

AUDIT REPORT OF
BERKELEY COUNTY
SOLID WASTE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012



LISA K. THORNBURG, CPA

BERKELEY COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FUNDS INCLUDED IN REPORT

For the Fiscal Year Ended June 30, 2012

GOVERNMENTAL FUND TYPE

Major Fund

General Fund

BERKELEY COUNTY SOLID WASTE AUTHORITY

TABLE OF CONTENTS

For the Fiscal Year Ended June 30, 2012

	Page
Board Officials.....	1
Independent Auditor's Report.....	2-3
Management's Discussion and Analysis.....	4-7
<u>Basic Financial Statements:</u>	
Statement of Net Assets.....	8
Statement of Activities.....	9-10
Notes to the Financial Statements.....	11-18
<u>Supplementary Information:</u>	
Schedule of State Assistance.....	20-23
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standard</i>	24-25
Schedule of Findings and Responses.....	26-27

BERKELEY COUNTY SOLID WASTE AUTHORITY

BOARD OFFICIALS

For the Fiscal Year Ended June 30, 2012

Office	Name	Term Ends
Chair	Clint R. Hogbin	June 30, 2015
Vice chair	Edgar J. Mason	June 30, 2014
Board member	John Christensen	June 30, 2012
Board member	Gerry Fitzgerald	June 30, 2012
Board Member	Kirby Lewis	June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Board
Berkeley County Solid Waste Authority
Inwood, West Virginia 25428

We have audited the accompanying basic financial statements of the Berkeley County Solid Waste Authority, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 opinion.

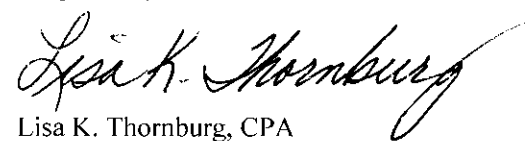
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Berkeley County Solid Waste Authority, as of June 30, 2012, and the changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2014 on our consideration of the Authority'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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Berkeley County Solid Waste Authority, as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of State Assistance is presented for purposes of additional analysis as required by the West Virginia State Auditor's Audit Procurement Manual and is also not a required part of the financial statements. The Schedule of State Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Respectfully submitted,


Lisa K. Thornburg, CPA

July 14, 2014

BERKELEY COUNTY SOLID WASTE AUTHORITY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

This discussion and analysis of the Berkeley County Solid Waste Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the accompanying financial statements which follow immediately after this discussion. This discussion and analysis includes comparative data from prior years.

1. Report Layout

This report consists of the Management's Discussion and Analysis (MD&A) as well as the basic financial statements and the notes to the financial statements.

Basic Financial Statements

The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the Authority owns, the liabilities it owes, and the net difference.

The Statement of Activities focuses on the gross and net costs of the Authority's programs and the extent to which such programs rely upon donations and intergovernmental revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Authority's financial condition.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years. Changes from prior years are explained in the following paragraphs.

2. Analysis of Financial Position and Results of Operations

The Berkeley County Commission established the Berkeley County Solid Waste Authority (BCSWA) in January 1989. The Authority's primary responsibility is solid waste management, as defined in the West Virginia Solid Waste Management Act. During FY12, the primary focus for the solid waste authority has been to operate, manage and expand the county's recycling and litter control programs. The advantages of the programs include, but are not limited to, the reduction of roadside litter and open dumping and the reduction of the amount of solid waste entering landfills. The recycling program redirects solid waste into the commodities market for reuse, resource recovery or recycling in a manner that is cost efficient and effective. Another significant focus in FY12 has been the processing of a formal application by LCS Services for Class A status at the North Mountain Sanitary Landfill, and a formal application by Entsorga WV for an operation of a Class B mixed waste resource recovery facility. Similarly, discussions continued with America First in regard to a possible waste to diesel fuel facility. Furthermore, during FY12, the Authority provided efforts to preserve our county's natural beauty through the operation of several non-recycling tire collection events, paint collection events, and other litter control initiatives described below.

The Berkeley County Litter Control Program has been in operation since 1989. This program assists the public in cleanup of open dumps, contains an ongoing education program and the collection of items frequently found in open dumps. Cooperatives exist with the WV-DNR for law enforcement and the use of camera systems. Non-recycling collection programs also exist as part of the litter control program.

