

*Berkeley Co*  
*RFP # 14-069*

**AUDIT REPORT OF**  
**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**INWOOD, WEST VIRGINIA**  
**For the Fiscal Year Ended June 30, 2014**

***LISA K. THORNBURG, CPA***

**BERKELEY COUNTY SOLID WASTE AUTHORITY**

**SCHEDULE OF FUNDS INCLUDED IN REPORT**

**For the Fiscal Year Ended June 30, 2014**

GOVERNMENTAL FUND TYPE

Major Fund

General Fund

**BERKELEY COUNTY SOLID WASTE AUTHORITY**

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**For the Fiscal Year Ended June 30, 2014**

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**BERKELEY COUNTY SOLID WASTE AUTHORITY**

**BOARD OFFICIALS**

**For the Fiscal Year Ended June 30, 2014**

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Office	Name	Term Ends
Chair	Clint R. Hogbin	June 30, 2015
Vice chair	Edgar J. Mason	June 30, 2014
Secretary	John Christensen	June 30, 2016
Board member	Michael Roberts	June 30, 2016
Board Member	Mark Barney	June 30, 2017

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***INDEPENDENT AUDITOR'S REPORT***

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

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Berkeley County Solid Waste Authority (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates used by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2014, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note I.D.7 in the notes to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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.

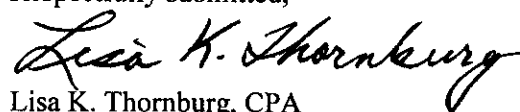
***Other Information***

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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2015, on our consideration of the Berkeley County Solid Waste 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* in considering the Berkeley County Solid Waste Authority's internal control over financial reporting and compliance.

Respectfully submitted,

  
Lisa K. Thornburg, CPA

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**

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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, 2014. 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 Position 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 FY14, 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 FY14 has been the ongoing negotiation of the property lease agreement for the potential utilization of 12 acres of land by Entsofoga WV for an operation of a Class B mixed waste resource recovery facility. Other significant efforts in FY14 included the implementation of the WV State Auditor's Office P-Card program for improved fraud detection and supporting legislation that banned the placement of special cells for unlimited tonnage of drill cutting waste in landfills that are sited in counties that contain karst regions.

During FY14, the Authority continued its long standing efforts to preserve our county's natural beauty through the operation of several litter control initiatives. 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 low cost collection of items frequently found in open dumps. Cooperatives continue with the WV-DNR Conservation Officers for the use of camera systems to gain evidence in crimes of littering and open dumping. Litter control collection programs also exists as part of the litter control program for items such as tires. In April, 2014, the litter control program expanded its efforts to include a cooperative with the Berkeley County Council and the Berkeley County Sheriff's Office. The purpose of the cooperative is to significantly advance the local enforcement of the state's litter control laws and increase litter and open dumping cleanup activity.

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 2013, the drop off sites had over 110,742 participants and marketed over 4,319 tons of recyclables. The drop off program accepts more than 20 separate categories of recyclables and is the primary disposal method for many items banned from placement in landfills. During FY14, Apple Valley Waste Services continued its "dual stream" curbside recycling program and had over 961 subscribers. The curbside program is required by its WV-PSC permit 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 Position at Year End

	2014	2013
Cash and cash equivalents	\$ 444,816.85	\$ 536,300.63
Accounts receivable	19,526.75	19,526.75
Capital assets, net	<u>1,927,435.85</u>	<u>1,847,217.38</u>
Total assets	<u>2,391,779.45</u>	<u>2,403,044.76</u>
Accounts payable	-	3,965.25
Total liabilities	<u>-</u>	<u>3,965.25</u>
Net assets:		
Invested in capital assets	1,927,435.85	1,847,217.38
Restricted	256,778.54	414,502.69
Unrestricted	<u>207,565.06</u>	<u>137,359.44</u>
Total net assets	<u>\$ 2,391,779.45</u>	<u>\$ 2,399,079.51</u>



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

For FY14, revenues exceeded expenses for the year by the amount of \$16,376.86. The BCSWA also received other state grants totaling \$61,300.00. The Berkeley County Council contributed \$78,107.00 in funding. Finally, the income from commodity sales and cost sharing processing fees were \$139,964.87.

