees' Retirement System (PERS). The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Eligibility to participate

All employees of the State of West Virginia and any participating political subdivision are required to become plan members, except employees who are members of other state retirement systems.

Authority establishing contribution obligations and benefit provisions

West Virginia State Code

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Period required to vest

Five years

Funding policy and contributions

PERS members are required to contribute 4.5% of their annual covered salary, and the Board is required to contribute 10.5%. The contribution requirements of PERS members are established and may be amended only by the State of West Virginia Legislature. The Board's contributions to PERS for the fiscal years ended June 30, 2009 and 2008 totaled \$6,627 and \$7,311, respectively.

Benefits and eligibility for distribution

A member who has attained age 60 and has earned 5 or more years of contributing service or who has attained age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last ten years) times the years service times 2% equals the annual retirement benefit.

Provisions for cost of living adjustments or death benefits

This plan has no provisions for cost of living adjustments. Two optional joint and survivor annuities are available with either 100% or 50% payable to the surviving spouse or designated beneficiary after the member completes 10 years of credited service. If a member dies with less than 10 years of credited service, the accumulated contributions are paid to their estate.

Trend information

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial report. A copy of this report may be obtained from the state agency.

POST-EMPLOYMENT BENEFITS

Plan Description

The Board, through the Berkeley County Commission, contributes to the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (PEIA). The RHBT provides medical benefits to eligible retired employees of participating employers. Eligibility is primarily established through participation in certain defined benefit plans. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: WV RHBT, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia, 25305-0710.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

POST-EMPLOYMENT BENEFITS (Continued)

Authority Establishing the Plan and Funding Policy

Chapter 5, Article 16D of the West Virginia State Code assigns the authority to establish and amend benefits and provisions to the RHBT. Plan members are currently required to contribute \$388.22 per month per active health policy. Participating employers are contractually required to contribute at a rate assessed each year by RHBT. The RHBT board sets the employer contribution rate based on the annual required contributions of the plan (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Trend information

<u>Fiscal Year Ending June 30</u>	<u>Amount of OPEB Cost</u>	<u>Percentage Contributed</u>
2009	\$ 6,988	0%
2008	\$ 5,533	0%
2007	N/A	N/A

The Board has accrued a liability in the amount of \$12,521 for OPEB costs for the fiscal years ended June 30, 2009 and 2008. Because the Board's insurance program is provided through the Berkeley County Commission, the Board expects to be billed for its pro-rata share of OPEB costs by the Berkeley County Commission.

PAYMENTS TO FIRE DEPARTMENTS

The following represents approximate payments to local fire departments (including fire gear, but excluding capital outlay) for the year ended June 30:

	<u>2009</u>	<u>2008</u>
Bedington VFD	\$ 197,581	\$ 193,829
South Berkeley VFD	190,932	172,411
Hedgesville VFD	173,645	164,283
Baker Heights VFD	162,873	146,081
Back Creek Valley VFD	128,688	114,324
	<u>\$ 853,719</u>	<u>\$ 790,928</u>

JAMIE L. DAVIS, CPA

A PROFESSIONAL LIMITED
LIABILITY COMPANY

962 MIDDLEWAY PIKE
POST OFFICE BOX 30
INWOOD, WEST VIRGINIA 25428

JAMIE@JLDCPA.COM

TELEPHONE
(304) 229-4609

FACSIMILE
(304) 229-4626

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

To the Board of Directors
Berkeley County Fire Service Board

We have audited the financial statements of the governmental activity of the Berkeley County Fire Service Board as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 3, 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 Berkeley County Fire Service Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkeley County Fire Service Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Berkeley County Fire Service Board's internal control over financial reporting.

Our consideration of 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 the internal control 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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization'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 the internal control that might be significant deficiencies or material weaknesses. However of the significant deficiencies described above, we consider items 09-01 through 09-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkeley County Fire Service Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* .

We noted certain matters that we reported to management of Berkeley County Fire Service Board in a separate letter dated November 3, 2009.

This report is intended solely for the information of the Board, its management, and its various regulatory agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jamie L. Davis, CPA, PLLC

Inwood, West Virginia

November 3, 2009

SCHEDULE OF FINDINGS

June 30, 2009

MATERIAL WEAKNESSES

09-01 - DOCUMENTATION OF INTERNAL CONTROL PROCEDURES (Repeated)

CRITERIA: Internal control should be documented and implemented to the degree possible in recording the entity's financial transactions and the preparation of financial statements.

CONDITION: Analysis of the internal control system indicated a lack of documented control procedures. Specifically, significant deficiencies regarding segregation of duties, lack of daily deposits for fire fees, board approval of monthly bank statement reconciliations, on-line cash transfers, and password usage in the QuickBooks accounting system have not been addressed.

CAUSE: The Board has not formally documented its internal control system for its financial accounting and reporting in a single control document.

EFFECT: More than a remote likelihood exists that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

RECOMMENDATION: We recommend that the Board work with its contracted accounting firm to develop a system of internal controls and document those controls in a formal document.

RESPONSE: We concur with this finding and are working on a formal control document.

09-02 - LACK OF SEGREGATION OF DUTIES (Repeated)

CRITERIA: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

CONDITION: Employees have check signature authority, make deposits, count cash, and access the billing and QuickBooks accounting system.

CAUSE: The Board has limited staff and responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from financial transactions are not assigned to different individuals.

EFFECT: More than a remote likelihood exists that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

RECOMMENDATION: We recommend that the responsibilities of approval, execution, recording and custody should be distributed among employees, your contracted CPA firm, and the Board of Directors to the degree possible. However, we recognize that full and complete segregation of duties is not economically feasible.

RESPONSE: We concur with this finding and recommendation.

SCHEDULE OF FINDINGS

June 30, 2009

SIGNIFICANT DEFICIENCY

09-03 - MANAGERMENTS' DISCUSSION AND ANALYSIS (Repeated)

CRITERIA: GASB Statement No. 34 requires that the Board present supplementary information to the financial statements in the form of a "Management's Discussion & Analysis" or "MD&A."

CONDITION: Management has not prepared the MD&A as required by GASB Statement No. 34.

CAUSE: The Board's limited staff makes the in-house preparation of the MD&A unfeasible.

EFFECT: Vital supplemental information to the financial statements may be omitted from the financial statements when the MD&A is not prepared.

RECOMMENDATION: We recommend that the Board attempt to prepare the MD&A or engage its contracted CPA firm to assist in the preparation of this document.

RESPONSE: We concur with this finding and recommendation.