The Berkeley County Recycling Program has been operational since 1995 and is operating in compliance with the Berkeley County Recycling Plan, Berkeley County Commercial Solid Waste Facility Siting Plan and the Berkeley County Comprehensive Litter and Solid Waste Control Plan. The drop off component of the recycling program currently operates at three locations around the County. In calendar year 2011, the drop off sites had over 99,483 participants and marketed over 4,430 tons of recyclables. The drop off program accepts more than 20 separate categories of recyclables and is the primary disposal method for many items legislatively banned from placement in landfills. During FY12, AW Recycling's curbside operation was purchased by Apple Valley Waste Services and converted to a "dual stream" curbside program. The curbside program is required to deliver its recyclables to the Berkeley County Recycling Program. The Berkeley County Recycling Program is generally considered the most comprehensive and unique recycling program in the four-state region and the State. Through an on-going public awareness campaign, citizens and businesses are encouraged to utilize the recycling program to reduce litter, reduce open dumping, reduce their waste subscription fees, preserve landfill space, reduce landfill related pollution concerns, create employment and preserve natural resources.

Funding for the recycling program comes from the Berkeley County Solid Waste Authority, Berkeley County Council, commodity market, cost sharing processing fees and grants from the WV-DEP, WV-SWMB and other entities.

3. Authority as a Whole

Net Assets at Year End

	2012	2011
Cash and cash equivalents	\$ 494,748.59	\$ 546,347.62
Accounts receivable	-	350.00
Capital assets	<u>1,872,963.91</u>	<u>1,816,878.47</u>
Total assets	<u>2,367,712.50</u>	<u>2,363,576.09</u>
Accounts payable	<u>4,199.84</u>	<u>4,242.24</u>
Total liabilities	<u>4,199.84</u>	<u>4,242.24</u>
Net assets:		
Invested in capital assets	1,872,963.91	1,816,878.47
Restricted	333,023.55	261,459.30
Unrestricted	<u>157,525.20</u>	<u>280,996.08</u>
Total net assets	<u>\$ 2,363,512.66</u>	<u>\$ 2,359,333.85</u>

4. Analysis of Balances and Transactions of Major Individual Funds.

For FY12, revenues exceeded expenses for the year by the amount of \$4,178.84. This value represents a decrease of \$60,326.77 from FY11. The BCSWA also received other state grants totaling \$69,950. The Berkeley County Council contributed \$78,107 in funding. Finally, the income from commodity sales and cost sharing processing fees was \$127,632.71.

In FY12, grant funding for the county's recycling program from the Berkeley County Council remained at decreased levels implemented in the previous years. Cost sharing processing fees and other miscellaneous revenue remained strong due to the continuation of a brush-processing fee and mulch sales. Thus far, state grants remained relatively strong, though not significant enough to support the expected growth in coming years. It remains the Berkeley County Solid Waste Authority's stated goal to eventually establish a program that is continuous and self-sustaining.

Statement of Activities
For the Years Ended June 30, 2012 and June 30, 2011

	2012	2011
PUBLIC SUPPORT AND REVENUES:		
Public support	\$ 171,678.89	\$ 178,284.65
Revenues and other income	191,582.81	174,449.96
Total public support and revenues	363,261.70	352,734.61
OPERATING EXPENSES:		
Contracted services	150,006.45	175,222.68
Other expenses	183,329.88	91,351.39
Depreciation	25,746.53	21,654.93
Total operating expenses	359,082.86	288,229.00
Change in net assets	\$ 4,178.84	\$ 64,505.61

5. Analysis of Significant Variations Between the Original and Final Budget Amounts and Between the Final Budget Amounts and Actual Results for the General Fund.

There were no significant variations between the original and final budgeted amounts. Nor were there significant variations between the final budgeted amounts and the actual results for the general fund.