In FY14, grant funding for the county's recycling program from the Berkeley County Council remained at levels implemented in 2009. Cost sharing processing fees and other miscellaneous revenue remained flat with the continuation of the 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, 2014 and June 30, 2013

	2014	2013
<b>PUBLIC SUPPORT AND REVENUES:</b>		
Public support	\$ 168,089.91	\$ 249,529.92
Revenues and other income	<u>161,468.27</u>	<u>182,370.79</u>
Total public support and revenues	<u>329,558.18</u>	<u>431,900.71</u>
<b>OPERATING EXPENSES:</b>		
Contracted services	185,012.14	237,499.63
Other expenses	126,272.24	133,087.70
Depreciation	<u>25,579.86</u>	<u>25,746.53</u>
Total operating expenses	<u>336,864.24</u>	<u>396,333.86</u>
Change in net position	<u>\$ (7,306.06)</u>	<u>\$ 35,566.85</u>

#### 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 for either the litter control, recycling or the general accounts. Nor, were there significant variations between the final budgeted amounts and the actual results for any of these accounts.

#### 6. Description of Significant Capital Assets

At June 30, 2014, the Authority had \$2,245,932.14 invested in capital assets. This amount is a net increase of \$98,965 over the prior year. The amounts and types of capital assets at June 30, 2013 and June 30, 2014 were as follows:

	Totals 06/30/13	Additions	Deletions	Totals 06/30/14
Land	\$1,510,000.00	\$ -	\$ -	\$1,510,000.00
Buildings	186,192.36	39,665.00	-	225,857.36
Equipment	320,345.80	-	(20,000.00)	300,345.80
Land Improvements	<u>130,428.98</u>	<u>79,300.00</u>	<u>-</u>	<u>209,728.98</u>
Totals	<u>\$2,146,967.14</u>	<u>118,965.00</u>	<u>\$(20,000.00)</u>	<u>\$2,245,932.14</u>

Changes in accumulated depreciation during the year were as follows:

	Totals <u>06/30/13</u>	Depreciation <u>Expense</u>	<u>Deletions</u>	Totals <u>06/30/14</u>
Land	\$ -	\$ -	\$ -	\$ -
Buildings	66,996.43	5,600.87	-	72,597.30
Equipment	189,873.19	13,458.21	6,833.33	196,498.07
Land Improvements	<u>42,880.14</u>	<u>6,520.78</u>	<u>-</u>	<u>49,400.92</u>
Totals	<u>\$299,749.76</u>	<u>\$25,579.86</u>	<u>\$ 6,833.33</u>	<u>\$318,496.29</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.**

With the exception of the implementation of the Entsorga lease, the BCSWA does not anticipate any particular event that will have a significant financial impact on income or expenditures in FY15. Concerns continue to exist about the potential costs to collect and recycle electronics should the BCSWA be unable to renegotiate a contract with a R2 certified recycler.

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 POSITION**  
**June 30, 2014**

	General Fund	Adjustments (Note II)	Statement of Net Position
<b>Assets</b>			
Cash	\$ 188,038.31	\$ -	\$ 188,038.31
Restricted cash	256,778.54	-	256,778.54
Accounts receivable	19,526.75	-	19,526.75
Capital assets	-	2,245,932.14	2,245,932.14
Less: Accumulated depreciation	-	(318,496.29)	(318,496.29)
Total assets	\$ 464,343.60	\$ 1,927,435.85	\$ 2,391,779.45
 <b>Fund Balance/Net Position</b>			
Fund balances:			
Restricted	\$ 256,778.54	\$ (256,778.54)	
Unassigned	207,565.06	(207,565.06)	
Total liabilities and fund balances	\$ 464,343.60	(464,343.60)	
 Net Position:			
Invested in capital assets		1,927,435.85	1,927,435.85
Restricted		256,778.54	256,778.54
Unrestricted		207,565.06	207,565.06
Total net position		\$ 2,391,779.45	\$ 2,391,779.45