6. Description of Significant Capital Assets

At June 30, 2012, the Authority had \$2,146,967.14 invested in capital assets. This amount represents an increase of \$81,832 from the prior year. The amounts and types of capital assets at June 30, 2012 and June 30, 2011 were as follows:

	Totals <u>06/30/11</u>	Additions	Deletions	Totals <u>6/30/12</u>
Land	\$1,510,000.00	\$ -	\$ -	\$1,510,000.00
Buildings	186,192.36	-	-	186,192.36
Equipment	290,350.80	29,995.00	-	320,345.80
Land Improvements	78,591.98	51,837.00	-	130,428.98
Totals	\$2,065,135.14	81,832.00	\$ -	\$2,146,967.14

Changes in accumulated depreciation during the year were as follows:

	Totals <u>06/30/11</u>	Depreciation <u>Expense</u>	<u>Deletions</u>	Totals <u>06/30/12</u>
Land	\$ -	\$ -	\$ -	\$ -
Buildings	55,794.69	5,600.87	-	61,395.56
Equipment	162,623.40	13,624.88	-	176,248.28
Land Improvements	<u>29,838.58</u>	<u>6,520.78</u>	<u>-</u>	<u>36,359.36</u>
Totals	<u>\$248,256.67</u>	<u>\$25,746.53</u>	<u>\$ -</u>	<u>\$274,003.20</u>

7. Description of Currently Known Facts, Decisions, or Conditions That are Expected to Have a Significant Effect on the Financial Position or Results of Operations.

The Berkeley County Solid Waste Authority does not anticipate any particular event that will have a significant financial impact on income or expenditures in the coming year. There are some concerns that the implementation of electronics to the recycling program may have an effect on the financial position of the Berkeley County Solid Waste Authority unless grant funding remains strong enough to assist in its continued operation.

Unfortunately, the Berkeley County Solid Waste Authority receives its funding from only a few sources. Therefore, it is more vulnerable to the ebb and flow of the state and local political climate, state and local economic activity and grant funding. Of significant concern to the program's operation is the retiring of long time Board member Gerry Fitzgerald. In addition, the retirement of long time Treasurer Geneva Hollida will present training and program management challenges for the Authority.

Concerns are expressed in regard to continued sufficient funding support from the Berkeley County Council. While these concerns are expressed, they are not meant for one to conclude they are inherently detrimental to the future of the Authority's programs.

This financial report is designed to provide a general overview of the Berkeley County Solid Waste Authority finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Berkeley County Solid Waste Authority, Post Office Box 1227, Inwood, West Virginia 25428.

BERKELEY COUNTY SOLID WASTE AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
June 30, 2012

	General Fund	Adjustments (Note II)	Statement of Net Assets
Assets			
Cash	\$ 161,725.04	\$ -	\$ 161,725.04
Restricted cash	333,023.55	-	333,023.55
Capital assets	-	2,146,967.14	2,146,967.14
Less: Accumulated depreciation	-	(274,003.23)	(274,003.23)
Total assets	\$ 494,748.59	\$ 1,872,963.91	\$ 2,367,712.50
 Liabilities			
Current liabilities:			
Accounts payable	\$ 4,199.84	\$ -	\$ 4,199.84
Total liabilities	4,199.84	-	4,199.84
 Fund Balance/Net Assets			
Fund balances:			
Restricted	333,023.55	(333,023.55)	
Unassigned	157,525.20	(157,525.20)	
Total fund balances	490,548.75	(490,548.75)	
Total liabilities and fund balances	\$ 494,748.59	(490,548.75)	
 Net Assets:			
Invested in capital assets, net of related debt		1,872,963.91	1,872,963.91
Restricted		333,023.55	333,023.55
Unrestricted		157,525.20	157,525.20
Total net assets		\$ 2,363,512.66	\$ 2,363,512.66

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

BERKELEY COUNTY SOLID WASTE AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

	General Fund	Adjustments (Note II)	Statement of Activities
<u>Expenditures</u>			
<u>Recycling:</u>			
Advertising / Legal Ads	\$ 826.70	\$ -	\$ 826.70
Bank charges	20.00	-	20.00
Contracted services	126,631.95	-	126,631.95
Freight	4,930.40	-	4,930.40
Maintenance and repair - equipment	27,809.58	-	27,809.58
Maintenance and repair - grounds	35,988.16	-	35,988.16
Mandatory disposal	38,564.91	-	38,564.91
Miscellaneous	36,074.64	-	36,074.64
Permitting	300.00	-	300.00
Promotional	120.00	-	120.00
Refund of unused grant funds	731.56	-	731.56
Telephone	1,061.04	-	1,061.04
Travel	798.05	-	798.05
<u>Litter control:</u>			
Advertising/Legal publications	2,005.73	-	2,005.73
<u>Administration:</u>			
Audit	1,944.00	-	1,944.00
Contracted services	23,374.50	-	23,374.50
Capital outlay	81,832.00	(81,832.00)	-
Office supplies	491.22	-	491.22
Depreciation	-	25,746.53	25,746.53
Dues and subscriptions	463.00	-	463.00
Insurance and fidelity bonds	5,813.00	-	5,813.00
Maintenance and repair - grounds	3,733.62	-	3,733.62
Miscellaneous	535.00	-	535.00
Professional services	13,710.49	-	13,710.49
Postage	219.98	-	219.98
Telephone	828.03	-	828.03
Travel	3,831.60	-	3,831.60
Utilities	2,529.17	-	2,529.17
Total expenditures	<u>415,168.33</u>	<u>(56,085.47)</u>	<u>359,082.86</u>

**BERKELEY COUNTY SOLID WASTE AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

	General Fund	Adjustments (Note II)	Statement of Activities
<u>General Revenues:</u>			
Intergovernmental:			
Local sources:			
Berkeley County Council	\$ 78,107.00	\$ -	\$ 78,107.00
Magistrate court	250.00	-	250.00
State sources:			
Solid Waste Management Board assessment fees	23,371.89	-	23,371.89
Solid Waste Management Board grant funds	12,000.00	-	12,000.00
CED grant funds	18,000.00	-	18,000.00
REAP grant funds	39,200.00	-	39,200.00
Litter Control grant funds	750.00	-	750.00
County Solid Waste Authority Fee	58,879.40	-	58,879.40
Recycling revenue	127,632.71	-	127,632.71
Rental revenue	1,218.38	-	1,218.38
Other	1,103.50	-	1,103.50
Interest	2,748.82	-	2,748.82
Total revenues	<u>363,261.70</u>	<u>-</u>	<u>363,261.70</u>
Excess (deficiency) of revenues over expenditures	(51,906.63)		
Change in net assets		56,085.47	4,178.84
Fund balance/Net assets			
Beginning of year	<u>542,455.38</u>	<u>1,816,878.44</u>	<u>2,359,333.82</u>
End of year	<u>\$ 490,548.75</u>	<u>\$ 1,872,963.91</u>	<u>\$ 2,363,512.66</u>

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

BERKELEY COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the presentation of the financial report of Berkeley County Solid Waste Authority conform to generally accepted accounting principles as applicable to governmental units.

A. Reporting Entity

The Authority consists of five members, two of which are appointed by the local County Council, one each by the Department of Environmental Protection, the Public Service Council, and the local Conservation District and is governed by a chairman who is elected by the board at the beginning of each fiscal year.

B. Government-Wide and Fund Financial Statements

For this special purpose government, combined government-wide and fund financial statements are presented. The government-wide sections of the financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the Governmental activities, which normally are supported by tipping fees, grants and intergovernmental revenues.

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.

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

The government-wide sections of the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

BERKELEY COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

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.

The government reports the following major governmental fund:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits

The Authority'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.

2. Inventories

Materials and supplies are expensed at the time of purchase. As a result, they do not appear upon the Authority's financial statements.

3. Receivables and Payables

Receivables

Receivables are accounted for using the accrual basis of accounting for the government-wide financial statements and reflect the amounts that were billed for services and not collected at year end. Receivables are accounted for using the modified accrual basis of accounting for the fund financial statements and reflect the amounts accrued for sixty days after year end.

Accounts Payable

Accounts payable are accounted for using the accrual basis of accounting for the government-wide financial statements.

4. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets costing over \$10,000 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.

Capital assets of the primary government are depreciated using the straight line method over the estimated useful life of between 5 to 40 years.

BERKELEY COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

5. Fund Balance and Equity Classification

In the governmental fund financial statements, fund balance is reported in five classifications:

Nonspendable	Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
Restricted	Amounts with constraints imposed on their use, either by external creditors, grantors, contributors, or laws and regulations of other governments; or by law through constitutional provisions or enabling legislation.
Committed	Amounts that can only be used for purposes pursuant to constraints imposed by formal action of the Board.
Assigned	Amounts that are constrained by the Board's intent to be used for specific purposes.
Unassigned	Residual fund balance that has not been restricted, committed or assigned.