**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, 2014**

	General Fund	Adjustments (Note II)	Statement of Activities
<u>Expenditures</u>			
Capital outlay (Recycling Assistance grant)	\$ 118,965.00	\$ (118,965.00)	\$ -
CED grant expense	14,034.68	-	14,034.68
Computer expenses	872.30	-	872.30
Contracted services	185,012.14	-	185,012.14
Departmental materials & supplies	790.91	-	790.91
Depreciation	-	25,579.86	25,579.86
Dues and subscriptions	638.00	-	638.00
Freight	6,502.03	-	6,502.03
FY13 SWMB expense	9,973.59	-	9,973.59
Insurance and Fidelity Bonds	6,400.00	-	6,400.00
Litter control expense	2,025.00	-	2,025.00
Loss on disposal of asset	-	5,665.67	5,665.67
Maintenance & repair-building & grounds	19,399.14	-	19,399.14
Maintenance & repair-equipment	27,991.33	-	27,991.33
Permitting expense	1,342.00	-	1,342.00
Postage	286.54	-	286.54
Professional services	10,971.12	-	10,971.12
Promotional expense	2,052.30	-	2,052.30
Recycling Assistance grant expense	6,697.73	-	6,697.73
Telephone	2,088.33	-	2,088.33
Travel	5,691.82	-	5,691.82
Utilities	2,843.75	-	2,843.75
Total expenditures	<u>424,577.71</u>	<u>(87,713.47)</u>	<u>336,864.24</u>

*The accompanying independent auditor's report and notes to the financial statements are integral parts 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, 2014**

	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	300.00	-	300.00
State sources:			
Solid Waste Management Board assessment fee	28,382.91	-	28,382.91
CED grant funds	10,000.00	-	10,000.00
REAP grant funds	50,300.00	-	50,300.00
Litter Control grant funds	1,000.00	-	1,000.00
County Solid Waste Authority Fee	50,429.30	-	50,429.30
Recycling revenue	102,185.42	-	102,185.42
Sale of asset	7,501.00	(7,501.00)	-
Lease/rental income	1,846.26	-	1,846.26
Other	802.66	-	802.66
Interest	6,204.63	-	6,204.63
Total revenues	337,059.18	(7,501.00)	329,558.18
Excess (deficiency) of revenues over expenditures	(87,518.53)		
Change in net position		80,212.47	(7,306.06)
Fund balance/Net position			
Beginning of year	551,862.13	1,847,223.38	2,399,085.51
End of year	\$ 464,343.60	\$ 1,927,435.85	\$ 2,391,779.45

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**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 Commission, 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 Position and the Statement of Changes in Net Position) report information on all of the Governmental activities, which normally are supported by tipping fees, recycling income, 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.

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.

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2014**

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**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 are paid timely. The Authority elects to report no payables at June 30, 2014. Any amounts payable are noted to not be material in amount.

**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, 2014**

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**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 position 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 position - Consists of net position 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 position - All other net position that does 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, 2014**

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**7. Change in accounting principle**

Effective July 1, 2013, the Board adopted Governmental Accounting Standards Board Statement #65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This change was incorporated in the government's financial statements; however, there was no effect on beginning net position or fund balance.

**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 Position**

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

Capital assets	\$ 2,245,932.14
Accumulated Depreciation	<u>(318,496.29)</u>
Net adjustment to increase <i>fund balance- total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ 1,927,435.85</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 position 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>\$ 25,579.86</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 25,579.86</u>

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2014**

**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, 2014, 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, 2014 was composed of the following accounts:

General Checking Accounts	\$ 188,038.31
Restricted Grant Checking Accounts	4,038.45
Other restricted accounts	<u>252,740.09</u>
Total cash and cash equivalents	<u>\$ 444,816.85</u>

**B. Restricted cash**

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

Anti-Litter account	48,740.09
Litter Grant account	1,534.15
CED Grant account	2,504.30
Performance bond *	<u>204,000.00</u>
Total restricted assets	<u>\$ 256,778.54</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".