The Board is the government's highest level of decision-making authority. The Board may take formal action to establish, modify or rescind a fund balance commitment or to assign fund balance amounts to a specific purpose. The Board has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be made from restricted resources first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Board has the authority to deviate from this policy if it is in the best interest of the government. The Board has established two rainy day funds - one for regular operating expenses and one for recycling. These cannot be spent without Board approval.

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

6. 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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

BERKELEY COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of adjustments shown on the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes an adjustment between the governmental fund balance total of net assets and the governmental activities net assets as reported in the statement. Capital assets and accumulated depreciation are not reported on the governmental fund level, but are reported in net assets. The details of this difference are as follows:

Capital assets	\$ 2,146,967.14
Accumulated Depreciation	<u>(274,003.23)</u>
Net adjustment to increase <i>fund balance- total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 1,872,963.91</u>

B. Explanation of adjustments shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes an adjustment between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the Statement of Activities. Capital assets are expensed at the fund level but are capitalized and depreciated in the Statement of Activities. The details of this difference are as follows:

Depreciation expense	\$ <u>25,746.53</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 25,746.53</u>

BERKELEY COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements. Such deposits at June 30, 2012, were entirely covered by federal depository insurance or were collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

The Authority's cash balance at June 30, 2012 was composed of the following accounts:

General Checking Accounts	\$	161,725.04
Restricted Grant Checking Accounts		5,038.47
Other restricted accounts		327,985.08
Total cash and cash equivalents	\$	<u>494,748.59</u>

B. Restricted cash

The balances of the restricted cash accounts for the Authority are as follows:

Rainy Day Funds	\$	123,985.08
Anti-Litter account		922.07
CED Grant		4,116.40
Performance bond *		204,000.00
Total restricted assets	\$	<u>333,023.55</u>

*The Berkeley County Solid Waste Authority used to operate the Berkeley County Landfill. That landfill operation is now closed and a private company currently operates a landfill of its own in another location. The now closed Berkeley County Landfill has been formally accepted into the WV Landfill Closure Assistance Program (LCAP). It has been closed and capped per all SubTitle D State and Federal regulations for closed landfills. It is monitored by the WV-DEP (groundwater, surface water and air quality). All landfills are required to have a pool of money set aside to repair inevitable future environmental issues. It is called a "performance bond".

BERKELEY COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

C. Capital Asset Activity

Capital Asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets	\$2,065,135.14	\$ 81,832.00	\$ -	\$2,146,967.14
Less:				
Total accumulated depreciation	(248,256.67)	(25,746.53)	-	(\$274,003.20)
Governmental activities capital assets, net of accum'd depreciation	<u>\$1,816,878.47</u>	<u>56,085.47</u>	<u>\$ -</u>	<u>\$1,872,963.94</u>

Depreciation expense for June 30, 2012 was \$25,746.53 as reflected in the financial statements.

IV. Other Information

A. Risk Management

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

B. Custodial Credit Risk and Interest Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy for custodial credit risk is to comply with statutory provisions for depository bond coverage, which provides that no public money should be deposited until the banking institution designated executes a bond with good and sufficient sureties which may not be less than the maximum sum that is deposited in the depository at any one time. The Authority's deposits did not exceed the amount of coverage and pledged collateral at any time during the year.

<u>Depository Accounts</u>	<u>Book Balance</u>	<u>Bank Value</u>
Insured (4 banks)	\$ 448,478.65	\$ 446,870.82
Collateralized by securities held by pledging bank in the bank's name (1 bank)	46,269.94	47,582.94
Uninsured and uncollateralized	-	-
Total Deposits	<u>\$ 494,748.59</u>	<u>\$ 494,453.76</u>

C. Compensated absences

The authority is not currently liable for any compensated absences.

BERKELEY COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

D. Employee Retirement Systems and Pension Plans

The governing body of the Berkeley County Solid Waste Authority does not provide a retirement system. The Authority has no employees. The Authority secures all personnel services through Aerotek, a third party provider.

E. Budgetary Information

This Authority is not required by law to prepare an annual budget. The Authority has prepared and uses an annual budget as part of its internal control system.

The Board reviews and approves the budget for three accounts (regular, recycling and anti-litter) on a monthly basis as part of its internal control. Grant accounts each have their own budgets and each budget is reviewed as required by the grant.

F. Contingencies

The Authority receives a substantial portion of its revenue from the Berkeley County Council and a landfill. A significant reduction in the Council's support and/or the operation of the local landfill could have a major impact upon the Authority's programs and activities.

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed expenditures could constitute a liability of the applicable funds. If any expenditures were to be disallowed the government expects such amounts to be immaterial.

G. Equipment Purchased with Solid Waste Management Board Grant Funds

The West Virginia Solid Waste Management Board has requested that the following "cumulative list of equipment purchased with Solid Waste Management Board grant funds" be provided.

<u>Equipment</u>	<u>Date</u>	<u>Purchase Price</u>
Fruehauf trailer	October 2001	\$ 6,500.00
10x12 shed	October 2001	\$ 1,740.00
Concrete barriers	October 2001	\$ 5,933.00
Sea container 1879SC	January 2003	\$ 2,230.00
Kubota tractor L4300DT-F 52425	March 2003	\$ 17,700.00
Skid steer	January 2008	\$ 38,825.00

BERKELEY COUNTY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

H. Subsequent events

In June 2013, the Authority released an individual from their contracted employment. The Authority then became aware of numerous irregularities related to the handling and recording of cash transactions and the use of an Authority credit card by that individual. The documented loss of cash is approximately \$6,500. Analysis of prior periods' cash receipts indicates that the Authority could have experienced a loss that exceeds the foregoing amount. The fact that records related to cash collections for that period are missing currently prevents the Authority from documenting any further loss. The West Virginia State Police, Berkeley County Prosecuting Attorney and other appropriate agencies were notified of the concerns of the Authority. This individual has been charged and was arrested in another state, and reportedly released on bond. The Authority expects to recover the documented loss of cash through indemnity insurance and has had the identified credit card charge irregularity restored.

BERKELEY COUNTY SOLID WASTE AUTHORITY
For the Fiscal Year Ended June 30, 2012

SUPPLEMENTARY INFORMATION

BERKELEY COUNTY SOLID WASTE AUTHORITY
Schedule of State Assistance
For the Fiscal Year Ended June 30, 2012

Litter Control Grant

Revenues:

Grants received	\$ 750.00	
Interest earned	-	
Total revenues		750.00

Expenditures:

Advertising	750.00	
Total expenditures		750.00

Excess (deficiency) of revenues over expenditures		-
Grant balance at beginning of year		-
Grant balance at end of year	\$	-

REAP / CED Grant

Revenues:

Grants received	\$ -	
Interest earned	6.34	
Total revenues		6.34

Expenditures:

Grant expenses	5,770.55	
Return of unused funds	731.56	
Total expenditures		6,502.11

Excess (deficiency) of revenues over expenditures		(6,495.77)
Grant balance at beginning of year		6,495.77
Grant balance at end of year	\$	-

BERKELEY COUNTY SOLID WASTE AUTHORITY
Schedule of State Assistance
For the Fiscal Year Ended June 30, 2012

REAP / CED Grant

Revenues:

Grants received	\$ 18,000.00	
Interest earned	<u>12.57</u>	
Total revenues		<u>18,012.57</u>

Expenditures:

Grant expenses	<u>20,391.94</u>	
Total expenditures		<u>20,391.94</u>

Excess (deficiency) of revenues over expenditures		(2,379.37)
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Grant balance at beginning of year		<u>6,495.77</u>
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Grant balance at end of year	<u>\$ 4,116.40</u>	
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REAP RECYCLING GRANT

Revenues:

Grants received	\$ 39,200.00	
Interest earned	<u>15.88</u>	
Total revenues		<u>39,215.88</u>

Expenditures:

Advertising & legal	305.68	
Maintenance and repair - grounds	5,500.00	
Promotional expense	1,125.00	
Retaining wall at GVRC	51,837.00	
Fork lift	<u>29,995.00</u>	
Total expenditures		<u>88,762.68</u>