**C. Capital Asset Activity**

Capital Asset activity for the fiscal year ended June 30, 2014 was as follows:

Governmental activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets	\$2,146,967.14	\$ 118,965.00	\$ 20,000.00	\$2,245,932.14
Less:				
Total accumulated depreciation	<u>(\$299,749.76)</u>	<u>(25,579.86)</u>	<u>(6,833.33)</u>	<u>(\$318,496.29)</u>
Governmental activities capital assets, net of accum'd depreciation	<u>\$1,847,217.38</u>	<u>\$93,385.14</u>	<u>\$ 13,166.67</u>	<u>\$1,927,435.85</u>

Depreciation expense for June 30, 2014 was \$25,579.86 as reflected in the financial statements.

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2014**

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**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 West Virginia County Risk Pool, 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	\$ 373,454.48	\$ 376,198.86
Collateralized by securities held by pledging bank in the bank's name	71,362.37	73,322.39
Uninsured and uncollateralized	-	-
Total Deposits	<u>\$ 444,816.85</u>	<u>\$ 449,521.25</u>

**C. Compensated absences**

The authority is not currently liable for any compensated absences.

**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 and Choice Staffing, which are third party providers.

**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 (general, 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.

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the Fiscal Year Ended June 30, 2014**

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**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

**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. As of May 2015, this person has been arraigned and was in jail.

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**For the Fiscal Year Ended June 30, 2014**

**SUPPLEMENTARY INFORMATION**

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**Schedule of State Assistance**  
**For the Fiscal Year Ended June 30, 2014**

**Litter Control Grant**

Revenues:

Grants received	\$	1,000.00	
Interest earned		-	
Total revenues			1,000.00

Expenditures:

Litter Control Expense		1,000.00	
Total expenditures			1,000.00

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

Revenues:

Grants received	\$	10,000.00	
Transfers into account		281.40	
Interest earned		4.51	
Total revenues			10,285.91

Expenditures:

Grant expenses		14,034.68	
Total expenditures			14,034.68

Excess (deficiency) of revenues over expenditures			(3,748.77)
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Grant balance at beginning of year			6,253.07
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Grant balance at end of year			\$ 2,504.30
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**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**Schedule of State Assistance**  
**For the Fiscal Year Ended June 30, 2014**

**REAP RECYCLING GRANT**

Revenues:

Grants received	\$	50,300.00	
Refund		45.02	
Interest earned		<u>98.76</u>	
Total revenues			<u>50,443.78</u>

Expenditures:

Grant expenses		<u>119,478.07</u>	
Total expenditures			<u>119,478.07</u>

Excess (deficiency) of revenues over expenditures			(69,034.29)
Grant balance at beginning of year			<u>69,018.94</u>
Grant balance at end of year			<u>\$ (15.35)</u>

**SWMB Grant**

Revenues:

Grants received	\$	-	
Interest earned		<u>0.73</u>	
Total revenues			<u>0.73</u>

Expenditures:

Grant expenses		<u>9,973.59</u>	
Total expenditures			<u>9,973.59</u>

Excess (deficiency) of revenues over expenditures			(9,972.86)
Grant balance at beginning of year			<u>9,973.27</u>
Grant balance at end of year			<u>\$ 0.41</u>

**BERKELEY COUNTY SOLID WASTE AUTHORITY**  
**For the Fiscal Year Ended June 30, 2014**

**INDEPENDENT AUDITOR'S 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**

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**INDEPENDENT AUDITOR'S 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, 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, the basic financial statements of the Berkeley County Solid Waste Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated July 6, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*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 Board's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

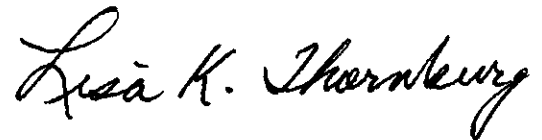
### **Compliance and Other Matters**

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 as opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Lisa K. Thornburg". The signature is written in a cursive, flowing style.

Lisa K. Thornburg, CPA

July 6, 2015