Excess (deficiency) of revenues over expenditures		(49,546.80)
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Grant balance at beginning of year		<u>49,546.80</u>
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Grant balance at end of year	<u>\$ -</u>	
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BERKELEY COUNTY SOLID WASTE AUTHORITY
Schedule of State Assistance
For the Fiscal Year Ended June 30, 2012

SWMB Grant

Revenues:

Grants received	\$ 12,000.00	
Interest earned	<u>13.44</u>	
Total revenues		<u>12,013.44</u>

Expenditures:

Grant expenses	<u>12,013.44</u>	
Total expenditures		<u>12,013.44</u>

Excess (deficiency) of revenues over expenditures		-
Grant balance at beginning of year		<u>-</u>
Grant balance at end of year	\$	<u><u>-</u></u>

BERKELEY COUNTY SOLID WASTE AUTHORITY
For the Fiscal Year Ended June 30, 2012

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*

LISA K. THORNBURG, CPA

2514 BEDFORD CHAPEL ROAD

MILTON, WV 25541

(304) 743-8192

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

Honorable Members of the Board
Berkeley County Solid Waste Authority
Inwood, West Virginia 25428

We have audited the basic financial statements of the Berkeley County Solid Waste Authority, as of and for the year ended June 30, 2012, and have issued our report thereon, dated July 14, 2014. 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

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority'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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Items #2012-01 and #2012-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Lisa K. Thornburg". The signature is written in a cursive style with a large, prominent "L" and "T".

Lisa K. Thornburg, CPA

July 14, 2014

BERKELEY COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012

Financial Reporting
Item #2012-01

CONDITION:

We noted during the audit of the Berkeley County Solid Waste Authority certain deficiencies in the system of financial reporting. Specifically, there is no comprehensive set of financial statements that reflects all of the Authority's transactions and overall financial position. Grant activity, though well documented, is not always reflected in the Authority's monthly treasurer reports but rather reported as required by the grant rules (typically, quarterly or at the end of the grant). Additionally, at times the monthly reports used by the Board reflect revenues and expenses as only those items that have cleared the bank by the end of the month being reported upon. The various reports do not bring together and provide reconciled comprehensive financial statements.

CRITERIA:

Proper internal control over financial reporting dictates that personnel be able to detect errors in a timely manner and make the necessary corrections. The Board should receive regular documentation that demonstrates reconciled bank balances agree to cash as reported on the balance sheet and that the fund balance reported on the income statement (which reports all revenues and all expenditures) agrees to the balance sheet.

CAUSE:

The Authority does not have processes and controls in place to assure the proper completion and use of the aforementioned financial statements.

EFFECT:

The ability to provide complete and accurate financial reporting is compromised.

RECOMMENDATION:

The Berkeley County Solid Waste Authority should take the steps necessary to assure the completion and review of accurate monthly and annual financial statements that are presented to those charged with governance. These steps should include securing the assistance of someone who is capable of providing the software services that will correct the deficiencies noted as well as the services necessary to assure that proper financial reports can be routinely provided to the Board.

AUDITED AGENCY'S RESPONSE:

The Authority is working to correct these reporting deficiencies.

BERKELEY COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012

Segregation of Duties
Item #2012-02

CONDITION:

It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting asset arising from the transactions were not assigned to separate individuals.

CRITERIA:

Proper internal control dictates responsibility for approving, executing and recording transactions should rest with different individuals. Custody of resulting assets should also be assigned to individuals with no responsibilities in the above areas.

CAUSE:

The Authority does not have processes and controls in place to assure the proper segregation of duties. The small number of employees make adequate segregation of duties difficult to achieve. In addition, the absence of a comprehensive financial reporting system enhances the likelihood that errors and irregularities might not be detected in a timely manner.

EFFECT:

Because of the inability to segregate duties properly, internal control structure elements do not reduce to a relatively low level the risk that errors and irregularities, in amounts that would be material in relation to the financial statements, may occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

RECOMMENDATION:

Responsibilities of approval, execution, recording and custody should be distributed among the Authority's staff to the best degree possible. If financial constraints make the use of additional personnel unlikely the Authority could consider the enhanced involvement of Board members beyond that which is currently utilized.

AUDITED AGENCY'S RESPONSE:

The Authority will review this recommendation and attempt to segregate duties to the extent it is economically feasible.